2017

Sustainability Report

Statoil

LETTER FROM OUR CEO

Dear stakeholders

In 2017 we presented our strategy: always safe, high value, low carbon, and we set clear ambitions for the future. Statoil is now a stronger, more resilient and more competitive company.

The safety of our people and integrity of our operations is our top priority. Over the past decade we have steadily improved our safety results. Following some negative developments in 2016, we reinforced our efforts, and last year we again saw a positive development. For the year as a whole, our serious incident frequency came in at 0.6. We will use this as inspiration and continue our efforts. The "I am safety" initiative, launched across the company is an important part of these efforts.

Statoil has created substantial value and contributed to the development of society for almost 50 years. Today we supply energy to millions of people, every day. To be successful in the coming decades, we must be part of the response to the great challenges facing the world. We will therefore continue turning natural resources into energy for people and sustainable progress for the society we are part of.

The global energy markets are facing major changes. Statoil believes this to be an opportunity. We aim to help drive the important changes the world needs: more climate-efficient oil and gas production and strong growth in profitable renewable energy. We will develop our business in support of the ambitions of the Paris climate agreement. We are inspired and guided in our activities by the United Nation's Sustainable Development Goals, and our commitment to long-term sustainable value creation is in line with the principles of the United Nation's Global Compact.

In Statoil we believe the winners in the energy transition will be the producers that can deliver at low cost and with low carbon emissions. We believe there are attractive business opportunities in the transition to a low-carbon economy.

We prepare for continued volatility in our markets. Last year we improved our cash flow and generated USD 3.1 billion in free cash flow, tripled adjusted earnings to USD 12.6 billion, and net operating income was to USD 13.8 billion. Statoil's portfolio continued to improve its robustness in 2017 achieving a breakeven oil price of USD 21 per barrel for next generation projects.

CO_2 emissions from our oil and gas production were reduced by 10% per barrel last year. In the autumn of 2017 we started production from the Dudgeon windfarm and the floating Hywind windfarm. Statoil will continue its journey from a focused oil and gas to a broad energy company. A new Climate roadmap explains our ambitions for further improvement and a sustained industry leadership. It is a platform, and an invitation, to work with us to realise our vision of shaping the future of energy.

Eldar Sætre
President and Chief Executive Officer
Statoil ASA

STATOIL AT A GLANCE

OUR HISTORY

Statoil was founded as Den Norske Stats Oljeselskap AS, the Norwegian State Oil company in 1972. Statoil became listed on the Oslo Børs (Norway) and New York Stock Exchange (USA) in June 2001. Statoil merged with Hydro's oil and gas division in October 2007.

Statoil is an international energy company present in more than 30 countries around the world, including several of the world's most important oil and gas provinces. Our headquarters is located in Stavanger, Norway and we have 20 245 employees worldwide. We create value through safe and efficient operations, innovative solutions and technology. Statoil's competitiveness is founded on our values-based performance culture, with a strong commitment to transparency, collaboration and continuous efficiency improvements.

The board of directors of Statoil have proposed to change the name of the company to Equinor. The new name supports the company's strategy and development as a broad energy company. The suggested name change will be proposed to the shareholders in a resolution to the annual general meeting on 15 May 2018.

OUR VISION

Our vision rests on three pillars: Competitive at all times, transforming the oil and gas industry and providing energy for a low-carbon future.

OUR STRATEGY

Statoil is an energy company committed to long-term value creation in a low carbon future. Statoil will develop and maximise the value of its unique Norwegian continental shelf position, its international oil and gas business and its growing new energy business; focusing on safety, cost and carbon efficiency. Statoil is a values-based company where empowered people collaborate to shape the future of energy.

OUR VALUES

Our values embody the spirit and energy of Statoil at its best. They help us set direction and they guide our decisions, actions and the way we interact with others. Our values express the ideals we strive to live up to every day. Statoil's values are: Open, Collaborative, Courageous and Caring.

OUR ACTIVITIES

Statoil is engaged in exploration, development and production of oil and gas in addition to renewables. We are the leading operator on the Norwegian continental shelf and have substantial international activities. We sell crude oil and is a major supplier of natural gas. Processing, refining, offshore wind and carbon capture and storage is also part of our operations. Our activities are managed through eight business areas, staffs and support divisions and we have operations in both North and South America, Africa, Asia, Europe and Oceania, as well as in Norway.

OUR SHAREHOLDERS

The Norwegian State is the largest shareholder in Statoil, with a direct ownership interest of 67%. Its ownership interest is managed by the Ministry of Petroleum and Energy. USA investors hold 11%, Norwegian private owners hold 8%, other European investors hold 8%, UK investors hold 3% and others hold 2%.

ABOUT THE REPORT

Our sustainability report has been prepared with reference to the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines, including the Oil and Gas Sector Supplement.

Reference has also been made to the global oil and gas industry association for environmental and social issues (IPIECA) Oil and Gas Industry Guidance on Voluntary Sustainability Reporting.

This report has been externally assured by KPMG. The external assurance concludes that the report is presented in all material respects, in accordance with the GRI G4 Sustainability Reporting Guidelines "core" reporting level.[1]

We regard this report to be our Communication on Progress to the United Nations Global Compact (UNGC). In our opinion, we meet the requirements for the UNGC advanced reporting level.

In this report, we describe our business activities in the context of our sustainability performance and our contribution to sustainable development. This includes outlining some of the challenges, opportunities and dilemmas we face as we balance the expectations of our stakeholders and business, social, economic, environmental and climate needs.

We have structured this report on the basis of our sustainability priorities, providing a brief outline of the business context and our strategic response and an overview of our actions and performance.

Information on our approach to sustainability and how we work to manage our material issues, is available on our corporate website.

Our sustainability performance data are presented in the appendices to this report and can be viewed and downloaded from our sustainability data hub.

Sustainability stories featuring activities from across Statoil are also available on our corporate website.

[1] The independent assurance report, outlining the conclusion, is included in the Appendices

FIND OUT MORE

OUR APPROACH

For information on how sustainability is integrated into our business strategy and daily work please follow the links below

THE STATOIL BOOK

SUSTAINABILITY

OUR DATA

For access to our sustainability performance data for 2017 and previous years please follow the links below

SUSTAINABILITY DATA HUB

OUR REPORTS

For access to our annual financial, sustainability, CDP and energy perspectives reports for 2017 and previous years please follow the links below

INVESTOR CENTRE

OUR STORY

For further information on how our sustainability performance is enabling implementation of our business strategy visit our story hub and follow us on social media

SUSTAINABILITY STORIES

FEEDBACK

We welcome your feedback. Please use the e-mail and social media channels linked below for comments and questions

YAMMER (FOR STATOIL EMPLOYEES)

TWITTER @STATOIL

SUSTAINABILITYREPORT@STATOIL.COM

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01 SHAPING THE FUTURE OF ENERGY

01

SHAPING THE FUTURE OF ENERGY

Turning natural resources into energy for people and progress for society

IMPLEMENTING OUR SHARPENED BUSINESS STRATEGY

The oil and gas industry has been through challenging times in the past years. Statoil has emerged with a reduced cost base and the capacity to invest in new growth opportunities.

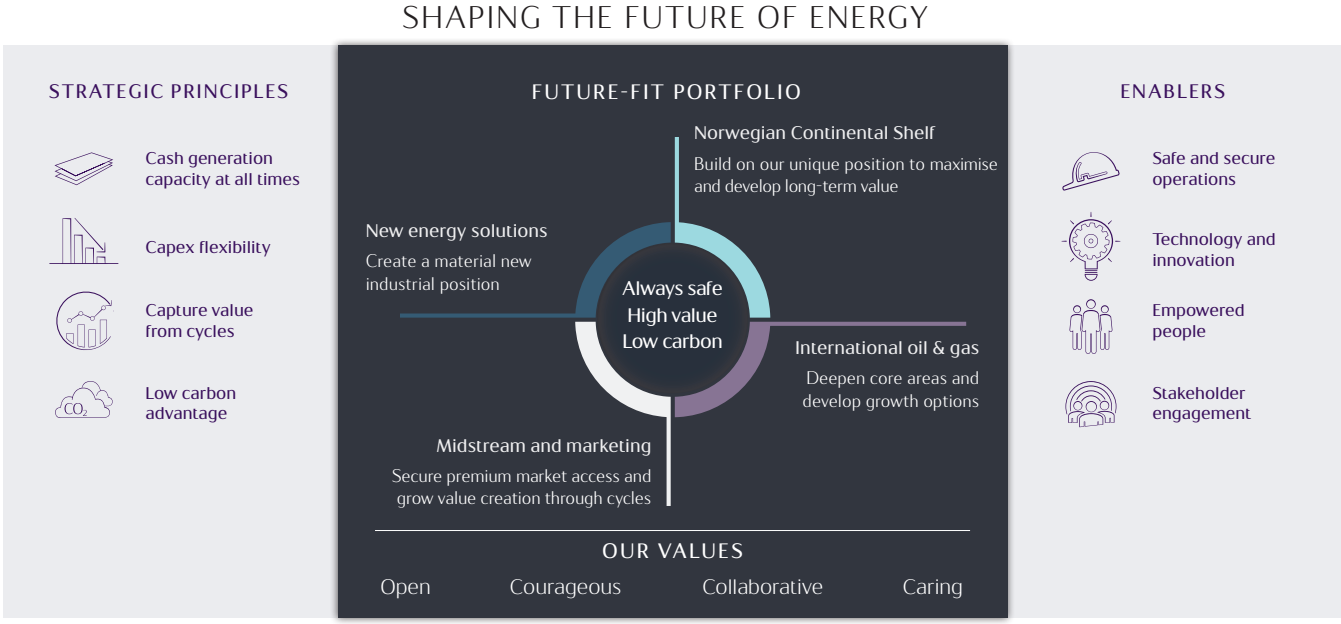
Our sharpened business strategy, launched in February 2017, describes the development of Statoil from a focused oil and gas company to a broader energy company. We are responding to the world's need for energy with more carbon-efficient oil and gas production and growth in profitable renewable energy.

Our strategy is to position ourselves as an energy company committed to long-term value creation in a low carbon future. It can be summarised as: "Always safe, high value and low carbon".

During 2017 we have focused on translating our sharpened business strategy into concrete actions, focusing on three important areas:

- We will produce oil and gas that the world needs competitively and with lower greenhouse gas emissions
- We will grow significantly within new energy solutions and expect to invest around 15-20% of our annual capital expenditure (capex) in new energy solutions by 2030
- We will actively test the resilience of our business to ensure that we are competitive in a low-carbon future

Statoil's Climate roadmap affirms our commitment to a sustainable energy future. Creating a successful energy business in a low-carbon world, in support of the ambitions of the Paris climate agreement, will require collaboration with our peers, suppliers and customers. Statoil's participation in the Oil and Gas Climate Initiative (OGCI) and the stepping up of our investment in new energy will allow us to shape a low-carbon future.



How is Statoil embracing the energy transition?

Reduction in CO_2 intensity in our oil and gas portfolio – Oil and gas will remain part of the future energy mix, and the transition to a low-carbon economy will drive us to reduce the total carbon intensity of our oil and gas portfolio. We have already taken steps in this direction. We are actively looking for new resources, both in Norway and internationally, with all investment decisions now including the impact on our portfolio carbon intensity as an assessment criterion, along with a carbon price.
We are also looking at innovative ways to optimise production from our maturing oil and gas fields on the Norwegian continental shelf while minimising the carbon intensity and environmental impact.

Growth in new energy solutions - The energy transition opens up a wide range of new opportunities for Statoil as we aim to build a material position in low carbon energy solutions, where Statoil expect to invest 15 to 20% of CAPEX by 2030. In 2017, we took over operatorship and started operations at three UK offshore wind farms, delivering our first electricity from the Dudgeon wind farm in the UK and took our first step into solar power in Brazil. We continued to explore an integrated approach to renewable investments across the portfolio, including pursuing innovative research and pilot projects in the fields of carbon capture and storage, and hydrogen value chains.

Innovation - We know that innovation is crucial in our daily operations. We have made changes to our corporate organisational structure and strategic plans to enable better cooperation between business areas. We have also created a Corporate Innovation Unit with the mandate to reach outside of Statoil to accelerate new thinking and the adoption of new and promising approaches.

Digitalisation - We have stepped up investment in digitalisation to support the automating of processes and decision-making in operations and risk management. We see digitalisation as an enabler for increasing efficiency, improving production, raising our safety performance and opening up new business opportunities. In 2017, we launched a Digital Centre of Excellence combining experts with digital skills and operational backgrounds to identify and implement business-driven digitalisation programmes. We also created a Digital Academy providing training for Statoil employees on software automation, virtual reality and IT security.

Roberta - our digital helper

Statoil has digitalisation initiatives both underway and planned. In 2017, we launched an integrated operations centre for US onshore operations, providing an easy-to-use dashboard of all maintenance, production and safety data. A similar centre will open for the Norwegian continental shelf in 2018. Other pilot projects started in 2017 focused on improving safety risk management by automatically integrating data from several systems, comparing the performance of different units, and predicting spills in onshore wells by using data from sensors.

Automated drilling? There's an app for that

OUR SUSTAINABILITY PRIORITIES

Through the implementation of our sharpened strategy Climate change considerations have been further embedded in our corporate strategy and decision-making. We have also defined safe and secure operations, empowered people, and stakeholder engagement as key enablers of our sharpened corporate strategy, along with technology and innovation.

The sustainability issues that we prioritise reflect our value chain, the business context we face and the strategy we are pursuing. Our corporate values, code of conduct, commitments and corporate strategy guide our understanding and responses to these. These are outlined in the Statoil Book available on our corporate website.

The sustainability issues are prioritised according to their importance to our stakeholders and how they could impact Statoil's ability to deliver its strategy, recognising that our stakeholders may have differing priorities and perspectives.

We validate the prioritisation annually with internal stakeholders, our assurance provider KPMG and our Board of Directors safety, sustainability and ethics committee (BoD SSEC).

The broad categories for our material issues tend to be consistent from year to year.

In 2017, climate-related business risk, Statoil's role in the low carbon energy transition and job creation remained prominent issues. Concerns over our exploration activities in the Barents Sea persisted. Work force diversity, in particular gender diversity, gained greater prominence.

Our sustainability priorities

OUR STAKEHOLDERS

Our Employees and contractors
Shareholders and investment community
Community organisations and NGOs
Industry peers and associations
Our suppliers
Communities
Thought leaders
Labour unions
Our business partners
Students
Governments and regulators
Customers/Product users

SHAPING THE FUTURE OF ENERGY	Our sharpened corporate strategy Statoil's role in the energy transition Energy access
SAFEGUARDING PEOPLE, THE ENVIRONMENT AND ASSETS	Safety performance and culture Health and working environment Personal and process safety Physical, personal and cyber security
CONDUCTING OUR BUSINESS WITH INTEGRITY AND TRANSPARENCY	Revenue & tax transparency Payments to governments Ethics and anti-corruption compliance Access to remedy
RESPONDING TO CLIMATE CHANGE	Low carbon energy transition Climate-related business risk governance and disclosure Use of our products
MANAGING OUR ENVIRONMENTAL IMPACT	Environmental performance Operating in sensitive areas Offshore wind Freshwater use
CREATING VALUE FOR SOCIETY	Direct economic contributions Job creation Use of our products Employment and people development Workforce diversity Energy access
RESPECTING HUMAN RIGHTS	Labour rights and working conditions for our workforce and in our supply chain Workforce diversity Access to remedy Human rights in communities Human rights in security arrangements

The United Nations Sustainable Development Goals (SDGs) – Statoil supports the SDGs. We share the view that business has a key role to play in the implementation of the United Nations 2030 Agenda for Sustainable development, which will be delivered through the global efforts to realise the 17 SDGs that lie at its core.

We recognise that our activities will contribute to, benefit from and face constraints from, the implementation efforts and the eventual outcomes achieved. However, as a global energy provider, we have a particular contribution to make to the delivery of three of the 17 SDGs:

- SDG 7: Ensure access to affordable, reliable, sustainable modern energy for all
- SDG 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
- SDG 13: Take urgent access to combat climate change and its impacts

Our climate roadmap outlines how Statoil will support the ambitions of the Paris climate agreement and how we contribute to SDG 7 and SDG 13 and their associated targets.

We contribute to SDG 8 and the associated targets, through the way we operate.

We understand the central role that effective partnership and collaboration (SDG 17) will play in the delivery of the scale and pace of the efforts needed to deliver on this ambitious agenda, and this is reflected in the way we are managing our material sustainability issues.

Recognising the growing expectations on business to communicate their role in the delivery of the SDGs we will continue to review our current reporting practices, with reference to emerging guidance on SDG reporting.

OPERATING RESPONSIBLY

A description of our current business activities and our value chain, including where in the world we have a presence and key changes made to our portfolio during 2017, can be found in our 2017 Annual Report and Form 20-F and on our corporate website.

Our approach to sustainability management is integrated into our overall management system, which includes our policies and requirements, operating model and governance.

Information on our approach is available on our corporate website. This includes a description of how we manage each of the material issues identified in the materiality assessment.

We have provided below an overview of our sustainability governance, and corporate level sustainability management priorities and corporate executive officer (CEO) performance incentives for 2017 and 2018.

Sustainability governance

The corporate executive committee (CEC) and Statoil ASA board of directors (BoD) review and monitor sustainability issues, including climate-related business risks and opportunities.[2]

Enterprise risk management updates are held with the BoD each year. Sustainability related risk factors and risk issues and climate-related business risks and opportunities are addressed in these discussions. Other responsibilities of the BoD include the approval of the Annual Report and Form 20-F and the annual UK Modern Slavery Act statement. The CEO approves the Annual Sustainability Report.

The BoD safety, sustainability and ethics committee (BoD SSEC)[3] assists the BoD in its supervision of the company's sustainability policies, systems and principles. This includes two reviews per year of sustainability risk factors and risk issues; regular reviews of sustainability performance; the review of the sustainability reporting strategy and materiality assessment; and the review of the draft sustainability reporting products.

Executing the company's sustainability ambitions is a business line responsibility, and sustainability issues are regularly discussed by the corporate executive committee (CEC).

The function heads have responsibility for setting the corporate strategic direction and reporting on performance at group level to the CEC and the BoD. The functions responsible for sustainability issues include corporate safety and security, corporate people and leadership, legal and corporate sustainability. The corporate sustainability function is responsible for human rights, climate (including climate related business risks), environment and social issues.

[2] More information about the role of the BoD is available in Section 3.9 The Work of the Board of Directors in the Annual Report and Form 20-F
[3] A more detailed description of the objective, duties and composition and instructions for the BoD SSEC are available on our corporate website

Corporate sustainability performance indicators and incentives

Assessment of the reward for the CEO's business delivery - Overall performance for the CEO is assessed against a broad set of strategic objectives, KPIs and targets from across five perspectives: people and organisation; health, safety and environment (HSE); operations; market and finance. The assessment also considers changes in assumptions and the sustainability of the delivered results.

This is outlined in the statement of remuneration that is included in the 2017 Annual Report and Form 20-F, available on our corporate website.

In 2017, the assessment of the reward for his delivery, within the HSE perspective, was based on the targets set for two of the corporate level key performance indicators (KPIs): total serious incident frequency (SIF) and CO_2 intensity for the upstream oil and gas portfolio. The targets set in 2017 were 0.6 (number of incidents per million hours worked) for total SIF and to be within the top quartile of the International association of oil and gas producers (IOGP) benchmark[4] for CO_2 intensity of our upstream oil and gas portfolio.

The corporate level strategic objective, KPIs and results for 2017 for the HSE perspective are presented in the table below.

The key actions identified to deliver on the corporate level HSE KPIs included: further clarification of safety expectations throughout the company; defining safety leadership; undertaking independent safety verifications; quality assessment of safety and security assurance plans; and implementation of Statoil's Climate roadmap. The progress on delivery for these actions is presented in the chapters on *Safeguarding people, communities and assets* and *Responding to climate change*.

For 2018, Statoil will continue with the same corporate level KPIs for the HSE perspective. The target for CO_2 intensity will remain the same as for 2017. The new target set for total SIF for 2018 is 0.5 (number of incidents per million hours worked).

Corporate level HSE perspective 2017	
Strategic objective: An industry leader in safety, security and carbon efficiency	
KPIs	**Results [1]**
CO_2 intensity for the upstream oil and gas portfolio (kg CO_2 per boe)	9
Total recordable injury frequency (TRIF) (number per million hours worked)	2.8
Total serious incident frequency (SIF) (number per million hours worked)	0.6
Oil and gas leakages with a leakage rate ≥ 0.1 kg per second (number)	16

[1] For SIF, TRIF and oil and gas leakages the colour and shape coding reflects the value over the last 12 months: green square: ≤ target; yellow diamond: < target +10%; red circle ≥ target +10%

[4] Source: IOGP Environmental performance indicators report (IOGP members annual report). The reporting is lagging one year, so that Statoil's performance in one year is measured against the benchmark for the preceding year

02 SAFEGUARDING PEOPLE, THE ENVIRONMENT AND ASSETS

02

SAFEGUARDING PEOPLE, THE ENVIRONMENT AND ASSETS

Strengthening our safety and security culture

BUSINESS CONTEXT AND OUR STRATEGIC RESPONSE

Statoil has an ambition to be an industry leader in safety and security in the energy industry. Our sharpened business strategy, launched at the start of 2017, identifies safe and secure operations as a key enabler for its implementation. It also articulates the ambition "Always safe" as one of three strategic pillars.

We have always taken pride in our commitment to continuously improve our safety performance, but in 2016 we saw signs that for our core oil and gas activities it was no longer improving. We responded with a comprehensive review of our performance and the introduction of a series of targeted initiatives intended to improve work processes and technical maintenance, while embedding a safety and security mind-set at all levels across the company.

As Statoil internationalises and diversifies its portfolio, we are entering new countries and new activities that present a different set of safety and security risks that we need to manage. This has required us to also apply our safety principles in offshore wind and solar energy activities and build them into the foundation of our international operations. We are intensifying initiatives to work with suppliers to establish common safety and security standards. We are also looking at the potential of digitalisation and automation to improve safety in our operations.

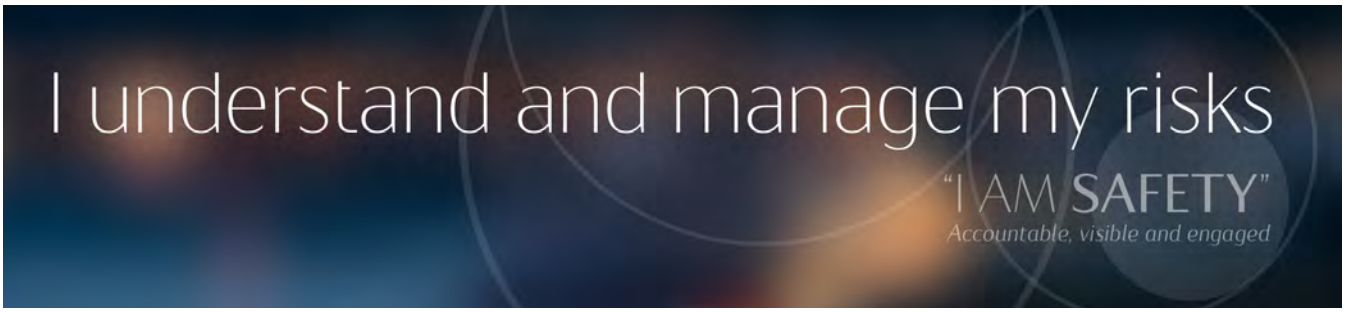
The security threat landscape has evolved significantly since we launched our five-year security roadmap in 2015. The threat of targeted attacks and violence remains high in some locations, but there has been an increase in non-targeted terror attacks in European cities, in natural disasters like Hurricane Harvey, and in cyberattacks threatening both industrial facilities and information security. In 2017, we reshaped our security organisation to handle these threats better and introduced additional initiatives on digital threats to our people, assets and information.

OUR ACTIONS

In 2017, we have worked on a wide range of initiatives intended to bring a step change in our safety performance. These were developed on the basis of our analysis of serious incidents that took place from 2013 to 2016.

In 2017, we launched the "I am safety" initiative, directed at strengthening the personal commitment to safety by increasing engagement, visibility and awareness of relevant safety and security factors. Under this framework, we are now introducing many specific initiatives to ensure all employees understand the role they play. These range from implementing the lifesaving rules defined by the International Association of Oil and Gas Producers (IOGP) to raising awareness that each individual has the right to stop ongoing activities if he or she sees a problem.

Making safety personal



Safety

Hydrocarbon leaks taskforce – In order to reduce hydrocarbon leakages in our operations, Statoil is working on extracting the learnings from our best performers and challenging the others to imitate their practices, rise to their standards and introduce new initiatives. Areas of improvement include the installation of infrared cameras to detect diffuse gas leakages, the closure of the whole plant if any part registers the lowest grade on technical integrity and training for managers on how to hold a safety compliance conversation with their team.

Safety verifications – For certain selected areas we have appointed independent teams of experts, who help the accountable unit to identify solutions and improvement measures. Introduced in 2016, this programme has now become part of the standard safety assurance programme.

Self-evaluation – Operators regularly evaluate how they perform according to written work processes and drawings. The findings help them to identify errors and gaps in their knowledge of processes and are analysed for trends by management every six months. This programme has improved knowledge of processes and is now embraced as a core part of safety procedures.

Technical integrity management – In 2017 we gave special attention to management of corrosion in our Norwegian offshore and onshore operations. We integrated our corrosion management programme into the technical integrity management system in order to create an explicit link to our total risk management. The focus on corrosion will continue in 2018, with added efforts towards internal corrosion and vibration.

Number of leakages halved at Mongstad

Barrier management – Statoil has not had a serious ignited hydrocarbon leak in Norway since the 1990s. That is largely due to good technical barrier management that detects leaks, isolates ignition sources and shuts down operations when necessary. Nevertheless, the number of leaks is still too high. Norway's Petroleum Safety Authority (PSA) revised its offshore barrier memorandum in 2017 to include operational and organisational barrier requirements. In response, we have conducted a pilot test on the Kvitebjørn offshore platform on the Norwegian continental shelf (NCS), and will roll out new training and safety-critical processes at other platforms. Statoil has worked closely with PSA in the past few years to improve our barrier management.

Emergency preparedness and response

We have established a global support unit that provides services within emergency preparedness and response, including appropriate training and exercises at all organisational levels across the company. This unit was responsible for coordinating the week-long emergency response exercise conducted in Bergen, during 2017, to test our response to a potential loss of well control situation, ahead of our drilling activities in the Barents Sea. A similar exercise was undertaken in 2016 in Aberdeen to prepare for operations for the Mariner field. In 2018, we plan to arrange an emergency response exercise in Rio de Janeiro in preparation for the expansion of our offshore activities in Brazil.

Health and working environment

In 2017, Statoil took a more proactive approach to identifying and tackling health and working environment related risks. Leveraging a risk management tool introduced in 2016, we categorised industrial risks such as chemical exposure, ergonomics and noise by risk factor, type of operations, assets and group of employees. This has allowed us to better assess and prioritise risks around benzene exposure, target actions more effectively on ergonomic risks and provide more innovative solutions around noise. Managing the working environment represents a key aspect of safety leadership.

Sickness absence - In 2017, we conducted in-depth analysis of the sickness absence and work-related illness data for our Norwegian activities to understand whether there was a causal

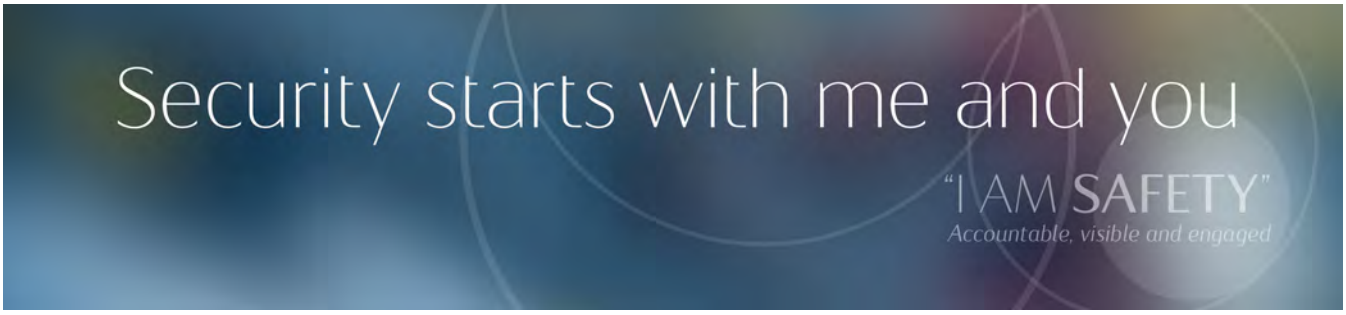
link between the gradual increase in sick leave and work-related factors. This analysis showed no correlation between sickness absence and work-related illness, which, has an overall declining trend. We will continue to focus on the improvement of psychological, social and organisational factors at work – viewing the work environment as an enabler for business value through impact on health, safety and efficient operations.

Benzene exposure - In October 2017, the European Chemicals Agency responded to research showing the heightened cancer risk caused by even low level and short-term exposure to benzene. It recommended that countries reduce occupational exposure limits for benzene by a factor of ten for long-term exposure and five for short-term exposure. We are enhancing our control of exposure and systematically reducing the exposure towards lower levels.

Statoil is currently in the process of renewing our mapping of offshore exposure to benzene. The mapping will be completed in early 2018, but we have already seen that we need to further improve governance systems, the ease of measuring benzene and knowledge and awareness about risk and the efficacy of protective equipment as a barrier. We have drawn up a 2020 Benzene roadmap that will be implemented from 2018.

Intelligent hearing protection

Digital sensors to prevent back aches



Security

Following the 2013 terrorist attack at one of the Statoil joint ventures in Algeria, the company launched a major global programme aimed at strengthening security risk management capability. By 2015 significant improvements in security capability and culture were delivered. Conscious that there was still room for improvement, a 2020 security roadmap was developed. The roadmap covers the three disciplines of physical, personnel and cyber security.

Physical and personnel security - As part of our improvement programme, we implemented a new security organisation in 2017 designed to increase efficiency and effectiveness of security delivery. This resulted in improved security support and a notable improvement in standardisation and simplification. In 2018, we will continue our focus on security awareness and competency development while driving progress in our holistic approach to security risk management.

We have established a "security on duty" role which ensures 24/7 security advice and support to crisis managers. With terror attacks across many countries where Statoil has a presence, the company has undertaken training on how to mobilise and respond to these incidents.

Cyber security - In 2017, we launched a new information technology strategy, focusing on safeguarding people, assets and information against digital threats. We receive approximately 200 million emails a year, out of which 15% are forwarded to the addressee, while the remaining 85% is blocked due to malicious intent. The convergence between industrial control systems and information technology increases our vulnerability to cyberattacks.

We have focused on improving governance, technology and awareness this year, recognising that the cost of investing in prevention and detection is just a fraction of the cost of recovery from a successful attack:

- **Governance** – we have shifted to international standards organisation (ISO) governance standards to ensure we have a common approach and vocabulary and to facilitate working with external vendors and partners to defend against cybersecurity threats
- **Technology** – we continuously improve our technical defences, adding new controls where needed and improving those we already have. We have improved our data analytics, analysing 30,000 events per second to identify unusual patterns
- **Awareness** – we added a cybersecurity pillar to Statoil's general security awareness campaign. We worked with a specialist cyber-awareness training company to develop a new approach to helping people identify and respond correctly to sophisticated phishing campaigns. In 2018, we will implement this approach and roll out targeted and frequently updated e-learning on information security and cyber security, ensuring that employees understand the risks and can identify cyberattacks
- **Plant cybersecurity** - In 2017, an internal taskforce identified measures for managing plant cybersecurity and we are now implementing the 100 plus recommended actions. This work will continue in 2018

Building partnerships and engaging with stakeholders

Independent review of safety in the Norwegian oil and gas industry - At the request of the Norwegian Parliament a working group was set up by the Ministry of Labour and Social Affairs in November 2016 to assess health, safety and working environment conditions and trends in the Norwegian petroleum industry. This working group, made up of the trade unions,

the government, industry representatives (including Statoil) and independent experts, was set up in response to concerns among Norwegian stakeholders over safety challenges and serious conditions arising in the past few years. The working group produced a report in September 2017 making specific recommendations for continuous improvement, but supporting the overall approach of regulators, the industry and the trade unions to ensuring safety. This report will be the basis for a white paper to be discussed in parliament in 2018.

The safety ambassador programme - Established for the construction yards in South Korea at the beginning of 2016, has now been rolled out across the Statoil's project development portfolio. The programme provides training for Statoil employees on safety best practices/ "non-negotiables" in order to prevent unsafe behaviour and activities at construction sites. Even with the high activity and complexities of changes in contractor personnel in Korea, there is evidence that the programme helped to support a step change in safety performance for work on Statoil's projects: Mariner, Aasta Hansteen and Gina Krog.

The aiming high programme – When Statoil started up operations on the Peregrino field in Brazil in 2011, we introduced the "aiming high" programme to build a common safety culture with suppliers through workshops and training. Both the number of serious incidents (SIF) and injury rates (TRIF) have fallen significantly from 2011 to 2017. With Statoil's focus in Brazil expanding into two new exploration areas and into a solar plant, this supplier programme is being extended through the "I am safety" initiative.

Experience transfer for our Hywind Scotland operations - Hywind Scotland, which began operations in 2017, relies on a local contractor for the major part of the offshore work. Its workforce, although very experienced, was predominantly used to onshore work. Therefore, the local contractor personnel and experienced international offshore technicians were brought together to work throughout the offshore execution phase of the projects, in preparation for the operational phase. Hywind Scotland also draws on Statoil resources from our offshore oil and gas operations for a range of services from vessel support and emergency response to mooring chains and corrosion management.

OUR PERFORMANCE

Sustainability data hub

Serious incident frequency

We set a corporate level total serious incident frequency (SIF) target of 0.6 per million of hours worked for 2017. Our total SIF, including both potential and actual incidents, decreased in 2017, to 0.6 per million hours worked, compared to 0.8 in 2016. In 2017, we had no serious incidents with major accident potential.

Personal health and safety

In 2017, we experienced no accidents with fatalities.

We introduced a corporate level total recordable injury frequency per million hours worked (TRIF) target for 2017 of 2.7. TRIF increased to 2.8 in 2017, compared to 2.7[5] in 2016.

The total work-related illness (WRI) frequency has declined from 1.5[6] in 2016 to 1.2 in 2017. The number of work-related cases that result in medium to long-term impairment of health or ability to work, remained stable compared to 2016.

We use our annual Global People Survey (GPS)[7] to collate information from employees to inform our assessment of psychosocial risk. Questions in the survey cover factors that may impact the health of employees, such as work load, level of conflict, clarity of roles and responsibilities and support from leaders and colleagues. The results of the 2017 survey show that there is a clear overall improvement in the perception of work environment factors and how they impact health. With a score of 75 (out of 100) in 2017 compared to 73 in 2016.

The sickness absence rate for our Statoil ASA employees continued to increase for a fourth consecutive year. However, it still remains relatively low compared to the national rate in Norway, at 6.5%. The rate for Statoil in 2017 was 4.6% compared to 4.3% in 2016.

Process safety

The corporate level target for oil and gas leakages (with a leakage rate ≥ 0.1 kg per second) in 2017 was 9. The actual number of serious oil and gas leakages in 2017 was 16, compared to 18 in 2016. None of the serious oil and gas leakages in 2017 ignited.

We experienced a 50% reduction (i.e. from 6 to 3) in the number oil and gas leakages in our onshore operations in Norway and Denmark compared to 2016. The number outside of Norway and Denmark remained at a similar level in 2017 as for 2016.

For the period 2012 to 2016 our performance showed a reduction in the number of oil spills per year. For 2017 the number of oil spills increased to 206 compared to 146 in 2016. The main contributor to this increase is our onshore activities in the US. Three initiatives have been mounted to reduce the number of leaks and spills: a programme to proactively identify and prevent leaks and spills; enhanced control of technical integrity before start-up/restart at facilities; and strengthening of suppliers' commitment through training and follow-up.

The total volume of oil spills decreased from 61 m^3 in 2016 to 34 m^3 in 2017. The largest spill was associated with the leak of 8 m3 of gasoil from a pressure relief valve at the Kalundborg refinery in Denmark, of which 5 m^3 was collected by secondary barriers. The spill has been mapped and evaluated by an independent consultant as required by the Danish Environmental Protection Agency, and found to have limited impact on the affected area.

No serious well control incidents were recorded in 2017.

[5] The TRIF for 2016 has been restated due to misreporting of man hours worked. It was previously reported as 2.9
[6] The WRI frequency for 2016 has been restated due to misreporting of man hours worked. It was previously reported as 1.6
[7] The GPS scoring methodology was changed in 2017. The questionnaire scale was changed from 1-6 to 1-10 and the reporting index was changed to 0-100. Historical scores have been converted to the new scale to enable trend analysis

Safeguarding people, the environment and assets

128 million hours worked in 2017

128 million hours worked in 2016 [1]

SERIOUS INCIDENTS

2017
Total serious incident frequency
(SIF - per million hours worked): **0.6**

2016 - 0.8

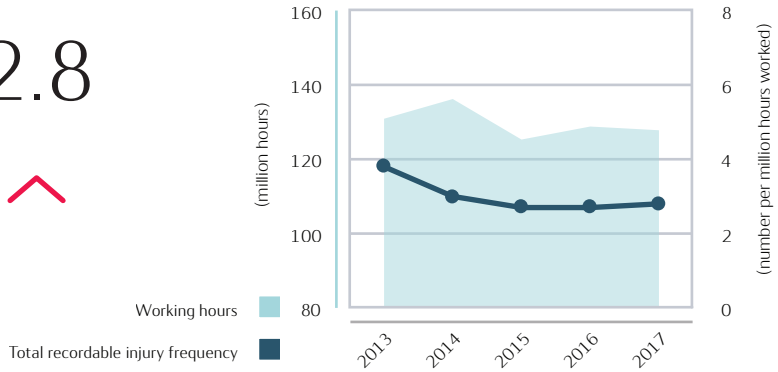
2017
Number of serious incidents with major accident potential: **0**

2016 - 3

PERSONAL HEALTH AND SAFETY

2017
Total recordable injury frequency
(TRIF - per million hours worked): **2.8**

2016 - 2.7 [1]



2017
Work related illness frequency
(WRI - per million hours worked): **1.2**

2016 - 1.5 [1]

PROCESS SAFETY

2017
Number of oil and gas leakages [2]: **16**

2016 - 18

2017
Number of accidental oil spills per year: **206**

2016 - 146

2017
Volume of oil spilled
(cubic metres): **34 m^3**

2016 - 61 m^3

[1] Restated 2016 data due to an error in reporting of hours worked. The updated frequencies also reflect re-classification of cases after the 2016 year end reporting deadline
[2] Oil and gas leakages with a leakage rate of ≥ 0.1 kg per second

03

CONDUCTING OUR BUSINESS WITH INTEGRITY AND TRANSPARENCY

03

CONDUCTING OUR BUSINESS WITH INTEGRITY AND TRANSPARENCY

A cornerstone of good governance

BUSINESS CONTEXT AND OUR STRATEGIC RESPONSE

With a global footprint and with new business development opportunities constantly being evaluated, 2017 has represented a year of continued focus on ethics and anti-corruption for Statoil.

Statoil has a zero-tolerance policy towards all forms of corruption, a policy which is embedded across the company through our values, code of conduct and anti-corruption compliance programme.

Statoil's anti-corruption compliance programme manual summarises the standards, requirements and procedures implemented to comply with applicable laws and regulations and maintaining our high ethical standards.

Training - Statoil provide regular training and instruction across the organisation to build awareness and understanding of our code of conduct and anti-corruption compliance programme. We also offer in-person workshops for those teams most likely to face integrity issues. Our workshops are often targeted and are designed to facilitate meaningful in-depth discussion on specific issues. This allows our experts and compliance officers to interact with the businesses on the challenges that the company may face and allows participants to ask questions that are specific to their work.

Statoil Brazil's anti-corruption training programme

Reporting and handling concerns - We expect anyone who becomes aware of a possible violation of our code of conduct, our policies, or applicable laws, to report their concern in a prompt and responsible manner. We require leaders to take their control responsibilities seriously to prevent, detect and respond to ethical issues.

Employees are encouraged to discuss concerns with their immediate supervisor or other leader, or use internal channels which are available to provide support.

Concerns may also be reported through our Ethics Helpline which is available 24 hours a day, and allows for two-way communication. The Ethics Helpline is structured to allow for anonymous reporting and is open to employees, our business partners and the general public. Statoil has a strict no-retaliation policy for anyone who reports in good faith.

Revenue transparency - We believe that through disclosure of payments to governments we promote accountability and build trust in the societies where we operate.

OUR ACTIONS

Anti-corruption compliance programme - In 2017, we have worked to update the Statoil anti-corruption compliance manual to reflect our evolving compliance programme. We continued to maintain a global network of compliance officers responsible for ensuring that ethical and anti-corruption considerations are integrated into Statoil activities no matter where they take place. In 2017, we worked towards strengthening support across the organisation through the deployment of senior corporate compliance resources to support regional activities.

Our biennial compliance forum in 2017 brought together local compliance officers from across the company along with other relevant internal stakeholders and external experts to share experience, under the theme "building a continued culture of compliance". We discussed key issues, and brought in external experts to speak on issues such as modern slavery and why employees make bad ethical decisions (ethical blindness), and also heard from several local compliance officers who provided updates on local developments.

Working with partners and suppliers - We seek to work with our partners and suppliers to ensure that ethics and anti-corruption are embedded in all of our business relationships. During 2017 we continued our interaction with suppliers and partners on ethics and anti-corruption, focusing on high-risk countries, and initiated dialogues with several of our partners on the risks that we jointly face and actions that can be taken to address them.

In 2017, we developed and implemented a stand-alone compliance appendix, for procurement contracts covering, inter alia, ethics, anti-corruption, sanctions and human rights clauses, thus allowing relevant compliance requirements to be captured in one place. We continued work on operationalising the vendor ethics and anti-corruption verification pilot programme that was

introduced in 2016. Going forward, we will continue with this pilot, assessing it in 2018.

The Ethics Helpline - We have taken measures to make the Ethics Helpline more visible in 2017, and raised awareness through training. To encourage continued use of the Ethics Helpline, we are reviewing the reporting and processing of concerns, to ensure confidence in the ethics helpline is maintained.

Payments to governments - We have reported our payments to governments on a country-by-country and project-by-project and legal entities basis since 2014.

The 2017 payments to governments report is integrated in the 2017 Annual Report and Form 20-F.

This reporting represents a core element of transparent corporate tax disclosure. In 2018, we will supplement this with the publication of our global tax strategy, made available on Statoil.com.

These disclosures are in line with our commitment to conduct our business activities in a transparent way.

Tax transparency

Building partnerships and engaging with stakeholders

Statoil believes in the value of collective action to actively promote anti-corruption and transparency.

Statoil has long standing relationships with the United Nations Global Compact Anti-Corruption Working Group, the World Economic Forum's Partnering Against Corruption Initiative, the Extractives Industries Transparency Initiative (EITI), Transparency International and Transparency International Norway.

During 2017 Statoil focused on promotion of anti-corruption and transparency through the following organisations.

Extractives Industries Transparency Initiative (EITI) - Statoil has been a supporter of the EITI for many years. Through both international board and committee representation, active participation in working groups and as an independent dialogue partner. Through this work we exchange experience and demonstrate our commitment to foster improved governance and greater transparency in our sector. In 2017, we were present in ten EITI-implementing countries: Colombia, Germany, Indonesia, Mexico, Myanmar, Nigeria, Norway, Suriname, Tanzania and the UK. In Norway, we actively took part in the national EITI multi-stakeholder group, and we also engaged with local and national organisations in several of the other implementing countries in which we were present. We provided USD 60,000 in financial support to the international EITI.

Transparency International - During 2017, we participated in a multi-stakeholder working group organised by Transparency International in preparation for its report "10 Anti-Corruption Principles for State-Owned Enterprises", that was published in November 2017.

OUR PERFORMANCE

Ethics Helpline

Sustainability data hub

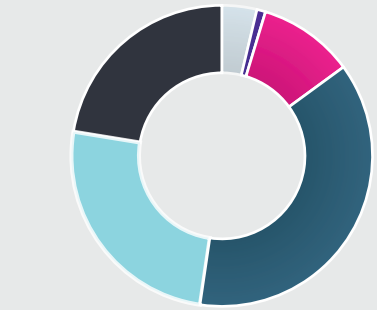
The number of cases received through the Ethics Helpline increased from 51 in 2016 to 107 in 2017. A contributing factor to the increase could be the promotion of the Ethics Helpline through training and communication efforts during 2017.

The number and types of cases from the Ethics Helpline are reported quarterly to the board of directors.

The cases received in 2017 included 24 reported concerns relating to harassment, discrimination and personal misconduct.

Harassment cases are followed up and investigated by Statoil's corporate audit team, which has been strengthened with a member with special competence in the investigation of harassment cases.

Ethics Helpline cases 2017 [1]
(number)



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

Training

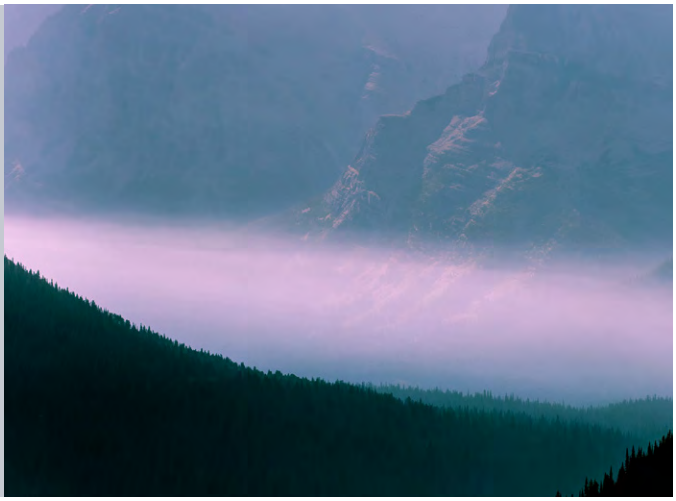
Our ethics and anti-corruption training efforts during 2017 included both general and targeted training sessions through a combination of e-learning and workshops. 867 people completed our ethics and anti-corruption e-learning programme, 503 completed our integrity due diligence e-learning, 280 completed our code of conduct e-learning, a total of 790 participated in either targeted or general anti-corruption workshops, and in total 549 people took part in and completed either sanctions, trade restrictions and competition compliance workshops and e-learning.

04 RESPONDING TO CLIMATE CHANGE

04

RESPONDING TO CLIMATE CHANGE

Creating a low carbon advantage



THE BUSINESS CONTEXT AND OUR STRATEGIC RESPONSE

The transition towards a low carbon economy is underway. Statoil aims to contribute to the reduction in the carbon intensity of energy consumed over the coming decades, by producing oil and gas with lower greenhouse gas emissions and by expanding into profitable renewable energy. We recognise that efficiency of energy production and use must be increased as energy demand is expected to grow.

We believe oil and gas will remain in the future energy mix, so exploration will be necessary as existing production is not sufficient to satisfy future demand. We aim to shape our portfolio to develop a high value, lower carbon portfolio that will be robust to future fluctuations in energy prices and higher carbon costs.

In 2017, we embedded our response to climate change into our sharpened business strategy. This outlines our ambitions for transforming Statoil into a broad energy company that is competitive in a low carbon economy.

Our strategic response to climate change is outlined in our Climate roadmap. The Climate roadmap explains how we will deliver on our strategic ambition to create a low carbon advantage and develop our business in support of the ambitions of the Paris climate agreement and of the United Nations sustainable development goals (SDGs) 7 and 13.

Our shareholders and the investor community are looking with greater scrutiny at climate change-related business risk. Since 2015, we have taken steps to address climate change-related concerns, through maturing our disclosure on climate-related business risk, including conducting sensitivity analysis of our project portfolio against the International Energy Agency's (IEA) energy scenarios.[8]

[8] As published in the IEA's annual 'World Economic Outlook' report

RESPONDING TO CLIMATE CHANGE

We aim to reduce the
carbon intensity
of our upstream oil and gas portfolio to
8kg CO_2/boe
by 2030

Aiming to achieve annual CO_2 emission reductions of
3 million tonnes
by 2030
compared to 2017

Industrial position in new energy
15-20%
of capex by 2030 [1]

By 2020 we expect
25%
of research funds to be devoted to new energy solutions & energy efficiency

[1] Indicative, based on potential future corporate portfolio

OUR ACTIONS

To implement our Climate roadmap, we have focused on three broad areas for our Statoil operated portfolio:

- realising a lower carbon oil and gas portfolio
- building an industrial position in new energy
- stress testing our portfolio and disclosure of climate-related business risk

We are also monitoring the carbon emissions and carbon intensity of our equity production and during 2017 we started work on outlining a plan of action for our international partner-operated activities.

Climate-related business risk and portfolio stress testing

Sharpened business strategy and climate roadmap - During 2017, we strengthened our management of climate-related business risk through embedding our response to climate change into our sharpened business strategy. We then worked on the implementation of our strategy across the organisation.

We launched and started implementation of our Climate roadmap, which outlines our strategic response to climate change, incorporating key metrics and targets. The implementation activities undertaken during 2017 are elaborated below.

Decision making – We worked this year on further embedding climate principles into our decision-making. This included the introduction of a corporate-wide requirement for the assessment of the carbon intensity and emission reduction opportunities for all potential projects and investments.

This requirement supplements the existing application of an internal carbon price of USD 50 per tonne of CO_2 to all potential projects and investments after 2020. In countries where the actual carbon price is higher than USD 50 (e.g. in Norway), we use the actual price and predicted future carbon price in our investment analysis.

Governance for climate-related business risk – The corporate executive committee (CEC) and board of directors (BoD) review and monitor climate change-related business risks and opportunities and address them in relation to investment decisions.

In 2017, the BoD specifically discussed climate-related issues in four of their eight meetings (including one enterprise risk management update). The BoD safety, sustainability and ethics committee (SSEC) discussed climate-related issues in each of their five committee meetings held in 2017.

Climate-related business risk management and disclosure – The climate roadmap serves to enhance our disclosure on climate-related business risks, in line with the recommendations put forward by the Financial Stability Board's Task Force on Climate-related Financial Disclosure (TCFD). Statoil believes that the disclosures made in our Annual Report and Form 20-F and this report are well aligned with the main principles outlined in the TCFD recommendations.

Statoil regularly assesses climate-related business risk, whether political, regulatory, market, physical or related to reputation impact, as part of the enterprise risk management process. This includes assessment of both upsides (opportunities) and downsides.

We use tools such as internal carbon pricing, scenario analysis[9] and sensitivity analysis of the project portfolio against various oil and gas price assumptions. We monitor technology developments and changes in regulation and assess how these might impact the oil and gas price, the cost of developing new assets and the demand for oil and gas and opportunities in renewable energy and low carbon solutions.

Our own energy scenarios describe possible energy futures. These inform our economic planning assumptions used in investment decisions and the formulation of our strategy. Our Energy perspectives reports illustrate that there is significant uncertainty around the future energy mix and the exact pace of the energy transition. We need to be resilient towards different energy futures and this is the intention of our sharpened strategy.

Climate-related business risk is regarded by Statoil as a risk factor since it is assumed to indirectly influence Statoil's cash flow risk via effects on revenues or cost. This relationship is integrated into our risk assessment of revenues and costs and corresponding actions. Statoil assesses risks on a regular basis, and in the short term the climate dimension is one risk factor influencing e.g. the oil, gas and carbon price assumptions.

Long-term climate-related business risks, so-called risk issues, comprise both immature issues and important risk factors that could influence Statoil's risks in the future. Risk adjusting actions are evaluated, decided and implemented as relevant.

An overview of climate-related risk factors is provided in the 2017 Annual Report and Form 20-F (Risk factors). A summary is provided in the table below.

[9] Source: Energy Perspectives 2017, Long-term macro and market outlook, Statoil, June 2017

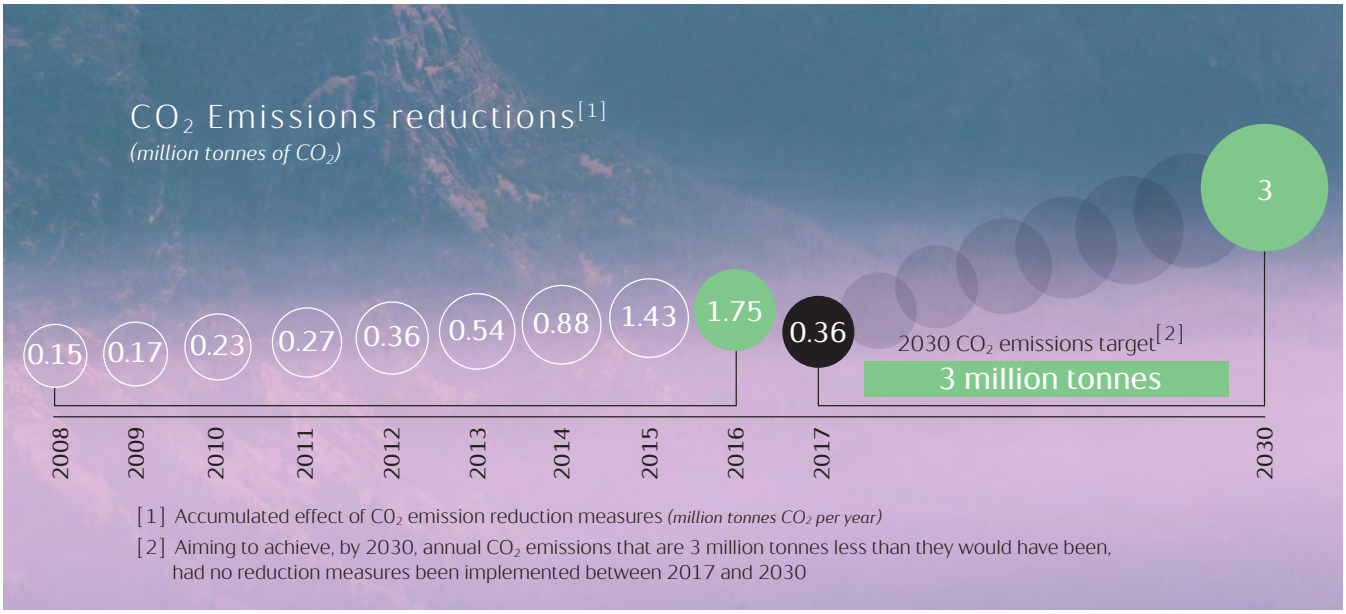
Climate-related risk factors	
Regulatory and policy	**Market and technology drivers**
· Regulatory changes and policy measures targeted at reducing greenhouse gas emissions, including e.g. air quality regulations, emission standards and fuel directives · National climate targets and ambitions in support of the Paris climate agreement · Carbon costs and taxes	· Total energy demand · Demand for oil and gas after 2030 · Development of low carbon solutions and battery technology · Cost-competitiveness of renewable energy · Changing consumer behaviour · Demographic changes and urbanisation · Subsidies for low-carbon solutions
Physical climate change[10]	**Reputational impact**
· Sea level rise · More frequent extreme weather events, changes in precipitation and other physical impacts that could impact our assets	· Talent attraction and retention · Licence to operate · Climate-related litigation

Portfolio stress testing – Statoil has, since 2015, published price sensitivity analysis for our project portfolio (equity production and expected production from accessed exploration acreage), against the assumptions regarding commodity and carbon prices in the energy scenarios of the International Energy Agency (IEA). [11] This analysis is used to inform the assessment of energy transition-related risks. This practice is in accordance with a shareholder resolution passed in 2015.[12]

The results of the 2017 stress test have been published in our Annual Report and Form 20-F and in the Our Performance section later in this chapter.

Realising a lower carbon oil and gas portfolio

Carbon dioxide emissions and intensity reductions – We have set corporate targets to reduce the carbon dioxide (CO_2) intensity, for Statoil operated assets, to 9kg CO_2 per boe by 2020 and 8kg per boe by 2030. The current level is around 9kg CO_2 per boe. Portfolio adjustments will play a key role in achieving the 2030 target. The exit from our oil sands activities in Canada[13] represents a significant contribution towards this corporate CO_2 intensity reduction target.



[10] The most relevant potential impact for Statoil is expected to be sea level rise. However, Statoil's facilities are designed to withstand extreme weather conditions, and emergency preparedness and response plans are required to cover extreme weather conditions. As such, physical climate risk is assessed to be a risk factor of relatively low significance for Statoil in a 2030 perspective, although there is significant uncertainty

[11] Source: Annual World Economic Outlook Report, International Energy Agency

[12] Statoil Annual General Meeting 2015, Shareholder proposal; Strategic resilience post 2035

[13] In 2016 Statoil signed an agreement to divest its 100% owned Kai Kos Dehseh (KKD) oil sands projects in Canada to Athabasca Oil Corporate, with an effective date for the transaction of 1st January 2018. We remained operator of record up until 31st January 2018. The transaction involved Statoil acquiring just below 20% of Athabasca's shares which is being managed as a financial investment

We have set a corporate target to achieve annual CO_2 emission reductions, for Statoil operated assets, by 3 million tonnes by 2030, compared to emission levels at the start of 2017.[14] These measures will also play a part in meeting our carbon intensity target. We will need a step-change in the development and implementation of technologies to supplement the systematic identification and implementation of reduction opportunities, to deliver on the emissions reductions needed to achieve this. We will achieve the target through continued energy efficiency measures and use of low carbon energy sources.[15]

Hammerfest LNG – reduced CO_2 emissions

Reduction in production flaring – In Norway, regulation combined with proximity to gas infrastructure have contributed to the relatively low levels of flaring in our upstream operations, compared to the industry average. Outside of Norway, we continued our efforts during 2017 to reduce production flaring in our US onshore operations.

We are working towards a 2020 upstream flaring intensity target of 2 tonnes of gas flared per 1000 tonnes of hydrocarbons produced (0.2% of hydrocarbons produced) for Statoil operated production. This was set in 2012 as part of our commitment to the Sustainable Energy for All global initiative. This compliments our corporate ambition to eliminate production flaring by 2030, in line with our commitment made through our participation in the Global Gas Flaring Reduction initiative that is coordinated by the World Bank Group. We are also committed to working actively to help achieve the same objective in our partner-operated assets.

In 2017, we reduced flaring volumes at our US onshore Bakken asset by around 6% compared to 2016 levels through coordination of our midstream and drilling operations. We continue to work together with neighbouring partners and technology providers to develop flaring reduction solutions. These will be delivered through the climate roadmap for our US activities.

Methane emissions – We experienced increasing attention from stakeholders, during 2017, regarding methane emissions, especially in the gas value chain, where methane leakages can effectively reduce the climate benefits of natural gas, compared to coal.

In 2017 we published the findings from a study that we carried out to examine methane emissions for natural gas from the Norwegian continental shelf delivered to customers in the UK and Germany.[16] The findings show that the methane emissions ratio was approximately 0.3%, significantly lower than the average for all gas consumed in the European Union of 0.6%.[17] They also show that approximately 90% of the emissions occur in transmission and distribution (i.e. downstream).

For Statoil's share of the natural gas delivered to customers in UK and Germany, the findings show that, for the combined upstream and midstream activities, the methane emissions ratio is 0.017%. This low level can largely be explained by the high focus on limiting methane emissions at offshore installations due to safety risk and the low gas leakage rate for subsea pipelines from Norway to the UK and Germany.

In 2017, we extended the use of infrared camera technology, that we are already using for our USA onshore and Norwegian continental shelf (NCS) assets, to our mid-stream facilities in order to understand and quantify the emissions and evaluate potential management options.

Measuring and reducing methane emissions from our US shale gas operations is a key priority for Statoil. For our Bakken asset, we completed during 2017, the upgrading of tank ventilation and flare systems to minimize leaks and ensure that flares can accommodate the tank vapours flowing to them.

We also added optical path laser spectroscopy (OPLS), a cutting-edge technology, to our suite of methane detection and repair measures for our USA shale gas operations. This has been used to establish methane baselines through detection and quantification of methane emissions from multiple sources. The methane sensor is mounted on a drone which enables assessment of individual leaks from specific equipment types as well as total emissions from an entire facility. The OPLS data collected in 2017 indicates that measured methane emissions are lower than the EPA Subpart W calculated emissions. Further work is ongoing to validate the methodology for reporting measured methane emissions at operations level in the USA.

During 2018 we will work on sharpening our ambition for the management of our methane emissions.

Drone detectives – helping to reduce methane emissions

Maritime emissions – The fleet of marine vessels supporting Statoil's operations includes approximately 90 tankers sailing at any given time and approximately 40-50 other marine vessels supporting our daily activities on the NCS.

Statoil has worked actively for many years to encourage carbon efficiency in the fleet of marine vessels working for us. For example, tanker owners are encouraged to maintain their registration in the Environmental Shipping index (ESI). Such updated registration provides the owners with benefits such as lower port and pilot costs, while at the same time driving improved environmental performance.

For the marine vessels supporting our daily activities on the NCS, Statoil has established minimal environmental performance standards that inform the requirements and incentives for the vessel owners. These include the requirement for registration in the ESI and other measures targeting carbon efficiency, ranging from green logistics to, use of alternative fuels and emissions reductions technology.

[14] Aiming to achieve, by 2030, annual CO2 emissions that are 3 million tonnes less than they would have been had not reduction measures been implemented between 2017 and 2030

[15] For our upstream operations in Norway and our Hammerfest liquified natural gas (HLNG) operations, our reduction targets, from November 2017, are framed by the so called Konkraft2 target. This is a collective CO2 reduction target that is shared with other oil and gas companies operating in Norway. Statoil's share of this target is 2 million tonnes annual reductions by 2030

[16] Source: Minimising greenhouse gas emissions, Greenhouse gas emissions of the Norwegian natural gas value chain 2016, July 2017, Statoil

[17] Source: Greenhouse gas intensity of natural gas, May 2017, Natural and bio-gas vehicle association (NGVA)

Statoil has also entered into several cross-sector collaboration forums with the objective of working towards achieving emissions reductions in maritime operations. These include Fuels Europe and Grønt Kystfartsprogram.

During 2018 Statoil will start work on creating a baseline of carbon dioxide and methane emissions from our maritime operations from which to assess an ambition level and develop a plan for future emissions reductions.

Green logistics

Building an industrial position in new energy

Statoil's New Energy Solutions division was set up in 2015 to drive business development in renewables and low-carbon solutions across Statoil. In 2017 Statoil's new energy solutions activities included offshore wind production, the conclusion of our first investment in solar power, and our entry into partnerships to progress new business opportunities such as creating CO_2 transport and storage infrastructure for industrial customers and exploring the use of hydrogen as a fuel in power, heating and transport.

Offshore wind - In 2017, we took over operatorship of the Sheringham Shoal wind farm, and started operations at Dudgeon off the Norfolk coast of England and at the first of its kind Hywind floating wind farm in Scotland. We now supply renewable energy to 630,000 households in the UK through our offshore wind farms.

With production at Arkona in the Baltic Sea in Germany scheduled to start in 2019, we are on track to supply electricity to more than 400,000 households in Germany by 2019. Statoil is also a partner in the Dogger Bank offshore wind development project off the north-east coast of England. Having achieved consent for an agreed target installed capacity of 4.8 GW, this ranks as the world's largest undeveloped offshore wind project with the potential to supply power to almost 5 million British homes. Statoil is a 50% partner in 3.6 GW of the target installed capacity. In the USA, work has begun on developing and submitting a site assessment plan (SAP) for the New York offshore wind lease, Empire Wind, acquired at the end of 2016.

Hywind – the world's leading floating offshore wind solution

We are leveraging our core engineering competence to build this business in a safe, innovative and profitable way and we aim to develop our offshore wind business through bid auctions for license areas, business development opportunities and through exploring floating options in deep-water.

As we develop this business, we are also exploring long-term solutions, such as combining wind with gas and integrating battery storage into renewables.

Carbon capture, usage and storage (CCUS) – Statoil has over 20 years' experience in CCUS, currently the main technology for decarbonising fossil fuels. We capture and store CO_2 at our Sleipner and Snøhvit fields on the Norwegian continental shelf. To date we are storing around 22 million tonnes.

In 2017, Statoil was tasked to lead studies of behalf of the Norwegian authorities to develop full-scale carbon capture and storage in Norway. The concept includes capturing CO_2 emissions from onshore industrial plants in Norway and transporting it by ships to an onshore terminal, from which it will be injected and permanently stored it in a reservoir 1000-2000 meters below the seabed. Statoil also submitted a project of common interest proposal to the EU in 2017 covering CO_2 ship transportation between emission points in the Netherlands and the UK and Norwegian storage sites.

Hydrogen - In 2017, we partnered with various parties to explore the feasibility of producing hydrogen, a carbon-neutral fuel. This would involve the extraction of hydrogen from natural gas, capturing and storing the CO_2 produced in the process and establishing the infrastructure to transport hydrogen to users for power generation, heating, shipping and industrial purposes.

Building partnerships and engaging with stakeholders

During 2017, Statoil focused on communicating the climate roadmap both externally and across the company. We also worked with peers to shape the disclosure of climate related business risk and to drive accelerated methane reduction initiatives.

Climate roadmap launch – During 2017, Statoil engaged in an extensive internal and external stakeholder outreach programme both prior to and following the launch of the Climate roadmap. This stakeholder outreach has played a key role in raising awareness and ensuring support among Statoil employees, investors, politicians, industry associations, non-governmental organisations (NGOs) and other stakeholders. More than 100 external meetings and events were held, in Norway, London, Brussels, Boston, New York, Barcelona and Beijing, reaching over 10,000 stakeholders. Interviews were held with several international media outlets. The Climate roadmap was launched at a press conference in Stavanger on 9 March 2017. Booklets were distributed and it was posted on Statoil.com and the content was also shared via social media.

Climate roadmap ambassadors - During 2017, we focused on developing a training programme internally in Statoil to create a pool of climate roadmap ambassadors – people who were interested in understanding more about both the climate change challenge and Statoil's response to it – and would spread their knowledge further. We trained around 200 staff in different locations in Norway. In 2018, we aim to expand the training to our international operations.

The Financial Stability Board's (FSB) Task Force on Climate Related Financial Disclosure (TCFD) Preparer Forum - In 2017, we joined the TCFD Preparer Forum for oil and gas companies in order to engage with the TCFD on efficient and feasible ways to implement the TCFD recommendation for disclosure, including considerations on how to present forward-looking information of high uncertainty, and the need for flexibility regarding where to disclose additional information that is not regarded as financially material.

Guiding principles on reducing methane emissions across the natural gas value chain – We joined with seven other major energy groups, the Environmental Defense Fund and the International Energy Agency, to develop and commit to a series of guiding principles to reduce methane emissions in our own operations, improve regulations and work with suppliers and customers to cut leakage in the entire value chain. The guiding principles were signed in November 2017.

The Environmental Partnership - In the USA, we joined the Environmental Partnership, comprised of companies in the USA natural gas and oil industry, committed to continuously improving the industry's environmental performance. Through our participation we will, starting in January 2018, implement three specific performance programmes focused on minimising emissions of methane and volatile organic compounds (VOCs) in onshore operations.

One Future coalition - In 2017, Statoil joined the One Future coalition. Member companies are committed to continuously improving their emissions management to assure efficient energy production and delivery. One Future's members include some of the largest natural gas production, processing, transmission and distribution companies in the USA representing nearly the entire natural gas value chain.

Climate and Clean Air Coalition Oil and Gas Methane Partnership (OGMP) - Statoil is a founding partner of the OGMP, that was established in 2014. Through this partnership, we are committed to systematically addressing methane emissions from nine 'core' methane emission sources and reporting on annual progress (from 2015). Our offshore, production installations on the NCS, representing nearly 90% of our operated oil and gas production, are included in the scope for this partnership. The 2017 OGMP report will be published in 2018.

Oil and gas Climate Initiative (OGCI) - Through our membership of the OGCI, we provided financial and technical backing for two major global studies of methane emissions from the natural gas value chain. One with UN Environment and the other with Imperial College London. It is anticipated that these could help identify new emission reduction initiatives and provide a scientific foundation to inform policy. We have also committed to work towards near zero methane emissions from the natural gas value chain, and setting a target to be announced by the end of 2018.

Technology center Mongstad - In 2017, Statoil also signed a three-year contract with the Norwegian government, Shell and Total, to extend carbon capture testing at the Technology Centre Mongstad (TCM). TCM proved to be a valuable facility to test capture technologies under strict emission conditions. TCM is the world's largest testing institution, cooperating closely with vendors, researchers and other institutions such as National Energy Technology Laboratory (NETL) in the USA.

OUR PERFORMANCE

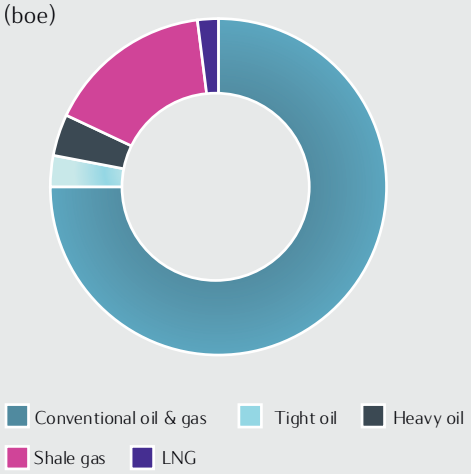
Sustainability data hub

Portfolio stress test

Statoil has for several years tested all investment projects after 2020 against a global CO_2 price of USD 50 per tonne (or higher in countries where a higher price is used and/or predicted) and we have a high share of production with relatively low CO_2 intensity. This makes our portfolio robust against the introduction of higher CO_2 costs in all regions where we are present. Conventional oil and gas is forecasted at 75% of total production in 2025, while heavy oil contributes less than 4%.

Forecast equity production of oil and gas by category in 2025, share of total

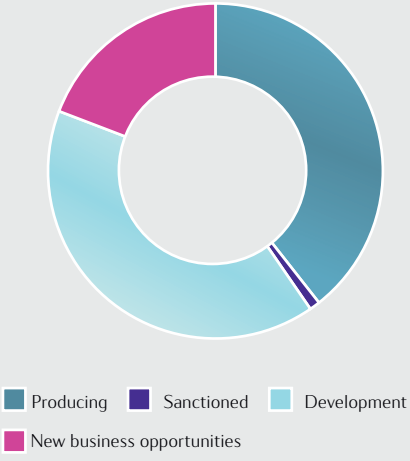
(boe)



60% of forecast CAPEX in 2025 is related to activities that have not yet been sanctioned, so there is a significant potential for continued investments in high value oil and gas projects, renewable energy and low carbon solutions.

Capex flexibility

Forecast investments in 2025 by maturity, share of total



The analysis conducted in 2017 demonstrated that due to the significant differences in assumptions around oil and gas prices in the different IEA scenarios, the impact on Statoil's net present value (NPV) varies significantly in the various scenarios.[18]

Due to the combination of a high CO_2 price used by Statoil in internal planning assumptions, and a relatively low CO_2 intensity (around half of the industry average[19]) the changes in value are almost entirely driven by the oil and gas price assumptions.

IEA's "New policies scenario" could have a positive impact of around 20% and the "Current policies scenario" a positive impact of around 42% on Statoil's baseline NPV compared to Statoil's internal planning assumptions as of 1 December 2017. The "Sustainable development scenario", which is largely compatible with a global warming of a maximum of two degrees Celsius with 50% probability, could have a negative impact of approximately 13% on Statoil's NPV.

Portfolio optimisation and efficiency improvements have substantially strengthened the robustness of our portfolio during the past few years, and despite the negative impact on NPV in the "sustainable development scenario", we see very limited stranding of assets. Statoil's portfolio continued to improve its robustness in 2017 compared to 2016 – achieving a breakeven oil price of USD 21 per barrel for next generation[20] projects.

In 2016 our stress test, using the IEA's 450 two degrees celsius scenario, showed a positive impact of 6% over our assumptions. The difference is largely related to significantly different oil and gas price assumptions in the IEA scenario which now includes factors such as access to energy and reduction of pollution, alongside climate goals.

This analysis is based on Statoil's and the IEA's energy scenario assumptions which may not be accurate and which are likely to develop over time as new information becomes available. Scenarios should not be mistaken for forecasts or predictions. Accordingly, there can be no assurance that the assessment is a reliable indicator of the actual impact of climate change on Statoil's portfolio.

Greenhouse gas emissions and carbon intensity of our oil and gas portfolio

The upstream CO_2 intensity for Statoil's operated production decreased from 10kg per boe in 2016 to 9kg per boe in 2017, mainly due to the exit from our activities in the Canadian oil sands projects and increased export of gas from the electrified Troll field.

Total CO_2 emissions increased slightly from 14.8 million tonnes in 2016 to 14.9 million tonnes in 2017. The main contributors to this increase were the extensive turnaround activity in our mid-stream business, including Mongstad, Kalundborg and Kårstø, and increased drilling activity in our onshore shale gas and tight all assets in the USA.

There was a slight decrease in the volume of CO_2 injected for storage from 1.38 million tonnes to 1.36 million tonnes in 2017. The main contributing factor was the turnaround at the Hammerfest LNG plant.

Direct greenhouse gas emissions (so called Scope 1 emissions) in 2017 remained at the same level as for 2016, at 15.4 million tonnes CO_2 equivalents.

Methane (CH_4) emissions decreased from 24,200 tonnes in 2016 to 22,200 tonnes in 2017.

Several CO_2 emission reduction initiatives were implemented during 2017, amounting to a total of around 360,000 tonnes of CO_2. The largest contributors to the reductions included the following:

- Optimising production in order to enable the stopping of one turbine on weekdays and energy efficiency modifications at the Hammerfest liquified natural gas (LNG) plant: 120,000 tonnes
- Energy efficiency measures at the Kårstø gas processing plant: 42,000 tonnes
- CO_2 removal from Gudrun gas at Sleipner and injection for storage of the CO_2 into the Utsira formation: 43,000 tonnes
- Flaring reduction measures at our offshore Gullfaks field: 35,000 tonnes

Statoil was awarded the Rystad Energy "green initiator of the year" award in February 2018, in recognition of our climate strategy and environmental goals, and the energy improvement measures we have implemented in recent years, through a company culture that enables contributions from across the company.

New energy solutions and low carbon research and development

In 2017 the share of the total research and development (R&D) operating expenditure allocated to new energy solutions and energy efficiency remained at approximately the same level as for 2016, at 18%. Statoil's target is to reach a 25% share of R&D operational expenditure committed to low carbon projects by 2020.

Total renewable energy delivered from our wind operations in 2017 was 830 gigawatt hours (GWh) (Statoil equity share), compared to 423GWh in 2016. This was delivered through the Hywind Demo in Norway and Sheringham Shoal, Dudgeon and Hywind Scotland in the UK.

Capital expenditure (capex) for new energy solutions during 2017 was in line with the ambition for annual investments of between USD 500 million and 750 million.

[18] The sensitivity analysis has been conducted by replacing Statoil's oil, gas and carbon price assumptions as of 1 December 2017 with the price assumptions in the IEA's scenarios in the World Economic Outlook 2017 report
[19] Source: Association of International Oil and Gas Producers (IOGP) Environmental Performance data 2017
[20] Statoil and partner operated projects sanctioned since 2015 or planned for sanction, with start up before 2022. Volume weighted

Responding to climate change

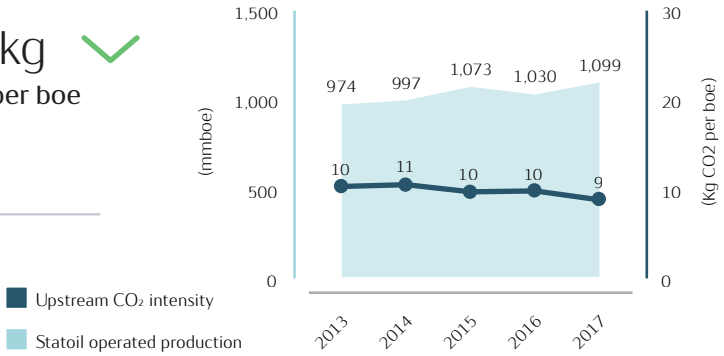
2017

Upstream CO_2 intensity [1]
(CO_2 per boe):

(2020 Target: 9kg CO_2 per boe)
(2030 Target: 8kg CO_2 per boe)

2016 - 10 kg CO_2 per boe

9kg
CO_2 per boe



2017

CO_2 emissions reductions [1]
(thousand tonnes):

(2030 Target: 3 million tonnes [2])

356
(12% of 2030 Target)

2017

Carbon captured & stored
(million tonnes)

1.36

2016 - 1.38 million tonnes

Total accumulated to date: 22.3 million tonnes

2017

Share of flaring that is continuous production flaring [1]
(percentage):

(2030 Aim: eliminate continuous production flaring at our installations by 2030)

2016 - 14 % of total flaring

10%

2017

Upstream flaring intensity
(tonnes per thousand tonnes of hydrocarbon produced) [1]

(2020 Target: 2)

2.1

2016 - 2.5 tonnes per thousand tonnes of hydrocarbon produced (Industry average: 12) [3]

2017

Methane emissions [1]
(thousand tonnes):

2016 - 24.2 thousand tonnes

20.1

Methane emissions intensity for Norwegian gas to Europe[4]

(percentage):
Upstream and midstream: 0.017%
Downstream: 0.209%

0.226

2017

Share of research and development funds allocated to new energy solutions and energy efficiency
(percentage):

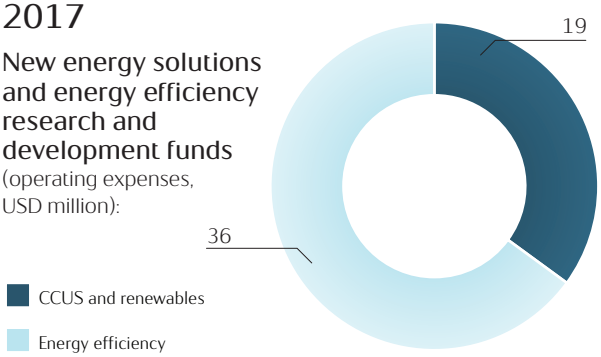
(2020 Target: 25%)

2016 - 17 %

18%

2017

New energy solutions and energy efficiency research and development funds
(operating expenses, USD million):



[1] Statoil operated oil and gas production (100 percent basis). [2] Aiming to achieve, by 2030, annual CO_2 emissions that are 3 million tonnes less than they would have been had no reduction measures been implemented between 2017 and 2030. [3] International association of oil and gas producers (IOGP) Environmental performance indicators. 2016 data. [4] Source: Minimising greenhouse gas emission - greenhouse gas emissions of the Norwegian natural gas value chain 2016, July 2017, Statoil.

2017

IN OPERATION:

Hywind Demo (Norway): **2.3 MW** offshore floating wind
Sheringham Shoal (UK): **317 MW** offshore wind (200,000 homes)
Dudgeon (UK): **402 MW** offshore wind, start up 2017 (410,000 homes)
Hywind Scotland (UK): **30 MW** offshore floating wind, start up 2017 (20,000 homes)

TOTAL RENEWABLE ENERGY DELIVERED 2017:

830 GWh

(based on Statoil's equity share)

UNDER DEVELOPMENT:

Arkona (Germany): **385 MW** offshore wind, start up in 2019 (400,000 German homes, not Statoil operated)
Apodi (Brazil): **162 MW** onshore solar plant, start up in 2018 (not Statoil operated)

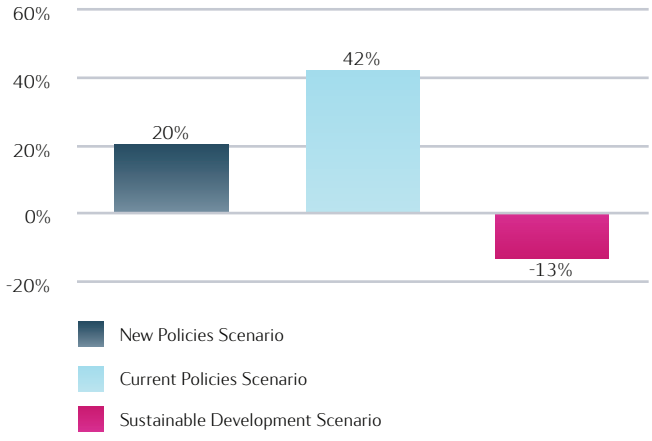
FUTURE OPPORTUNITIES:

Doggerbank (UK): **3,600 MW** offshore wind, consented in 2015 (5 million British homes)

Empire Wind (US): **1,500 MW** offshore wind farm outside New York. Lease acquired in 2016

2017

Portfolio stress test [5]
(IEA Energy Scenarios)



The graph shows the impact on Statoil's net present value (NPV). The NPV using Statoil's planning assumptions is shown as the base case (i.e. 0%) in the graph

2017

CDP corporate climate change survey [6]

A–

[5] The portfolio stress test is used to assess the changes in the value of Statoil's project portfolio when replacing the internal planning assumptions for prices for oil, gas and CO_2 with those from the International Energy Agency's (IEA) energy scenarios, as laid out in their 'World Economic Outlook 2017' report

[6] Statoil's voluntary participation in the CDP corporate climate change survey forms a component of our response to the shareholder resolution arising from the 2015 annual general meeting (AGM), which included a call for Statoil to aim for attaining an A-rating in the CDP survey. The 2017 score is based on performance during 2016

05 MANAGING OUR ENVIRONMENTAL IMPACT

05

MANAGING OUR ENVIRONMENTAL IMPACT

Our efforts to make natural resource use sustainable

BUSINESS CONTEXT AND OUR STRATEGIC RESPONSE

Statoil faces two key challenges in managing our environmental impact. The first is that on the Norwegian continental shelf our portfolio includes fields with ageing facilities and reservoirs that have reached the decline phase in their producing life. Such fields typically require more chemicals and energy to produce the same amount of oil and gas. At the same time, there tends to be an increase in the amount of water produced with the oil and gas. The produced water needs to be cleaned since it can contain dispersed oil and chemicals prior to discharge to sea or reinjection to boost oil production.

Norwegian operators are responsible for both optimising the recovery of oil and gas and for preventing harm to the environment. As such we need to balance the value of extending the lifetime of the facilities and reservoirs we operate with the need to manage the environmental impacts responsibly.

Secondly, as we explore for, develop and operate new oil and gas reserves, we need a robust understanding of the environmental and social context and the impacts from our activities. At the local level, we use collaborative research, business risk and environmental impact management processes to build this understanding and put in place actions tailored to local conditions. Our environmental work is guided at company level by our commitments to prevent harm to the environment, aim for outstanding natural resource efficiency and comply with all applicable environmental laws and regulations.

OUR ACTIONS

During 2017 we have focused our attention on:

- the responsible management of our drilling activities in the Barents Sea
- preparations for new business activities, including oil and gas and offshore wind activities in sensitive environments and solar
- the management of produced water from our Norwegian offshore oil and gas operations
- mitigating the impact of offshore wind operations on marine mammals and birds
- impact assessments for key development projects on the Norwegian continental shelf (NCS), including Gina Krogh, Johan Sverdrup, Johan Castberg and Aasta Hansteen

Routine discharges, emissions, waste and use of chemicals

New and stricter requirements in revised discharge permits for Norwegian onshore facilities will apply in 2018. Activities to improve work processes and communication across business units are ongoing.

Protecting biodiversity and sensitive ecosystems

Norway – In December 2017, we delivered our development plan for the Johan Castberg oil discovery, located in the Barents Sea. This field falls within the Arctic Circle by definition, but is 400km away from ice, and is similar in depth and weather conditions to other Norwegian operations. In 2017, Statoil completed a 146 days long exploration campaign in the Barents with no recordable incidents.

USA – In 2017, we worked on the environmental impact assessment plan for Statoil's Empire Wind offshore wind project in New York State, which was awarded to Statoil in December 2016. Using experience from our offshore wind operations in the UK, as well as data resources and expertise from our oil and gas operations, we are tracking and mapping seabed conditions and the migration patterns of marine mammals and birds. As the New York area is located between the breeding and feeding grounds of the endangered North Atlantic Right Whale, construction work will be timed to avoid disruptions to the whales. We are also collecting data on birds in the area to avoid collisions with the turbine blades as far as possible. In particular, we plan to use a global positioning system (GPS) tagging scheme, successfully trialled in the Dudgeon offshore windfarm in 2017, to understand the movements of the protected Roseate Tern and define an offshore conservation area for it.

Protecting marine mammals and birds

Australia – Statoil is a co-sponsor for the Great Australian Bight (GAB) Research Program that has been established to bring together multi-disciplinary research teams to study the oceanography, ecology, geochemistry of the GAB and the socio-economics of the region. During 2017, we started preparing the environmental plan to get authorization to drill an exploration well in the GAB where Statoil is the operator. There has not yet been any oil and gas production in the licence areas, so this is a frontier exploration setting. The proposed well is located 400 km from shore, in water depths of 2,200 m. As such we will be leveraging our 40 years of experience operating in the harsh offshore environment of Norway and our leadership position in deep-water operations.

Building partnerships and engaging with stakeholders

Suppliers - Statoil is leading a chemicals substitution programme required under Norwegian regulations. We are currently working with suppliers to find less hazardous alternatives for drilling chemicals. In 2017, we extended our substitution focus beyond chemicals identified as hazardous by Norwegian regulations (red and black).

Regulatory authorities - We are working with regulators in Norway on a broad range of issues, including produced water management and the practical implementation of new regulations to old wells.

Government - We provided input to the Norwegian government on its Arctic Strategy published in 2017. It sets the aim of making North Norway, home to over 10% of the population, one of the most innovative and sustainable regions in the country, closely integrating the social, economic and environmental dimensions of development. It stipulates that development in the north must reduce greenhouse gas emissions and pollution, and safeguard biodiversity in the region. The government is now working on an integrated sea management plan for the Barents Sea and Lofoten, to be published in 2020.

OUR PERFORMANCE

Sustainability data hub

Routine discharges, emissions and waste and chemicals use

Regular discharges of oil to water – from our operations decreased from 1,400 tonnes in 2016 to 1,200 tonnes in 2017. This reduction is largely attributed to a combination of turnaround activity during 2017, reducing production levels, and operational measures implemented at several assets that have effectively reduced the volume of produced water discharge to sea, and reduced the oil in water content of the discharged water.

Fresh water use – The total fresh water withdrawal increased from 13.5 million cubic metres in 2016 to 14.8 million cubic metres in 2017. The main contributor to this increase was the higher number of wells fracked, relative to 2016, in our USA onshore shale gas and tight oil assets. We work actively to improve water use efficiency in our USA onshore shale gas and tight oil assets through means such as water recycling and substituting fresh water with brackish water.

Nitrogen oxide (NOx) and sulphur oxide (SOx)emissions – NOx emissions were 40 thousand tonnes in 2017, up from 39 thousand tonnes in 2016. The increased drilling and well stimulation activity in our USA onshore shale gas and tight oil assets was the main contributor to this increase. SOx emissions were 1,700 tonnes in 2017, down from 1,800 tonnes in 2016. The main contributor to this reduction was our exit, during 2017 from our activities in the Canadian oil sands projects, resulting in the associated emissions being excluded from the end of January 2017.

Non- methane volatile organic compounds (nmVOCs) – Total emissions of nmVOCs in 2017 were at the same level as for 2016, at 49,000 tonnes.

Hydraulic fracking chemicals use – During 2017, we used 40,000 tonnes of hydraulic fracking chemicals in our USA onshore shale gas and tight oil operations, compared to 17,000 tonnes. This was due to the increased drilling and well stimulation activity during 2017. We did not experience any significant loss of containment, spills or contamination during the use of these chemicals. We continued to disclose the chemicals used through FracFocus.[21]

Hazardous waste – We experienced a 32% reduction in the volume of hazardous waste generated, with the volume decreasing from 438,000 tonnes in 2016 to 296,000 tonnes in 2017. The main contributor to this decrease was less drilling and well start-up activities, on the Norwegian continental shelf, at locations without treatment facilities for oil contaminated water. As such less untreated contaminated water was sent to shore for treatment. The hazardous waste recovery rate was slightly lower in 2017, at 83%, compared to 84% in 2016.

[21] FracFocus is a publicly available hydraulic fracturing chemical registry in the USA

Exempt waste – For our USA onshore operations, drill cuttings and produce and flow back water are exempt from hazardous waste regulations. Consequently, these waste streams are not included in the hazardous waste generation or recovery figures. In 2017, 105,000 tonnes of drill cuttings and solid waste were sent to landfill, and around 4.7 million cubic meters of produced and flow back water was directed to deep well disposal.

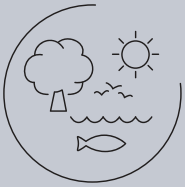
Non-hazardous waste – The volume of non-hazardous waste generated for Statoil operated assets was 34,000 tonnes in 2017, compared to 50,000 tonnes in 2016. The recovery rate increased to 71% in 2017, compared to 56% in 2016. The main contributor to both the decrease in volume and the corresponding increase in recovery rate was our exit, during 2017, from our activities in the Canadian oil sands projects.

Protecting biodiversity and ecosystem services

Operations in areas of water stress[22] – During 2017, we had no Statoil operated activities in areas with a high or extremely high baseline water stress.

Operations exploration and project development activities within or adjacent to areas of high biodiversity value – During 2017, these included our Dudgeon offshore wind farm in the UK, our oil sands projects in Canada, our activities in the Barents Sea (including Hammerfest LNG operations, Johan Sverdrup, Johan Castberg and Aasta Hansteen development projects and exploration drilling).

[22] Assessed with reference to the World Resource Institute (WRI) Aqueduct tool



Managing our environmental impact

ROUTINE EMISSIONS, DISCHARGES AND WASTE AND CHEMICALS USE

2017
Sulphur oxides (SOx) emissions (thousand tonnes): **1.7**
2016 - 1.8

2017
Hazardous waste generated (thousand tonnes): **296**
2016 - 438

2017
Non-hazardous waste generated (thousand tonnes): **34**
2016 - 50

2017
Regular discharges of oil to water [1] (thousand tonnes): **1.2**
2016 - 1.4

2017
Hydraulic fracking chemicals use (thousand tonnes) [2]: **40**
2016 - 17

2017
Nitrogen oxides (NOx) emissions (thousand tonnes): **40**
2016 - 39

2017
Hazardous waste recovery rate (percentage): **83**
2016 - 84%

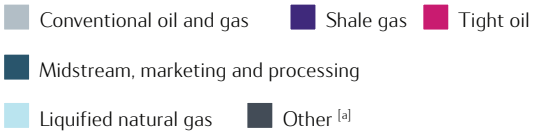
2017
Non-hazardous waste recovery rate (percentage): **71**
2016 - 56%

FRESH WATER USE

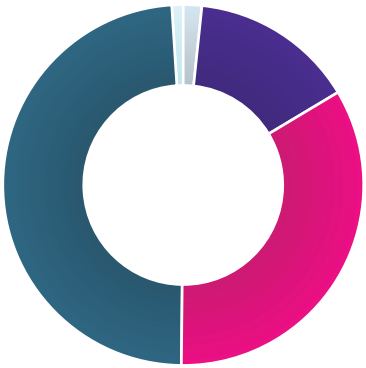
2017
Fresh water withdrawal (million cubic metres): **14.8**
2016 - 13.5

2017
Share of production in areas of high water stress (percentage) [3]: **0**

2017
Fresh water withdrawal per segment (thousand cubic metres)



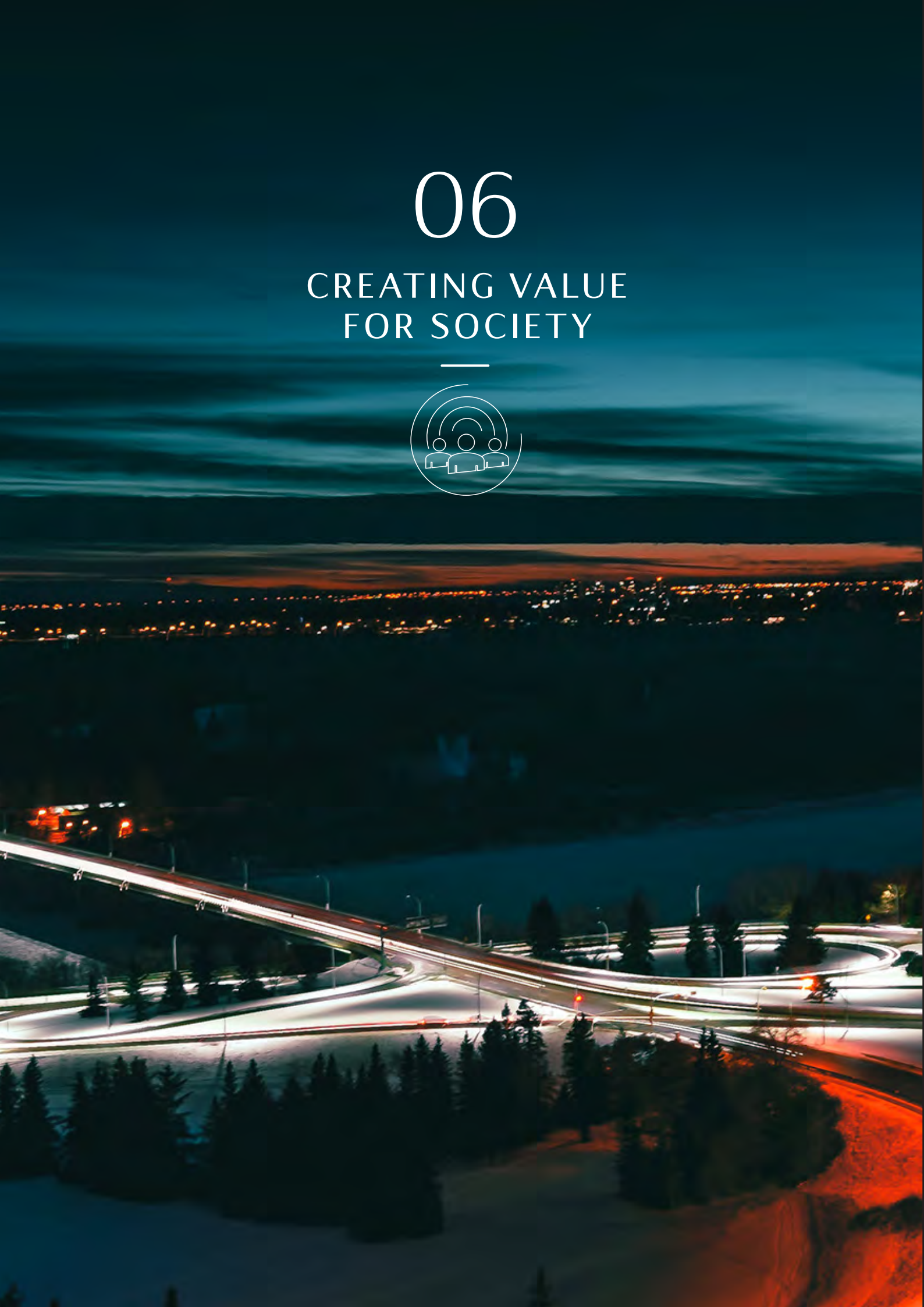
[a] Other includes Extra heavy, heavy oil, exploration, new energy solutions and global business services.



[1] This is the total amount of oil discharged via regulated or controlled discharges to the water environment (both fresh water and sea water)
[2] Used in our US onshore shale gas and tight oil operations
[3] Assessed with reference to the World Resource Institute (WRI) Aqueduct tool

06

CREATING VALUE FOR SOCIETY



06

CREATING VALUE FOR SOCIETY

Contributing to sustainable economic development

BUSINESS CONTEXT AND OUR STRATEGIC RESPONSE

Statoil's success as a company depends on delivering positive outcomes to our many stakeholders. Our products play a key role in peoples' daily lives – providing lighting, heating, cooling and transportation, as well as a variety of consumer goods from shampoo to pharmaceuticals. The energy we supply serves as a catalyst for further development and we are starting to contribute to access to new energy solutions.

We contribute directly to global, national and local economies in many ways. We pay taxes to governments and dividends to shareholders, procure goods and services, pay our employees and offer career and development opportunities to them, and invest in research and technology. We contribute through our social investments, sponsorships and donations. This transfer of payments, products and skills has a significant ripple effect across local communities and in other industries.

Sustained low oil prices since 2014 plunged the global oil and gas industry into an economic downturn, but recovery started in 2017. Statoil is emerging in a good position as we cut costs and sharpened our strategy. In 2017, we continued our expansion on the Norwegian continental shelf, with development moving ahead as planned in Aasta Hansteen and Johan Sverdrup, which will come on stream in 2018 and 2019 respectively. We also made the decision to move ahead with Johan Castberg as we open up new areas in the Barents Sea, expand Snorre and acquire Martin Linge, while extending the life of existing offshore facilities.

As Statoil transforms itself into a diversified energy company, our portfolio is shifting. We are growing our operations in the USA, Brazil and the UK, entering new areas such as Argentina, South Africa, Mexico and Australia, and developing new business models around low carbon technologies.

As we make that shift, we need to balance the expectations of various stakeholders. In Norway, for example, there are stakeholders who believe we should stop exploring for oil and gas, especially in the Barents Sea; but there are many other groups, in government, industry and in the local communities in which we operate, that urge us to keep investing to create sustainable job opportunities in remote areas and extend the life of the Norwegian oil and gas industry. We believe that the effective balancing of these expectations lies at the heart of being a sustainable business.

OUR ACTIONS

Statoil has identified the following focus areas for delivering on our commitment to create sustainable social and economic development:

- Contributing to sustained local value creation where we operate
- Contributing to access to sustainable energy for all
- Developing our employees and attracting new talent
- Supporting and promoting effective, transparent and accountable management of wealth derived from the extractives industry (see Chapter 1 Shaping the future of energy)

Operations in Norway – our core

Norway and Statoil are closely linked. In 2017, over 87% of our employees and over 60% of our annual equity oil and gas production is in Norway and, even as we expand internationally, it will remain our core for years to come as we develop existing and new fields in Norway.

In 2017, we celebrated 20 years of operation at our methanol plant in Tjeldbergodden, on the west coast of central Norway and 10 years of operations at the Snøhvit liquefied natural gas facility, which has transformed the host town of Hammerfest in Norway's far north. These two operations demonstrate the significant impact our investments, jobs and taxes have in local communities, but our impact on the country is far broader. As we focus on reducing our carbon intensity and diversifying our operations, we aim to be an effective partner, helping Norway achieve its climate ambitions

The Tjeldbergodden plant - converts gas from the Norwegian continental shelf into methanol which is exported to Europe and, increasingly, Asia for use in a wide variety of industrial and

consumer products. The plant is a major player in the methanol industry: it accounts for approximately 25% of European production[23] and is amongst the world's most energy-efficient methanol producers.

During the twenty years of plant operation, Aure, Hitra and Hemne – the three municipalities that worked closely together to bring the plant to their region – have become an attractive place to live and work with good infrastructure supported by over USD 50 million in taxes from Statoil. The revenues are shared between the municipalities, which continue to cooperate closely to ensure they get maximum value out of our presence.

The Barents Sea and Northern Norway - The further development of oil and gas in the Barents Sea will boost prospects for towns in northern Norway. The Aasta Hansteen field, which will be operated from Harstad with a supply base in Sandnessjøen, is due to start operations as planned in 2018. We calculate that the construction phase has brought about USD 150 million in investment into northern Norway to the end of 2017. Statoil is now working to enable local suppliers can contribute in the next phase too.

The final investment decision for the Johan Castberg oil field was made in 2017. This oil field in the Barents Sea and is scheduled to come on stream in 2022 and be operated for 30 years. During 2017 we initiated contracting for the construction phase. This included supplier days held in Hammerfest and other northern cities in 2017 to enable local suppliers to understand the project and make contact with global suppliers.

To optimise local content, we set up a new Northern Area Local Content Initiative in 2017 with the aim of enabling Statoil to bring local suppliers on board. In 2017, we also decided to restart the Leverandørutvikling i Nord-Norge (LUNN) supplier development programme that ran from 2008-2016 in cooperation with Innovation Norway and a number of partner companies. In its new form, starting in 2018, we are aiming to bring the fish farming industry into the programme as well, since many suppliers can deliver to both industries and will benefit from a broader portfolio.

Northern Area local content initiative

Johan Castberg operation

Like living in a refrigerator - 10 years of LNG production at Melkøya

Johan Sverdrup - The Johan Sverdrup oil field is one of the five biggest on the Norwegian continental shelf. It is currently under development and will be one of Norway's most important industrial activities over the next 50 years, creating significant value in Norway. By the end of 2017 the value of contracts awarded for the Johan Sverdrup project was approximately USD 7 billion, including more than 70% awarded to Norwegian registered companies.

The majority of the development activity is undertaken during 2016-2018, and every day in 2017 more than 14,000 people worked on the Johan Sverdrup development worldwide.

The development project is a complex puzzle with activities spread all over the world. The supply chain involves 150 main contractors with drilling rig, construction sites and installation vessels coming from across Europe and Asia. An example of this complexity is the contract for the engineering, procurement and construction of the Johan Sverdrup drilling platform deck, awarded to the Norwegian registered company Aibel. Engineering of the platform took place in Norway, whereas a significant part of the construction of the platform deck took place during 2017 across sites in Norway, other European countries and Asia.

More information on Johan Sverdrup can be found on our corporate website.

UK – diversifying the energy mix

In 2017, Statoil took over operatorship of the Sheringham Shoal offshore wind farm, started operations at our Dudgeon offshore wind farm and at the pilot floating offshore farm, Hywind Scotland – providing access to renewable energy for 630,000 British households. At the same time, we installed topside modules for the production platform at the Mariner heavy oil field, the largest investment in the UK's North Sea, which will come on stream in the second half of 2018. We also launched a research project in Leeds looking at the potential for using hydrogen for heating and cooking, with the aim of extending the concept to other cities if the findings are promising.

The UK's oil industry, centred around Aberdeen, was hit hard by the low oil price and declining investment in the North Sea, so there is strong support locally and at government level for Statoil's investment, as well as a good base of local suppliers and talent. Mariner has employed 1,500 contractors during construction and installation in 2017, and over a quarter of the 700 permanent positions have already been hired for the operational phase.

While the boost to jobs and the local economy are key to our impact in the UK, Statoil's activities help the government to meet its carbon dioxide emission reduction goals and expanding access to sustainable energy.

Hywind – World's first floating wind farm has started production

USA – delivering domestic energy security

Statoil celebrated its 30-year anniversary in the USA in 2017. We are an operator in three of the country's leading onshore shale plays – Bakken, Eagle Ford and Appalachian and had successful bids for 13 new licences in the Gulf of Mexico during 2017. Our aim is to almost double oil production in the USA by 2020.

In our onshore operations, our standards may surpass local regulatory requirements, but as one of the smaller onshore operators in the USA, we use many of the same service companies and vendors as our peers. We therefore focus on addressing cumulative impacts and work closely with industry through organisations such as the South Texas Energy and Economic Roundtable (STEER), to identify, address and respond to stakeholders' concerns.

[23] Source: Methanol Market Services Asia, Methanol Derivatives Analysis, 2017

In 2017, we began the preparation work for the construction for the New York offshore wind project. We are engaging with fishing communities in the Long Island /New York area to understand, how, when and where they fish and what concerns they have about offshore wind. We are transferring learnings from our experience in UK where we found constructive ways to ensure our offshore wind business successfully co-exists with the fishing industry. Operations will not start until 2023 at the earliest.

Developing our employees and attracting new talent

Empowered people are a key enabler for realising Statoil's sharpened strategy. In 2017, we started to implement our new people and leadership strategy designed to ensure we have the right skills and capabilities in place going forward. The foundation for the strategy's guiding principles is our commitment to safety supported by our people processes; a consistent presence in talent markets; a company culture which embraces digitalisation; building flexibility within the workforce and growing diversity.

Statoil's transition to a global energy company will require systematic and continuous development of competence in the workforce and access to new talent. We need to reach out beyond those who already see Statoil as an attractive employer and increasingly attract more diverse competence profiles, including digital skills.

In 2017, we enhanced our performance management approach to further develop a performance development culture at Statoil. Our main goal is to build a stronger culture of continuous feedback, coaching and development. Instead of focusing on backward looking annual ratings, we are focused on continuous real-time feedback, strength based development and reward and talent outcomes based on multiple inputs.

During 2017 we continued to strengthen our entry level talent programmes, including increasing our presence at career fairs, in schools and at universities. Our corporate graduate programme was revised in 2017 into a two-year accelerated development programme spanning all geographies and professions, encompassing an introduction programme, networking activities, learning events and field trips, rotations and mentoring. This programme accelerates the development of young professionals and builds a strong understanding of Statoil's value chains. In 2017 we recruited 69 graduates.

In addition to our annual graduate recruitment, in 2017, Statoil launched a subsurface internship programme pilot. This offers 30 newly graduated candidates a one year stay with us to build experience and help the transition from studies to working life.

We are committed to the professional development of our employees and encourage them to continuously build new skills. Our focus on people development has continued throughout 2017 and the activity level has been closely monitored in our people development key performance indicator (KPI) at both corporate and business area levels. This KPI sets the ambition level for both our e corporate university and internal job market. Our corporate university is our platform for learning. It enables the company to build the capabilities needed to deliver on its strategy, continuously improve, and take the lead in developing leadership and technology. Recognising that digitalisation and automation will transform the way we work in the coming years we established a new digital academy, in our corporate university, to build digital skills across the organisation. In addition, our platform for learning and content delivery has been upgraded with the implementation of a new learning management system, supporting our ambition of making engaging and virtual learning available for all.

We are also encouraging flexibility across the company, with employees moving across different areas of our business to better understand the value chain, leverage existing experience in new areas and draw more effectively on the network of Statoil's resources. Through the internal job market, we provide challenging and meaningful opportunities for deployment, learning and development.

As we expand our international operations, we are hiring more local staff in locations such as the UK, Brazil and the USA. This will contribute to the diversification of our overall workforce, while creating more value where we operate, as local experience and knowhow are essential to the success of our international strategy.

Building partnerships and engaging with stakeholders

Demonstrating ripple effects for local communities - The regulatory process in Norway requires us to demonstrate the ripple effects for local communities that we aim to deliver and actually realise from our project activities and operations. This has encouraged us to build strong and mutually beneficial relationships with local communities, suppliers, the authorities, labour union representatives and our employees. We integrate this perspective into our development plans and overall strategy. We aim to build a similar foundation for our operations elsewhere, corresponding to the business value we are creating.

Working together with peers and partners - We achieve more impact through working together with peers and partners. In Norway, where we are a major player, we have learnt to work with partners to achieve more. We work with the fishing industry, for example, to develop local suppliers that are less dependent on our industry which is characterised by its cyclical variations. Outside of Norway, we systematically work with peers, partners and the authorities to enhance our impact. In the UK, for example, we have worked with offshore wind organisations to improve safety and in the USA, we have worked with other shale gas operators to improve operating standards.

OUR PERFORMANCE

Sustainability data hub

Economic value distribution

Our most significant contribution to society in terms of monetary value is our purchase of goods and services. This totalled approximately USD 18 billion in 2017, approximately the same level as in 2016. Suppliers also represent a significant part of our overall economic impact, as they create jobs and activities beyond both their own and our company.

Our global procurement from Norwegian registered companies in 2017 was approximately USD 10.7 billion, compared to USD 11.45 billion in 2016. During 2017, 61% of our procurement spend was awarded to companies with a Norwegian billing address.

An overview of the total and local spend on goods and services for locations where Statoil has an established presence as an operator is provided in the table below.

Our income before tax was USD 13.4 billion in 2017, compared to a loss of USD 178 million in 2016.

Our economic contributions to governments increased from USD 6.5 billion in 2016 to 9.6 billion in 2017. This included USD 6.1 billion in taxes, USD 2.1 billion in host government production entitlement, and USD 1.3 billion in bonuses, royalties and fees.

In addition, we paid USD 635.5 million in environmental fees and taxes.

We also contributed through our social investments, sponsorships and donations. These are made to build local capacities, address environmental impacts and promote transparency and respect for human rights.

In 2017, Statoil spent around USD 17 million on corporate sponsorships. This includes our Heroes of Tomorrow programme, with agreements in the areas of sports, culture and education. The aim of this programme is to inspire talented individuals to strive for future success. USD 13 million of the total corporate sponsorship spend was allocated for capacity building within science, technology, engineering and mathematics (STEM). This includes long-term partnerships with academic institutions and support to science centres. We spent USD 4 million within culture and sport and USD 0.5 million on charitable donations. A further USD 4.6 million was spent on social investments, largely to promote vocational competency development (of which USD 0.5 million were spent on contractual obligations).

An overview of our social investments in 2017 is provided in our sustainability data hub and in the Appendices to this report.

More information about our sponsorships is available on our corporate website. More information on our payments to governments is in chapter 5.4 of the 2017 Annual Report and Form 20-F, also available on our corporate website.

Local procurement per country 2017

Country	Norway	USA	UK	Brazil	Canada	Denmark
Total spend (billion USD) [1]	13.7	1.4	1.4	0.7	0.1	0.1
Local spend (billion USD) [2]	10.5	1.3	0.7	0.4	0.1	0.1
% local spend	76.6	97.8	48.6	60.0	96.2	60.0

[1] Total spend originating from our offices in a specific location
[2] Based on the country of supplier invoicing address. This does not necessarily provide the full picture of where the goods and services provided are sourced from

Employment and people development

We believe that the global competition for talent in key development areas will grow over the coming years. We remain the employer of choice for engineering students and professionals in Norway, according to the annual Norwegian Universum Employer Attractiveness ranking.

Our company-wide annual intake of apprentices reflects our long-term commitment to the education and training of young technicians and operators in our industry. In 2017, we awarded 139 apprenticeships, of which 45 were to women. The total number of apprentices at year end was 291 (including 85 women).

In 2017, we recruited 69 graduates (of which 26 were women). At the end of 2017 we had 143 graduates (including 57 women) in Statoil.

The average training days for employees in 2017 increased to 3.9 (from 3.2 in 2016) for formal learning. Our ambition is to increase the learning activity level further to support the development of our people.

Our annual Global People Survey (GPS), which addresses issues relevant to employee's well-being and performance had a noticeably high response rate of 88% in 2017. Employees' responses reflected continued engagement for working with Statoil[24] , with a score of 75 out of 100, compared to 72 out of 100 in 2016.[25] This score exceeded the corporate engagement KPI target. Employees reported an overall score of 71 out of 100 for competence and people development which is a good score. Our ambition is to strengthen this even further in 2018.

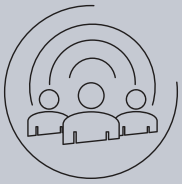
Local workforce - Our continued commitment to recruitment and development of local employees is reflected in the share of local employees in our main countries of operation, and in management positions at these locations.

The percentage of people with nationalities other than Norwegian in the workforce, in 2017, remained stable at 19%. The percentage of new hires from nationalities other than Norwegian was 71% in 2017, compared to 73% in 2016. The percentage of people from nationalities other than Norwegian in leadership positions remained stable in 2017 at 23%. We will work actively to increase these shares in 2018 through our development and recruitment programmes as part of a broader diversity and inclusion agenda.

During 2017, we selected 13 employees (including five women) from outside Norway, to participate in the first cohort of our local talent programme, comprising a nine months development assignment in Norway. We are evaluating opportunities for larger cohorts in the future.

[24] The overall people engagement scoring reflects employee satisfaction, enthusiasm and pride associated with working for Statoil. The scoring is based on feedback received through an annual survey sent out to all employees

[25] During 2017 the Global People Survey (GPS) questionnaire scale was changed from 1-6 to 1-10 and the reporting index was changed to 0-100. Historical data have therefore been converted to enable trend reporting



Creating value for society

ECONOMIC VALUE DISTRIBUTION 2017

SUPPLY CHAIN	PAYMENTS TO GOVERNMENTS[1]	EMPLOYEES	DIVIDENDS DECLARED[2]	SOCIAL INVESTMENTS, SPONSORSHIPS & DONATIONS
	Income tax Host government entitlements (value) Bonuses Royalties and fees	Salaries Pensions Payroll tax Other compensations		
USD 18 billion	USD 9.6 billion	USD 3.9 billion	USD 2.9 billion	USD 22 million

EMPLOYEE ENGAGEMENT, DEVELOPMENT, RECRUITMENT AND RETENTION

2017
Average number of training days training per employee (days): **3.9**

2016 - 3.2 days

2017
Number of graduates recruited: **69**

Number of apprenticeships awarded: **139**

2017
Number of employees: **20245**

Number of new hires: **705**

Permanent employee turnover rate (percentage): **4**

2017
People engagement [3]: **75/100**

2016 - 72

[1] Payments to governments on a country by country and project by project basis is reported in the Annual Report and Form 20-F. This covers payments made directly by Statoil to governments, such as taxes and royalties. Payments made by the operator of an oil and/or gas licence on behalf of the licensed partners, such as area fees, are also included in this report. For assets where Statoil is the operator, the full payment made on behalf of the whole partnership (100%) is included. No payment will be disclosed in cases where Statoil is not the operator, unless the operator is a state-owned entity and it is possible to distinguish the payment from other cost recovery items

[2] USD 1.5 billion cash dividend and USD 1.4 billion scrip dividend

[3] People engagement reflects employee satisfaction, enthusiasm and pride in working for Statoil. The scoring is based on feedback received through an annual survey sent out to all employees. This has been established as a corporate level key performance indicator (KPI)

07

RESPECTING HUMAN RIGHTS

07

RESPECTING HUMAN RIGHTS

The foundation of equitable business

BUSINESS CONTEXT AND OUR STRATEGIC RESPONSE

Statoil is committed to respecting human rights during the conduct of our business activities. This includes taking action to prevent causing or contributing to adverse human rights impacts and where this might not be possible providing remedy for those negatively impacted by our business activities.

We believe that how we deliver on our commitment to respect human rights is the foundation for equitable business and a key factor in our attractiveness as an employer and business partner.

We aim to work systematically to understand our exposure to adverse human rights impacts in our current business activities and in the new countries and business activities we are entering. Statoil has an extensive global supply chain, with around 9,000 suppliers, including contractors that perform a significant proportion of our activities on our behalf.

We have seen the introduction of statutory human rights-related reporting in various jurisdictions over the past five years, in line with the general trend of increased attention by investors and governments in non-financial reporting. Examples include the Modern Slavery reporting requirements and the gender pay gap reporting requirements in the UK[26].

We anticipate that the expectations on business to communicate their role in the delivery of the United Nation's sustainable development goals will also shape future reporting requirements. We also see social media campaigns playing a role in influencing regulators, such as the recent '#metoo' campaign, raising awareness about sexual harassment and assault.

Statoil's approach to respecting human rights starts with our commitment to the people working directly for us. This includes ensuring that they are treated fairly and without discrimination and have a healthy, safe and secure working environment[27] and respecting their right to freedom of association and rights to negotiate and cooperate through relevant representative bodies.

Due to the nature of our oil and gas business activities, there is also the potential to adversely impact human rights through:

- the global and complex supply chain on which we are dependent
- operating in countries where legislation and governance for protection of human rights may not be robust or properly enforced
- operating in areas where we are required to use security providers to protect our workforce and assets
- potentially affecting the lives of individuals in local communities and members of vulnerable groups who live or work where our business activities take place

As such our approach extends to our commitments to respect the human rights of those working in our supply chain; individuals in communities affected by our activities, and people affected by our security arrangements.

OUR ACTIONS

Operationalising our human rights policy

During 2017, Statoil continued its work on implementing and embedding our human rights policy, guided by the company-internal human rights steering committee (HRSC).

The human rights steering committee (HRSC) -The role of the HRSC is to oversee the implementation of the human rights policy. Its members include senior leaders from our corporate procurement, people and leadership, legal and communications functions and from the exploration and development and production international business areas.

The HRSC met five times during 2017. Issues on the agenda included: human rights in the context of our sharpened corporate strategy; privacy and big data; gender equality; integration of human rights aspects in our risk management processes; and annual reporting and benchmarking.

[26] Statoil's Annual Modern Slavery Statements are available on our Corporate website
[27] See Chapter 2 Safeguarding people, the environment and assets for our approach to securing a healthy, safe and secure working environment

The HRSC annual report, outlining activities undertaken in 2017 and planned for 2018, was reviewed by the Statoil ASA Board of Directors Safety, Sustainability and Ethics Committee in December 2017.

Human rights policy implementation - Our implementation efforts during 2017 included those directed towards strengthening the diversity and inclusion in our workforce, and to furthering the understanding and management of labour rights and working conditions in our supply chain.

We also continued our efforts to build lasting relationships with local communities, through timely and meaningful dialogue with those who may be affected by our activities. Seeking to provide, or cooperate in providing, appropriate access to remedy.

Our implementation plan for 2018 focuses on progressing our training and awareness raising activities and our efforts to: integrate human rights aspects in our risk and impact assessment processes; develop human rights related indicators and reporting routines; and strengthen our grievance mechanisms.

In order to effectively coordinate cross-company efforts during 2018, we will establish a network of human rights practitioners, with members selected from across the organisation.

Training – During 2017, 500 people registered for the human rights e-leaning awareness training, giving us a running total for registration of 3,500, since its launch in 2016. This awareness training is made available to Statoil employees and consultants through the Statoil University.

Human rights focus sessions were included on the agenda of various management meetings during 2017. These sessions offered insight and practical examples on the human rights issues specifically relevant for these management teams.

We also started, during 2017, the development of a human rights training course to be used company-wide, that can be tailored for specific target groups. The roll-out is planned for 2018.

Labour rights and working conditions for our workforce

Workforce diversity and inclusion - During 2017, we continued to focus on strengthening the diversity of Statoil's workforce, taking into account gender, nationality, background, ethnicity, competence, age and preferences. We are analysing the diversity of our pipeline, at all levels and in all locations, to ensure continued improvement in our representation. We are also working towards eliminating biases in processes and policies such as recruitment and deployment. We aspire to provide an inclusive workplace where all individuals can share their perspectives, be themselves, develop and thrive in a safe working environment.

In 2017, we established a job architecture framework and revised our career model, making it easier to map and understand expectations at each level and creating transparency in career progression and remuneration. We are committed to equitable remuneration and in 2017, we continued to strengthen our governance of remuneration and benefits to ensure they are both fair and attractive.

Employee relations – We believe in involving our people and their appropriate representatives in the development of the company. The specific ways in which we involve our employees and/or their appropriate representatives in business and organisational issues may vary according to local laws and practices in specific geographical locations.

In 2017, we continued to have close cooperation with employee representatives in Norway and to hold meetings in our European Works Council to discuss strategic matters such as changes to our people performance evaluation, organisational changes and ongoing safety improvement work. Such dialogues provide valuable perspectives and better decisions.

Awareness and training related to sexual harassment – We do not tolerate any verbal or physical conduct that harasses others, disrupts others work performance or creates a hostile work environment. Following the #metoo campaign Statoil recognised the need to strengthen efforts to raise awareness around sexual harassment. In 2018, we will ensure a step-up in awareness and training around this issue in our organization, including communicating clear expectations and guidance for case reporting and handling, reviewing training modules and increasing facilitated discussions within the organisation.

Labour rights and working conditions in our supply chain

During 2017 we continued with our supplier human rights verification activities, while continuing to train suppliers and personnel in Statoil with responsibility for contract and supplier management. We also introduced a new compliance appendix for procurement contracts, that is being rolled out globally for new contracts, covering, inter alia, human rights, ethics, anti-corruption and sanctions clauses. Work was also started during 2017 on the drafting of principles for sustainable supply chains that will provide suppliers with supplementary guidance for specific human rights-related contract requirements contained in the compliance appendix. This will be finalised and implemented during 2018.

Over the past three years, we have completed over 141 human rights verifications in more than 30 countries of suppliers and sub-contractors identified as being exposed to potential breaches of working conditions and labour standards. The verifications are conducted by specialist companies and a dedicated team of internal resources. The verification procedure identifies gaps and lists areas of improvement that Statoil follows up towards the suppliers and sub-contractors to ensure that the gaps are closed. During 2017, we started to register the human rights verifications in our company-wide tool for planning and follow-up of audits and verifications. This will enable us to more easily monitor and analyse the findings and track the follow-up for the human rights verifications.

During 2017 we continued our human rights in the supply chain training programme. Through this programme, designated staff, learn how to: identify exposure to potential breaches in working conditions and labour standards amongst our suppliers and sub-contractors; understand how verifications are conducted and how to follow up on findings.

Human rights verifications alone are not sufficient to manage the working conditions and labour standards in the supply chain, and we are exploring complementary efforts we could introduce. Nevertheless, we already see evidence that the verification activity has contributed to raising increased awareness across Statoil and among our suppliers.

For example, the Statoil team working on supplier contracts for the Johan Castberg field development is requesting updates on the handling of findings from human rights verifications conducted for suppliers that previously worked on the Johan Sverdrup field development. One of our goods suppliers has mapped their entire supply chain, down to the raw materials. Another supplier, following a verification, undertook a review of their management system and, on the basis of this, established a human rights policy.

Findings from verifications have received senior management attention in Statoil. This in turn has contributed to raising awareness around human rights issues in the supply chain, and led to concrete actions being implemented such as follow-up of the human rights issues through nominated Statoil representatives during contract execution.

In 2017 we invested in a joint venture with Scatec Solar a Norwegian solar developer. From a human rights perspective, we are particularly interested in building our understanding of the labour conditions in the solar panel manufacturing supply chain. We have also looked in detail at the systems and processes of our partner to ensure they are aligned with our sustainability management approach and have assigned a Statoil employee to manage health, safety and environmental aspects at the construction site.

Security and human rights

In 2017, we followed the country-level implementation of the Voluntary Principles for Security and Human Rights (VPSHR) for our business activities in Algeria, Angola, Brazil, Indonesia, Nigeria, Tanzania and Venezuela, arranging security-related human rights training for security staff in each of these countries.

We also provided VPSHR awareness sessions and discussed VPSHR implementation with our local personnel at selected Statoil locations. Awareness sessions and training on the VPSHR were also provided through broader human rights training initiatives delivered across the company, and integrated into the sustainability, compliance and human rights training sessions for local personnel and supplier representatives in Algeria and Angola.

Respecting the rights of affected individuals in communities

Statoil recognises that we need to evolve our approach for tracking, categorising, and reporting on issues raised by affected individuals in communities. As such, during 2017, we initiated work to systemise the recording of company-wide efforts towards respecting the rights of affected individuals in communities. This work will continue during 2018.

We have provided below an overview of our efforts to respect the rights of affected individuals in communities for our international activities at locations, outside of Norway and Denmark, where we have an established presence with ongoing operations or project activity.

Involuntary resettlement or relocation of people - In 2017 none of our business activities involved the involuntary resettlement or relocation of people.

Statoil has been participating in the Tanzania Gas Project (the Project) which is in the process of evaluating the feasibility of an onshore Liquified Natural Gas (LNG) facility. In parallel, the national oil company, the Tanzania Petroleum Development Corporation (TPDC) has acquired land to be potentially used for development of an LNG facility. Any resettlement associated with this land acquisition will be managed by TPDC in accordance with Tanzanian legislation. The initial joint site selection process had indicated that a limited number of households could be physically and economically displaced. Statoil will seek to ensure that any resettlement outcomes are consistent with international best practice.

Engagement with indigenous peoples – In 2017, our activities in Canada involved engagement with Indigenous Peoples. For our onshore oil sands projects in Canada the engagement focused on the planned divestiture, including the transitioning out of some longer-term commitments. For our offshore activities in Canada, we focused on our planned exploration activities in the Flemish Pass, offshore Nova Scotia.

Community grievance mechanisms – In 2017, Statoil operated country specific grievance mechanisms in support of the Sheringham Shoal offshore wind farm in the UK, our activities in Tanzania, and our offshore oil and gas operations in Brazil.

In 2017 there were no grievances reported through the mechanisms in Tanzania and Brazil. Two grievances were received in connection with our Sheringham Shoal wind farm both of which have been settled.

For our activities in Canada and our offshore oil and gas activities in the UK we participate in grievance and remediation processes that form part of the local regulatory process or that are coordinated by industry representative bodies (e.g. Oil and Gas UK "Fisheries Legacy Trust Company" (FLTC)).

One claim was received in connection with our offshore oil and gas activities in the UK, via the Oil and Gas UK FLTC. This is currently under their review.

In the USA, we primarily manage community enquiries related to our onshore shale gas and tight oil activities, through our owner relations phone line and email, in person and by phone in our field offices and through our landmen, who are a recognisable presence in most communities. Based on the feedback received to date, the communities are primarily concerned with roads and road use.

Building partnerships and engaging with stakeholders

Corporate human rights benchmark - Statoil was in a group of 98 global companies from the agricultural products, apparel and extractives sectors included in the Corporate Human Rights Benchmark (CHRB) pilot and the benchmark report that was launched in March 2017. The benchmark is intended to provide a periodic comparative snapshot of policies, processes and practices companies have in place to systemise their respect to human rights and response to serious allegations. We have taken the opportunity to participate in the development of the benchmark methodology. We have leveraged our participation in the CHRB to inform the ongoing embedding of our human rights policy and our human rights related disclosures.

Working with employee representatives – Statoil continued promoting employee and industrial relations practices through various networks and forums, including IndustriALL Global Union.

Voluntary Principles Initiative(VPI) - During 2017, we continued our long standing (since 2002) participation in the multi-stakeholder VPI. Through this participation we seek to improve the way we address human rights in security arrangements, by sharing learnings with our peers, government and non-governmental organisations.

UN Women Global Innovation Coalition for Change (GICC) – Statoil joined the GICC in 2017. As a member, Statoil has signed the call to action together with cooperating companies on closing the gender gap. Statoil works with GICC on the innovation principles workstream to explore ways in which innovation and technology can work better for women.

IPIECA - During 2017, we worked together with our peers and key suppliers on developing guidance and tools related to company and supply chain labour rights, including worker grievance mechanisms and modern slavery prevention efforts. We also worked with our peers and external experts on building understanding of the differing regional and local expectations on free, prior and informed consent (FPIC) and the rights of indigenous peoples and communities in specific regional and local contexts. In the area of security and human rights, we worked on maritime and offshore activities, and engagement with public security in host countries.

OUR PERFORMANCE

Sustainability data hub

Labour rights and working conditions in our workforce

Trade union membership – At the end of 2017 the percentage of Statoil ASA employees (in Norway only) who were members of trade unions was 73%, the same as for 2016.

Women in our workforce - At the end of 2017, the overall percentage of women in the company was 30% compared to 31% in 2016. The proportion of women that were new hires was 27% in 2017, compared to 34% in 2016. These decreases were due to inorganic growth (i.e. acquiring new businesses).

The female to male earnings ratio for Statoil ASA employees (in Norway only) remained stable at 98% in 2017. The 2% difference is due to varying seniority (years of experience and age) for males and females in the same position level and the inclusion of different types of positions and competences in the calculation.

The percentage of women in leadership positions was 28% in 2017, compared to 29% in 2016. The percentage of women in leadership positions was highest for the leadership level incorporating the corporate executive committee; business area and business cluster leaders, at 36%.[28] We pay close attention to male-dominated positions and discipline areas, and in 2017 the proportion of female engineers remained stable at 27% in Statoil ASA. We will work actively to increase these numbers in 2018 through our development programmes, as part of a broader diversity and inclusion agenda.

The share of women in the Board of Directors in 2017 was 40% (33% among the employee representatives and 43% among members elected by the shareholders).

Labour rights and working conditions in our supply chain

During 2017 we conducted 41 supplier verifications across 16 countries. Around half of these (21) were conducted on behalf of our project organisation.

We trained approximately 260 Statoil employees through our classroom courses: Human rights in the supply chain and supply chain management, ethics, anti-corruption and social responsibility. We specifically targeted those working with suppliers.

[28] Four levels of leadership have been used. From the highest to the lowest these are: Level 1 (Members of the corporate executive committee, business area and business cluster leaders); Level 2 (business unit leaders); Level 3 (business sector leaders); Level 4 (department leaders)

Respecting human rights

2017

Number of supplier human rights verifications

41

2017

Number of Statoil personnel working with suppliers receiving human rights training

260

2017

Permanent employees in Norway that are members of trade unions [1] (percentage):

73

2016 - 73%

2017

Percentage of permanent employees that are women (percentage):

30

2016 - 31%

2017

Percentage of new hires women (percentage):

27

2016 - 34%

2017

Percentage of women in the Board of Directors (percentage):

40

2016 - 50%

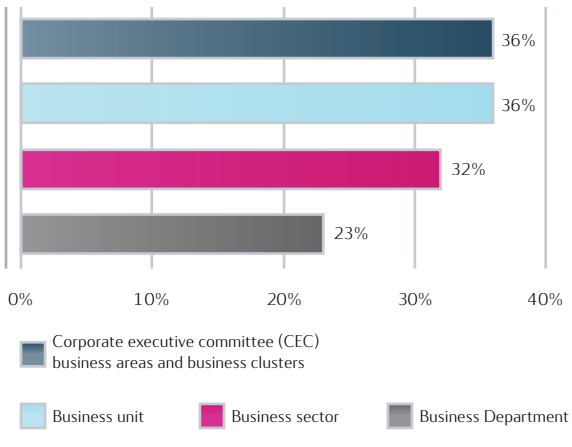
2017

Percentage of women in leadership positions (percentage):

28

2016 - 29%

Women in leadership positions in 2017 (percentage)



[1] Permanent employees in Norway represent 87 % of the permanent employee workforce

08

APPENDICES

08

APPENDICES

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 operated and partner operated assets is available on our corporate website.

- 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 approach[29]
- 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 flotels. 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.

[29] 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 AND ABBREVIATIONS

Actual serious incident frequency (SIF): The number of serious incidents (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 the degree of seriousness, based on established categorisation matrices.

boe: Barrel of oil equivalent.

Capex: Capital expenditure.

CCS: Carbon capture and storage.

Carbon dioxide (CO_2) emissions: Emissions from energy and heat production, flaring (including well testing/well work-over), rest emissions from capture and treatment plants, and emissions of CO_2 as a result of process emissions. Separate data compiled for Statoil operated activities and equity basis.

Carbon dioxide (CO_2) emission reductions: The total estimated quantity of CO_2 emissions reductions resulting from CO_2 emission reduction projects/initiatives passing Decision Gate 1 (DG1) maturity level on Statoil operated activities/assets in production compared to the baseline if the measure had not been implemented, or best available technology for greenfield developments.

CEO: Corporate executive officer.

Contractual social investment: The contributions that we are required to pay under the terms of the production sharing agreements (PSA) or contracts or host government agreements or national laws.

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. For Statoil operated activities.

Flaring intensity: Volume of flared hydrocarbons from upstream activities per volume of hydrocarbons produced.Fresh water: Naturally occurring water having a low concentration of salts, or generally accepted as suitable for abstraction and treatment to produce potable water. Includes water from public installations, wells (including groundwater reservoirs), lakes, streams, rivers and purchased fresh water. Fresh water produced from salt water on facilities/installations is not included.

Greenhouse gases (GHG): For Statoil, the relevant greenhouse gases are CO_2 and CH_4. Other GHGs are assessed to be negligible in comparison.

Hazardous waste: Waste is considered to be hazardous waste according to the regulations under which the activity operates or where the waste can pose a substantial hazard to human health or the environment when improperly managed.

IEA: International Energy Agency.

Injected carbon dioxide (CO_2): The total quantity of CO_2 injected into the subsurface for the purpose of storage or improved/enhanced oil recovery.

IOGP: The international association of oil and gas producers.

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 (LTIF): The number of fatalities and lost-time injuries per million hours worked.

Methane (CH_4) 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 (NOx) emissions: NOx released to the atmosphere from power and heat generation, flaring (including well testing/well work-over) and process.

Non-hazarouds waste: Waste that is not defined as hazardous waste. Except drill cuttings and produced and flow-back water from our USA onshore operations which are exempted from regulation as hazardous waste that are registered separately as exempted waste.

Non-methane volatile organic compounds (nmVOC) emissions: nmVOC released to the atmosphere from power and heat generation, flaring (including well testing/well work-over), process, cold venting and fugitives.

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 spill: Unintentional spills of chemicals, produced water, ballast water and polluted water reaching the natural environment.

Produced water: Water that is brought to the surface during operations which extract hydrocarbons from oil and gas reservoirs.

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.

Recovered waste: Waste from Statoil operated activities that has been delivered for reuse, recycling, or incineration with energy recovery.

Regular discharges of oil to water: oil discharged in regulated or controlled discharges to the aqueous environment from Statoil's operated activities. Includes produced water, process water, displacement water, ballast water and jetting from Statoil operated activities.

Safety and environmental fines: the monetary charge or payment imposed on a Statoil entity for failure to comply with safety and environmental laws and regulations. Only fines paid by Statoil as an operator are included. Fines are reported for the financial year when the actual payment is made.

Scope 1 green house gas (GHG) emissions: Direct greenhouse gas emissions from operations that are owned or controlled by the organisation. For Statoil this is limited to carbon dioxide (CO_2) and methane (CH_4) emissions. Other greenhouse gases are not included as these are assessed to be non-material for Statoil.

Scope 2 green house gas (GHG) emissions: Statoil's scope 2 GHG emissions include emissions from energy imported from third parties. We use IEA (physical) and RE-DISS (market-based) as sources of Scope 2 emissions factors. These are expressed as kg CO_2/KWh- A location-based calculation method reflects the average emissions intensity of grids (using mostly grid-average emission factor data). A market-based calculation 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: Greenhouse gas protocol).

Scope 3 green house gas (GHG) emissions: GHG emissions from the use of our products calculated from standard combustion factors in API (Compendium of Greenhouse Gas Emissions Estimation Methodologies for the Oil and Natural Gas Industry) and KLIF (guidance to Norwegian annual authority emission reporting).

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.

Share of production in areas of high water stress: The share of Statoil's total production that is in areas of high or extremely high water stress, classified with reference to the World Resources Institute (WRI) Aqueduct tool.

Sickness absence: The total number of sickness absence hours as a percentage of planned working hours (Statoil ASA employees).

Sulphur oxides (SOx) emissions: Sox released to the atmosphere from power and heat generation, flaringand process.

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

Total Serious incident frequency (SIF): The number of actual and potential serious safety incidents categorised with a with a level 1 or 2 out of five degrees of seriousness per million hours worked.

Upstream carbon dioxide (CO_2) emission intensity: Total scope one emissions of carbon dioxide (kg CO2) from exploration and production, divided by total production (boe).

Voluntary social investments: The contributions made to address social and environmental risk factors and to enhance opportunities arising from our business activities.

Work related illness (WRI) frequency: number of WRI incidents that result in death, serious WRI, WRI that results in treatment from authorized health care personnel and other WRI per million of hours worked. For Statoil employees and contractors.

SUSTAINABILITY DATA TABLES AND GRAPHS

Safety, health and working environment

Indicators	Boundary	Unit	2017	2016	2015	2014	2013
Work hours							
Hours work	Statoil Group	million hours	127.8	128.3 [(a)]	125.3	13.3	130.9
Planned work hours	Statoil ASA employees	million hours	30	30	32	33	34
Serious incidents							
Total serious incident frequency (SIF)	Statoil Group	number per million hours worked	0.6	0.8	0.6	0.6	0.8
Actual serious incident frequency (SIF)	Statoil Group	number per million hours worked	0.3	0.3	0.2	0.2	0.2
Incidents with major accident potential	Statoil Group	number	0	3	1	2	n/r
Major accidents	Statoil Group	number	0	1	0	0	n/r
Personal health and safety							
Total recordable injury frequency (TRIF)	Statoil Group	number per million hours worked	2.8	2.7 [(a)]	2.7	3.0	3.8
Employee TRIF	Statoil Group	number per million hours worked	2.6	2.8 [(a)]	2.3	1.7	2.2
Contractor TRIF	Statoil Group	number per million hours worked	2.9	2.7 [(a)]	2.9	3.6	4.6
Total fatalities	Statoil Group	number per year	0	14	3	2	5
Employees fatalities	Statoil Group	number per year	0	1	0	0	5
Contractors fatalities	Statoil Group	number per year	0	13	3	2	0
Lost time injury frequency (LTIF)	Statoil Group	number per million hours worked	1.2	1.1 [(a)]	1.1	1.1	1.4
Work related illness frequency (WRI)	Statoil Group	number per million hours worked	1.2	1.5 [(a)]	2.2	2.0	2.5
Health and working environment							
Sickness absence	Statoil ASA employees	percentage of planned work hours	4.6	4.3	4.2	3.8	3.9
Psychosocial working environment	Statoil Group (Statoil employees)	GPS scoring [1]	76	75	76	75	76
Process safety							
Oil and gas leakages with a leakage rate ≥ 0.1 kg per second	Statoil operational control	number per year	16	18	21	13	19
Number of oil spills	Statoil operational control	number per year	206	146	172	213	219
Volume of oil spills	Statoil operational control	cubic metres	34	61	31	91	69
Number of other spills	Statoil operational control	number per year	189	161	191	194	181
Volume of other spills	Statoil operational control	cubic metres	893	251	753	473	1 500

[1] The GPS scoring methodology was changed in 2017. The questionnaire scale was changed from 1-6 to 1-10 and the reporting index was changed to 0-100. Historical scores were converted to enable trend reporting

(a) Restated 2016 data due error in reporting of hours worked. The updated frequencies also reflect re-classification of cases after the 2016 year-end reporting deadline

n/r: not reported

Employment and recruitment

Indicators	Boundary	Unit	2017	2016	2015	2014	2013
Total number of permanent employees	Statoil group [1]	number	20 245	20 539	21 581	22 516	23 413
Total number of permanent employees in non-OECD countries	Statoil group [1]	number	599	641	769	927	937
Number of consultants	Statoil group [1]	number	788	504	648	1411	2122
Number of contractor personnel[2]	Statoil group	number	30 000	30 000	30 000	40 000	45 000
Total new hires	Statoil group	number	705	251	331	501	1 414
Permanent employee turnover rate	Statoil group [1]	percentage	4	4	4	5	4
Ranking in Universium engineering students' employer attractiveness survey	Statoil ASA (Norway)	Universium scoring	1	1	1	1	1
Number of apprentices at year end	Statoil group [1]	number	291	271	282	315	343
Number of apprenticeships awarded per year	Statoil group [1]	number	139	132	127	135	166
Number of graduates at year end	Statoil group [1]	number	143	132	210	401	464
Number of graduates recruited per year	Statoil group [1]	number	69	42	41	98	157

[1] Contractor personnel are excluded
[2] Estimate of enterprise personnel, defined as third party service providers who work at our onshore and offshore operations

Number of permanent employees by region for Statoil group in 2017 [1]

Regions	Number of employees
Norway	17 632
Rest of Europe	947
Africa	78
Asia	69
North America	1 174
South America	345
Total	20 245
Non-OECD	599

[1] Expatriated staff are registered in their home country, as such the number of employees working in some countries can be higher or lower

Number of permanent employees per country for Statoil group in 2017 [1]

Countries	Number of employees	Countries	Number of employees
Algeria	27	Libya	3
Angola	15	Mexico	5
Azerbaijan	11	Netherlands	8
Bahamas	54	Nigeria	12
Belgium	64	Norway	17 632
Brazil	323	Russian Federation	53
Canada	131	Singapore	29
China	6	Tanzania	21
Denmark	330	United Kingdom	476
Germany	14	United Arab Emirates	3
Indonesia	19	United States of America	984
Ireland	2	Venezuela	22
Kazakhstan	1		

[1] Expatriated staff are registered in their home country, as such the number of employees working in some countries can be higher or lower

Labour rights and working conditions

Indicators	Boundary	Unit	2017	2016	2015	2014	2013
Permanent employees' membership of trade unions	Statoil ASA [1]	percentage	73	73	70	68	66
People engagement	Statoil group	GPS scoring [2]	75	72	72	70	73
Average overall zero tolerance for discrimination and harassment score	Statoil group	GPS scoring [2]	83	82	82	82	82
Employee training [3]							
Class room course training days per employee	Statoil group	average number	3.9	3.2	2.8	3.3	4.8
E-learning training days per employee	Statoil group	average number	2.8	2.6	3.0	2.2	2.0

[1] Statoil employees in Norway only
[2] The GPS scoring methodology was changed in 2017. The questionnaire scale was changed from 1-6 to 1-10 and the reporting index was changed to 0-100. Historical scores were converted to enable trend reporting. The scoring is based on feedback received through an annual survey sent out to all employees
[3] Internal learning activities

Local workforce diversity 2017 [1]

Indicators	Number of employees	Number of local managers	Share of local employees (%)
Brazil	305	52	89
Canada	108	18	86
Denmark	328	32	99
Norway	17 175	1 658	100
UK	451	68	77
USA	960	164	94

[1] For countries where Statoil has more than 100 employees and is the operator for production or processing activities

Workforce diversity and equal opportunities: Non-Norwegian employees

Indicators	Boundary	Unit	2017	2016	2015	2014	2013
Percentage of permanent employees non-Norwegian	Statoil group	percentage	19	19	19	20	21
Percentage of new hires non-Norwegian	Statoil group	percentage	71	73	73	60	48
Percentage of non-Norwegians in leadership positions	Statoil group	percentage	23	23	22	22	21
Share of non-Norwegian leaders in Corporate Executive Committee, business areas and business clusters	Statoil group	percentage	27	25	27	24	19
Share of non-Norwegian in business unit leadership positions	Statoil group	percentage	26	26	20	19	12
Share of non-Norwegians in business sector leadership positions	Statoil group	percentage	32	30	29	28	23
Share of non-Norwegians in business department leadership positions	Statoil group	percentage	18	18	18	20	17

Workforce diversity and equal opportunities: Female employees

Indicators	Boundary	Unit	2017	2016	2015	2014	2013
Female: male earnings ratio	Statoil ASA [1]	percentage	98	98	98	98	98
Percentage of new hires women	Statoil group	percentage	27	34	35	33	34
Percentage of permanent employees: women	Statoil group	percentage	30	31	30	31	31
Percentage of women in leadership positions	Statoil group	percentage	28	29	28	28	28
Percentage of women apprentices at year-end	Statoil group	percentage	29	30	29	31	34
Percentage of apprenticeships awarded to women	Statoil group	percentage	32	34	33	27	34
Percentage of women graduates at year-end	Statoil group	percentage	40	44	42	38	38
Percentage of graduates recruited women	Statoil group	percentage	38	39	44	43	34
Proportion of women in leadership roles							
Share of female leaders in Corporate Executive Committee, business areas and business clusters	Statoil group	percentage	36	36	31	35	38
Share of women in business unit leadership positions	Statoil group	percentage	36	36	38	34	32
Share of women in business sector leadership positions	Statoil group	percentage	32	32	32	31	30
Share of women in business department leadership positions	Statoil group	percentage	23	24	24	24	24
Proportion of women in the Board of Directors							
Share of women in the Board of Directors	Statoil ASA [1]	percentage	40	50	50	46	50

[1] Statoil employees in Norway only

Environment

Indicators	Boundary	Unit	2017	2016	2015	2014	2013
Acid gases and non-methane volatile organic (nmVOC) compounds							
Sulphur oxides (SOx)	Statoil operational control (100% basis)	thousand tonnes	1.7	1.8	2.5	2.2	2
Nitrogen oxides (NOx)	Statoil operational control (100% basis)	thousand tonnes	40	39	42	47	46
Non-methane volatile organic compounds (nmVOC)	Statoil operational control (100% basis)	thousand tonnes	49	49	60	72	58
Waste and discharges to water							
Hazardous waste generated [1]	Statoil operational control (100% basis)	thousand tonnes	296	438	309	339	378
Hazardous waste recovered [2]	Statoil operational control (100% basis)	percentage	83	84	16	13	10
Exempt waste generated: cuttings and solids [3]	Statoil operational control (100% basis). US onshore operations	thousand tonnes	105	81	117	203	n/r
Exempt waste generated: produced water and flowback [3]	Statoil operational control (100% basis). US onshore operations	million cubic metres	5	4	5	4	n/r
Non-hazardous waste generated	Statoil operational control (100% basis)	thousand tonnes	34	50	40	57	65
Non-hazardous waste recovered	Statoil operational control (100% basis)	percentage	71	56	63	52	40
Regular discharges of oil to water	Statoil operational control (100% basis)	thousand tonnes	1.2	1.4	1.4	1.4	1.2
Chemicals use in our USA onshore operations							
Hydraulic fracking chemicals use	Statoil operational control (100% basis)	thousand tonnes	40	17	28	26	n/r
Fresh water use							
Fresh water withdrawal	Statoil operational control (100% basis)	million cubic metres	14.8	13.5	14.5	14.8	12.0
Share of production in areas of high water stress [4]	Statoil operational control (100% basis)	percentage	0	n/r	n/r	n/r	n/r
Safety and environmental fines (>USD 100,000)							
Fines	Statoil operational control (100% basis)	USD	0	0	7	0	9

[1] Excluding exempt waste from USA onshore operations
[2] In 2016 a change was made in the categorisation of recovered waste, allowing for the inclusion of treated oil contaminated water.
[3] Drill cuttings and produced and flow-back water from our USA onshore operations are exempt from regulation as hazardous waste and are not included in the hazardous waste and hazardous waste recovery figures
[4] Assessed with reference to the World Resource Institute (WRI) Aquaduct tool
n/r not reported

Climate (1 of 2)

Indicators	Boundary	Unit	2017	2016	2015	2014	2013
Production data							
Operated oil and gas production	Statoil operated control (100 % basis)	million barrels of oil equivalent (mmboe)	1 099	1 030	1 073	997	974
Equity oil and gas production	Equity basis [1]	million barrels of oil equivalent (mmboe)	759	723	719	703	708
Renewable energy production (offshore wind)	Equity basis	Gigawatt hour (GWh)	830	423	475	536	538
Renewable energy production (offshore wind)	Total production	Thousands of households supplied	630	200	200	200	200
Renewable energy production (offshore wind)	Installed capacity	Megawatt (MW)	751	317	317	317	317
Energy consumption							
Energy consumption	Statoil operated control (100 % basis)	Terawatt hour (TWh)	70	73	75	74	72
Carbon dioxide (CO_2) emissions							
Carbon dioxide (CO_2) emissions	Statoil operational control (100 % basis)	million tonnes	14.9	14.8	15.4	15.3	15.1
Upstream carbon dioxide (CO_2) emissions intensity	Upstream operations: Statoil operated control (100 % basis)	Kg CO_2 per barrel of oil equivalent (boe)	9	10	10	11	10
Carbon dioxide (CO_2) emissions	Equity basis [1]	million tonnes	12.0	12.7	12.3	12.4	n/r
Upstream carbon dioxide (CO_2) emissions intensity	Upstream operations: Equity basis	Kg CO_2 per barrel of oil equivalent (boe)	10	13	n/r	n/r	n/r
Flaring							
Carbon dioxide (CO_2) emissions from flaring	Statoil operational control (100 % basis)	million tonnes	1.3	1.4	1.4	1.9	1.8
Hydrocarbons flared	Statoil operational control (100 % basis)	thousand tonnes	406	443	440	570	n/r
Upstream flaring intensity	Statoil operated control (100 % basis)	tonnes of gas flared per 1000 tonnes of hydrocarbon produced	2.1	2.5	3.0	4.0	n/r
Share of flaring that is continuous production flaring	Statoil operational control (100% basis)	percentage	10	14	n/r	n/r	n/r
Methane emissions							
Methane (CH_4) emissions	Statoil operational control (100 % basis)	thousand tonnes	20.1	24.2	36.3	40.6	37.0

[1] For processing and refining activities, equity share is in principle based on ownership percentage. In cases where the ownership percentage is significantly different from the economic substance of the relationship, e.g. Statoil's ownership in a processing facility does not correspond to Statoil's economic interest in the facility's throughput, a percentage corresponding to the economic interest is applied, in order to calculate Statoil's equity CO_2 emissions for the facility.
For partner-operated oil and gas production assets, CO_2 emissions data is in principle obtained from the operating companies. As such, the way in which CO_2 emissions are quantified by our partner-operators may vary and Statoil's ability to quality assure such data is limited. In cases where it is not practicable to obtain asset-specific CO_2 emissions data within Statoil reporting deadlines, estimation, based upon e.g. historical data or industry intensity figures applied to actual production figures, may be utilised.

n/r: not reported

Climate (2 of 2)

Indicators	Boundary	Unit	2017	2016	2015	2014	2013
Greenhouse gas (GHG) emissions [2]							
Scope 1 greenhouse gas (GHG) emissions	Statoil operational control (100 % basis)	million tonnes CO_2 equivalent	15.4	15.4	16.3	16.3	16.0
Location based factor scope 2 GHG emissions [3]	Statoil group total indirect GHG emissions	million tonnes CO_2	0.3	0.3	0.3	0.3	n/r
Market based factor scope 2 GHG emissions [3] (tonnes CO_2 equivalent)	Statoil group total indirect GHG emissions	million tonnes CO_2	2.6	2.6	2.5	n/r	n/r
Scope 3 GHG emissions [4]	Statoil group total GHG emissions	million tonnes CO_2 equivalent	310	296	295	288	290
Carbon dioxide (CO_2) captured and stored [5]							
CO_2 emissions captured and stored per year	Statoil operational control (100% basis)	million tonnes	1.36	1.38	1.39	1.25	1.17
Accumulated CO_2 emissions captured and stored	Statoil operational control (100% basis)	million tonnes	22.3	20.9	19.5	18.0	17.0
Carbon dioxide (CO_2) emissions reductions							
Annual CO_2 emissions reductions for period 2008 - 2016	Statoil operated control (100 % basis)	million tonnes	0.40	0.32	0.55	0.34	0.18
Accumulated effect of CO_2 emissions reductions measures for period 2008 - 2016	Statoil operational control (100% basis)	million tonnes	n/r	1.75	1.43	0.88	0.54
Total accumulated effect of CO_2 emissions reductions towards 2030, 3 million tonnes target	Statoil operational control (100 % basis)	thousand tonnes	0.36	n/r	n/r	n/r	n/r

[2] For carbon dioxide (CO2) and methane (CH4) emissions only. Other greenhouse gases are not included as these are assessed to be non-material for Statoil.
[3] Statoil's scope 2 greenhouse gas (GHG) emissions include emissions from energy imported from third parties. We use IEA (physical) and RE-DISS < (market-based) as sources for Scope 2 emissions factors. These are expressed as kg CO2/KWh.
A location-based calculation method reflects the average emissions intensity of grids (using mostly grid-average emission factor data).
A market-based calculation 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: Greenhouse gas protocol).
[4] Greenhouse gas (GHG) emissions from the use of our products calculated from standard combustion factors in API (Compendium of Greenhouse Gas Emissions Estimation Methodologies for the Oil and Natural Gas Industry) and KLIF (guidance to Norwegian annual authority emission reporting).
[5] Carbon dioxide (CO2) captured and stored from Snøhvit and Sleipner
n/r: not reported

Social investments in 2017 (thousand tonnes)

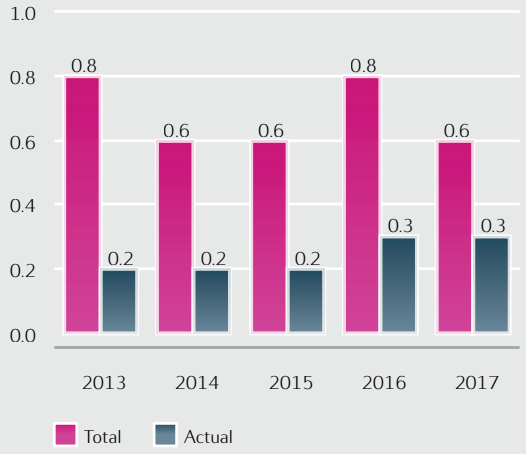
Country	Voluntary [1]	Contractual [2]	Main projects
Algeria		23	Training/capacity building
Angola	478		Higher and rural education; governance; human rights
Brazil		452	Community engagement (licencing programmes); community awareness
Canada	1 000		Support to indigenous communities; capacity building; community development
Nigeria	257		Local community capacity building (Akassa project)
Russia	68		Capacity building
Tanzania	2 292		Capacity building; higher education; community awareness; access to medical support
TOTAL	4 095	474	

[1] Voluntary social investments are the contributions made to address social and environmental risk factors and to enhance opportunities arising from our business activities
[2] Contractual social investment are the contributions that we are required to pay under the terms of the production sharing agreements or contracts or host government agreements or national laws

SAFETY, HEALTH AND WORKING ENVIRONMENT

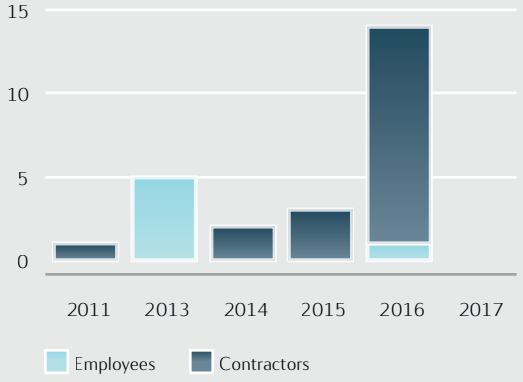
Serious incident frequency (SIF)

(number per million hours worked)

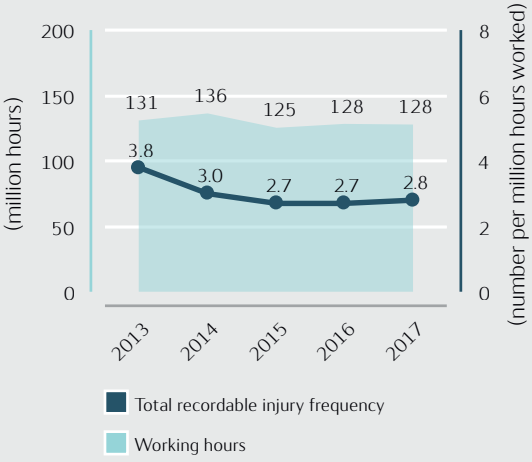


Fatalities

(number per year)

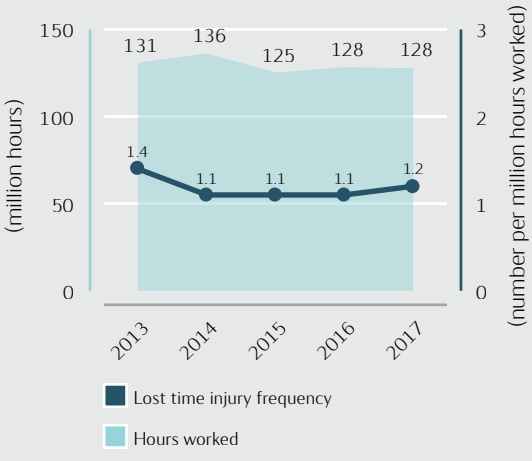


Total recordable injury frequency (TRIF)

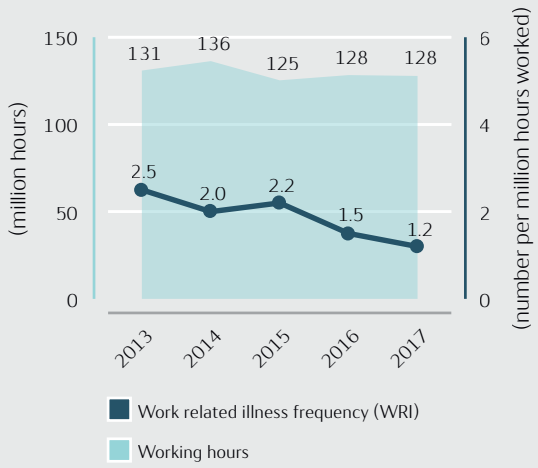


Restated 2016 data due to an error in reporting of hours worked. The updated frequency also reflects re-classification of cases after the 2016 year end reporting deadline.

Lost time injury frequency (LTIF)

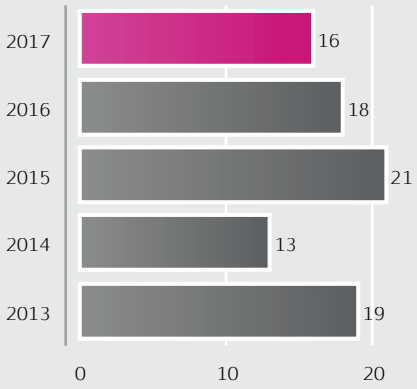


Work related illness frequency (WRI)

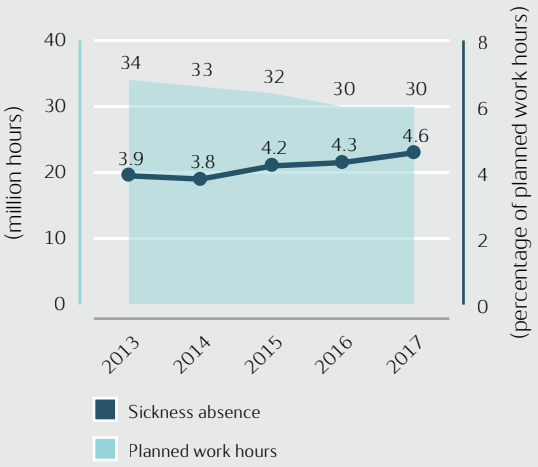


Serious oil and gas leakages

(number per year)



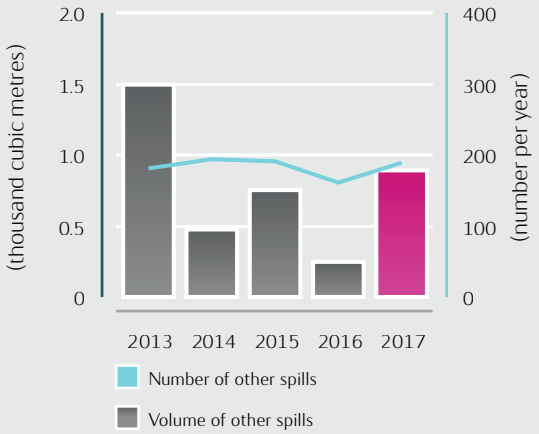
Sickness absence



Oil spills

SAFETY, HEALTH AND WORKING ENVIRONMENT

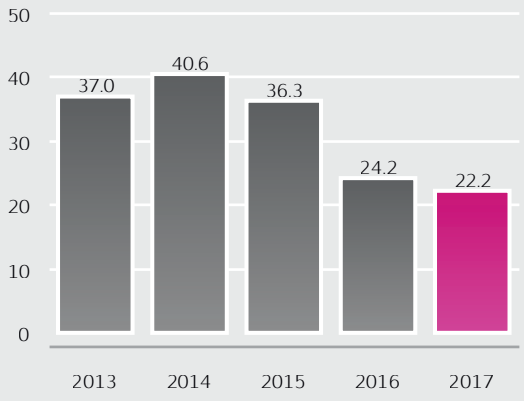
Other spills



CLIMATE

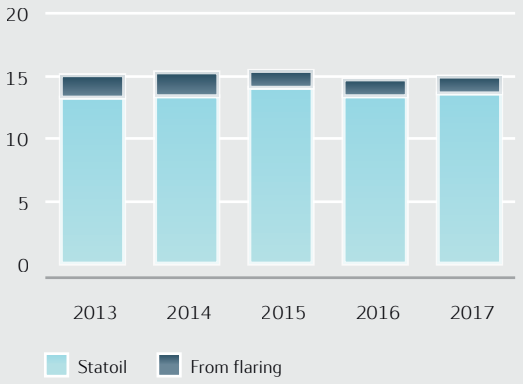
CH_4 emissions

(thousand tonnes)



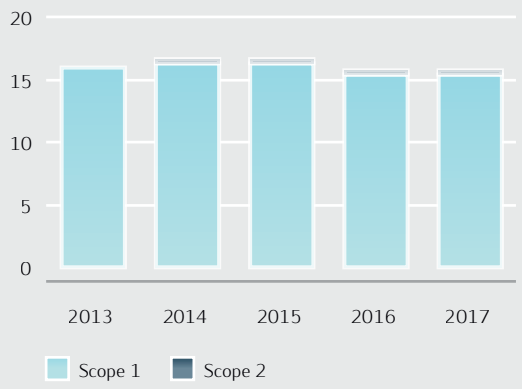
CO_2 emissions - Statoil operational control (100 % basis)

(million tonnes)



Greenhouse gas emissions (GHG)

(million tonnes CO_2)

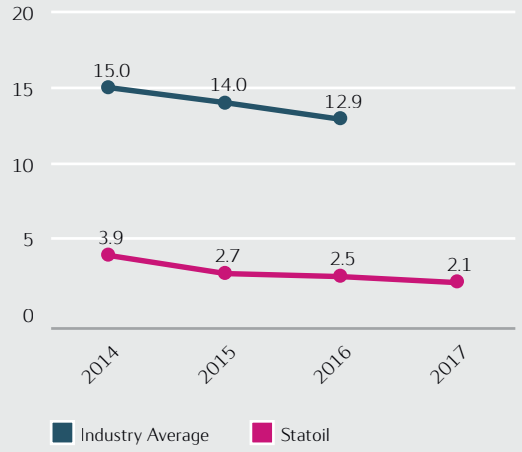


Upstream carbon dioxide (CO_2) intensity [1]

[1] Statoil operated production (100% basis)

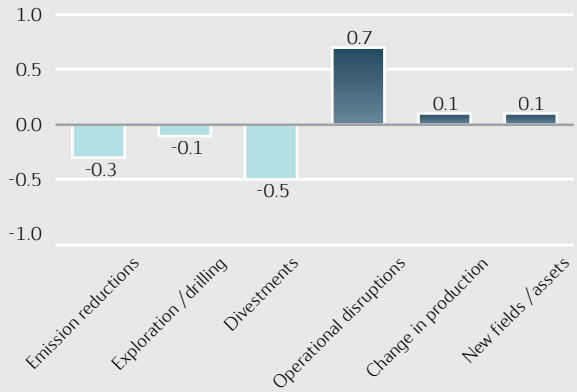
Upstream flaring intensity

(tonnes gas flared per thousand tonnes of hydrocarbon produced)



Changes in carbon dioxide emissions 2017

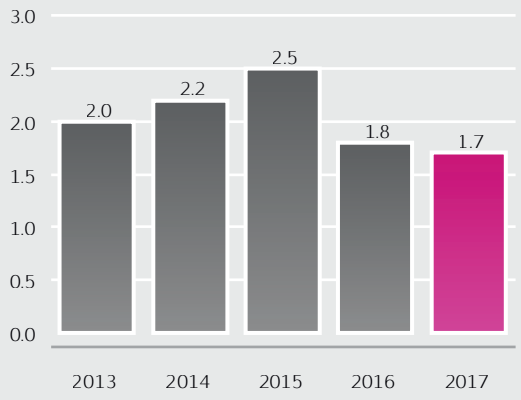
(million tonnes)



ENVIRONMENT

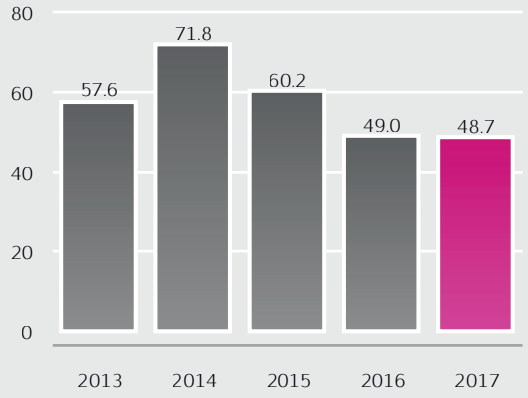
Sulphur oxides (SO_x)

(thousand tonnes)



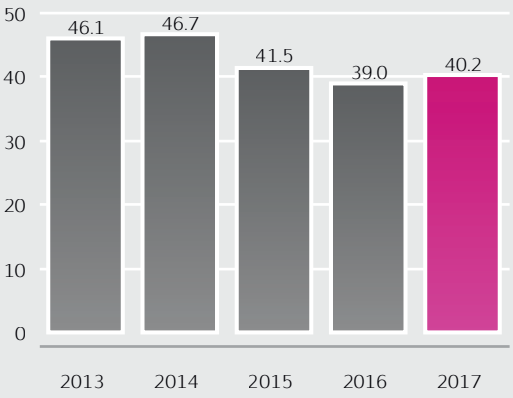
Non-methane volatile organic compounds (nmVOC)

(thousand tonnes)



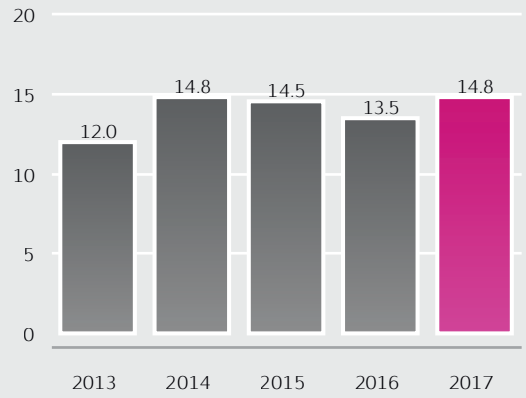
Nitrogen oxides (NO_x)

(thousand tonnes)

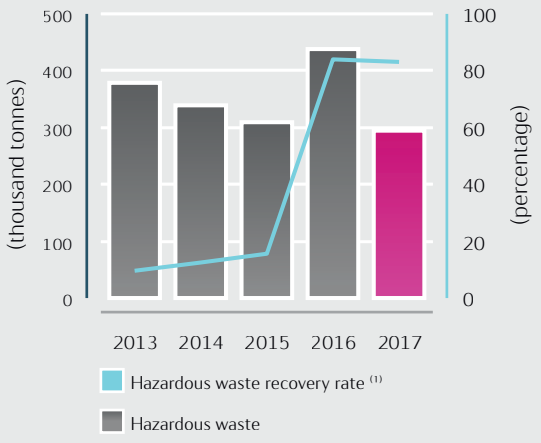


Fresh water withdrawal

(million cubic metres)

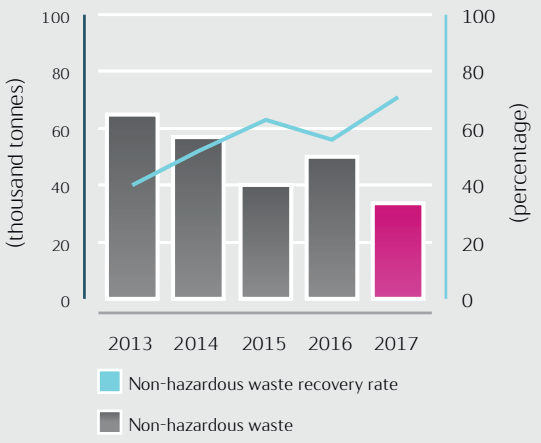


Hazardous waste generation and recovery rate



(1) Recategorisation of recovered hazardous waste from 2016.

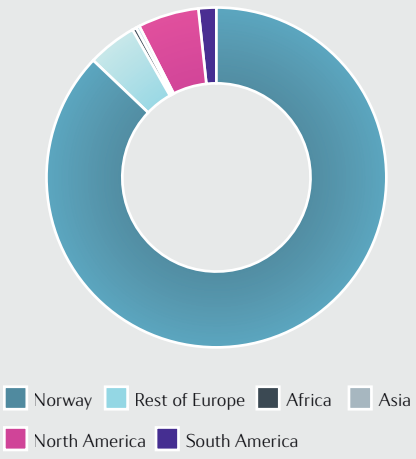
Non-hazardous waste generation and recovery rate



WORKFORCE

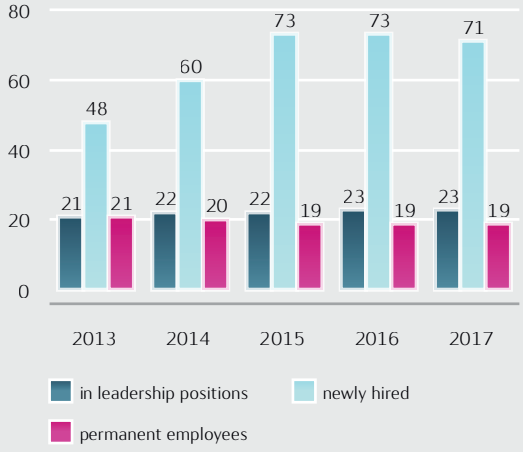
Employees per region 2017

(number)



Proportion of non-Norwegians in the workforce

(percentage)

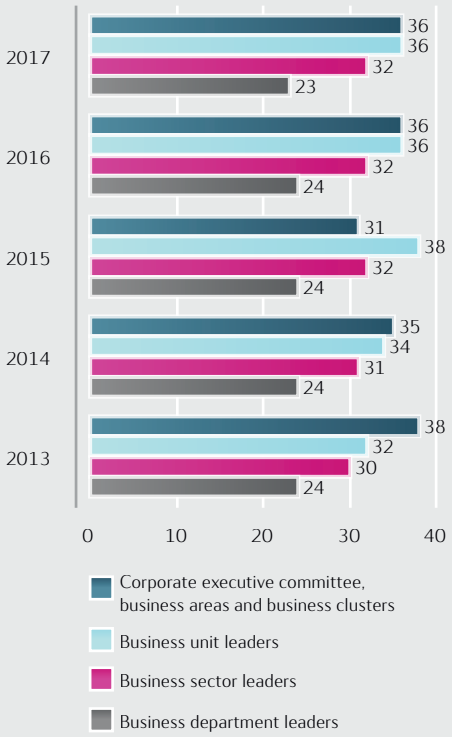


Proportion of non-Norwegians in leadership positions

(percentage)

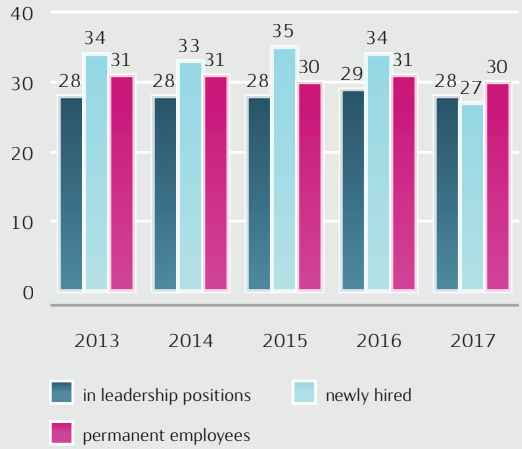
Proportion of women in leadership positions

(percentage)



Proportion of women in the workforce

(percentage)



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Independent assurance report to Statoil ASA

We have been engaged by the management of Statoil ASA ('Statoil') to provide reasonable assurance in respect of the Safety and Environmental Performance Indicators identified below and limited assurance in respect of the information as disclosed in Statoil's Sustainability Report for the year ended 31 December 2017 ('the Sustainability Report').

Our reasonable assurance engagement covers the following Safety and Environmental performance indicators for the year ended 31 December 2017:

- Safety indicators: Total recordable injury frequency (TRIF), Serious incident frequency (SIF), Fatalities, Oil spills, Serious oil and gas leakages;
- Environmental indicators: Greenhouse gas emissions scope 1, control based CO_2 emissions, CH_4 emissions, NO_x, Energy consumption and SO_x emission.

The Sustainability Report is covered by our limited assurance engagement. The scope excludes future events or the achievability of the objectives, targets and expectations of Statoil.

Our conclusions
Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report.

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

Reasonable Assurance Safety and Environmental Performance Indicators
In our opinion, the safety and environmental performance indicators, as defined above, are, in all material respects, prepared and presented in accordance with the G4 Guidelines of the Global Reporting Initiative including the Oil and Gas Sector Supplement and the applied reporting criteria as disclosed in the section 'About the Report' of the Sustainability Report.

Limited Assurance on the Sustainability Report
Based on the limited assurance procedures performed and the evidence obtained, as described below, nothing has come to our attention that causes us to believe that the Sustainability 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 the applied reporting criteria as disclosed in the section 'About the Report' of the Sustainability Report.

KPMG AS, a Norwegian limited liability company and member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Statsautoriserte revisorer - medlemmer av Den norske Revisorforening

Offices in:
Oslo, Alta, Arendal, Bergen, Bodø, Drammen, Elverum, Finnsnes, Hamar, Haugesund, Kristiansand, Molde, Tromsø, Trondheim, Skien, Sandnessjøen, Stavanger, Stord, Straume, Tynset, Sandefjord, Ålesund

KPMG

The chief executive officer and management's responsibility
The chief executive officer and management are responsible for the preparation and presentation of the Safety and Environmental Performance Indicators and the Sustainability Report in accordance with the G4 Guidelines of the Global Reporting Initiative including the Oil & Gas Supplement and the applied reporting criteria as disclosed in the section 'About the Report' of the Sustainability Report as disclosed in the section 'About the Report'.

These responsibilities includes establishing such internal controls as management determines are necessary to enable the preparation of the Safety and Environmental Performance Indicators and the Sustainability Report that are is free from material misstatement, whether due to fraud or error.

Our responsibility
Our responsibility is to express a reasonable assurance conclusion on the preparation and presentation of the Safety and Environmental Performance Indicators included in the Sustainability Report and a limited assurance conclusion on Statoil's preparation and presentation of the Sustainability Report.

We conducted our assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board.

ISAE 3000 requires that we plan and perform the engagement to obtain reasonable assurance about whether the Safety and Environmental Performance Indicators are free from material misstatement and limited assurance about whether the Limited Assurance Information is free from material misstatement.

The firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Reasonable assurance over the Safety and Environmental Performance Indicators
The procedures selected in our reasonable assurance engagement depend on our judgment, including the assessment of the risks of material misstatement of the Safety and Environmental Performance Indicators whether due to fraud or error.

In making those risk assessments, we have considered internal control relevant to the preparation and presentation of the Safety and Environmental Performance Indicators in order to design assurance procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of Statoil's internal control over the preparation and presentation of the Sustainability Report.

Our engagement also included assessing the appropriateness of the Safety and Environmental Performance Indicators, the suitability of the criteria, being the Global Reporting Initiative (GRI) G4 Guidelines.

Our specific procedures for reasonable assurance on the Safety and Environmental Performance Indicators information as outlined above involved:

- Interviews with relevant staff at corporate, business and local level responsible for providing the information in the Sustainability Report, carrying out internal control procedures on the data and consolidating the data in the Sustainability Report;
- Two visits to production sites aimed at, on a local level, validating source data and to evaluate the design and implementation of internal control and validation procedures;
- Evaluating the design and implementation, and tests of the operating effectiveness of the systems and methods used to collect and consolidate the data;
- An analytical review of the data and trend explanations submitted by all sites for consolidation at corporate level.

Limited assurance of the Sustainability Report

The procedures selected depend on our understanding of the Sustainability Report and the indicators and other engagement circumstances, and our consideration of areas where material misstatements are likely to arise. Our procedures for limited assurance on the Sustainability Report included, amongst others:

- A risk analysis, including a media search, to identify relevant sustainability issues for Statoil in the reporting period;
- Interviews with senior management and relevant staff at corporate and selected site level concerning sustainability strategy and policies for material issues, and the implementation of these across the business;
- Enquiries of management to gain an understanding of Statoil's processes for determining material issues for Statoil's key stakeholder groups;
- Interviewing relevant staff responsible for providing the information, carrying out internal control procedures on and consolidating the data in the Sustainability Report;
- Reviewing relevant internal and external documentation, on a limited test basis, in order to determine the reliability of the Sustainability Report;
- Reading the Sustainability Report to determine whether there are any material misstatements of fact or material inconsistencies based on our understanding obtained through our assurance engagement.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance conclusion on the Sustainability Report.

Purpose of our report
In accordance with the terms of our engagement, this assurance report has been prepared for Statoil for the purpose of assisting the board of directors in determining whether the Sustainability Report is prepared and presented in accordance with the G4 Guidelines of the Global Reporting Initiative and for no other purpose or in any other context.

Oslo, 14 March 2018
KPMG AS

Dave Vijfvinkel
Partner

Anette Ronnov
Director

ACKNOWLEDGEMENTS FOR PHOTOGRAPHS

Espen Rønnevik/Woldcom
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Statoil at a glance

TRY
Find out more

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Ole Jørgen Bratland/Statoil ASA
Letter from our CEO
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Tom Ritson/unsplash.com
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Manfred Jarisch
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ILLUSTRATIONS AND DESIGN

Statoil

Statoil, Sustainability Report 2017

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