



Detailed Media Abstract

Petrobras World's Most Sustainable Oil/Gas Company 2008

Companies With Largest Reserves Have Poorest Governance

Madrid, March 2008: Petrobras is the world's most sustainable oil/gas company according to the 5th annual oil/gas ranking by the sustainability research and rating firm Management & Excellence (M&E, Madrid & Sao Paulo).

The M&E ranking, marketed with Oil&Gas Journal Online, measures oil/gas companies' compliance with 387 accepted international standards in sustainability, corporate governance, social responsibility, ethics and transparency. The guidelines are taken institutions such as SEC, Sarbanes-Oxley, national laws, Dow Jones Sustainability Index, OECD, industry benchmarks, GRI, ILO, ISO, EITI, reserves accounting, Global Compact, Millennium Goals, and others. The annual study is considered the most detailed benchmark on sustainability in the industry.



Petrobras, once known for sinking oil rigs and strikes, was re-elected to the Dow Jones Sustainability Index, an indicator where StatoilHydro holds the industry record of 79 points. Petrobras' Board consists of all independent directors, except the CEO. The Brazilian company's "Zero Hunger Program" entered into 18.000 partnerships helping nearly 11 million people over the past four years. BP rebounded following the 2005 explosion in its Texas City complex, oil spills in Alaska and the resignation of its former CEO Lord Browne, investing \$1,7 billion in its U.S. operations for "integrity and reliability".

Companies with the poorest governance and sustainability practices generally controlled the largest oil/gas reserves. The three state corporations PDVSA, Saudi Aramco and Abu Dhabi NOC in part scored zero in governance but together control 430 billion barrels of oil, compared with ConocoPhillips' 9,4 billion or ExxonMobil's 22,7 billion.

Most Sustainable Oil Companies 2008 (compliance scores)

Ranking 2008		
		Score
1	Petrobras	92,25%
2	Total	91,21%
3	BP	89,15%
	StatoilHydro	89,15%
5	Shell	87,86%
6	ENI	78,55%
7	Repsol	74,68%
8	OMV	73,39%
9	Chevron	72,87%
10	ConocoPhillips	72,35%
11	ExxonMobil	67,96%
12	Pemex	66,93%
13	Marathon	66,67%
14	Lukoil	55,81%
15	ENAP	40,31%
16	Gazprom	40,05%
17	Petrochina	37,47%
18	ADNOC	31,78%
19	Saudi Aramco	29,72%
20	PDVSA	12,92%

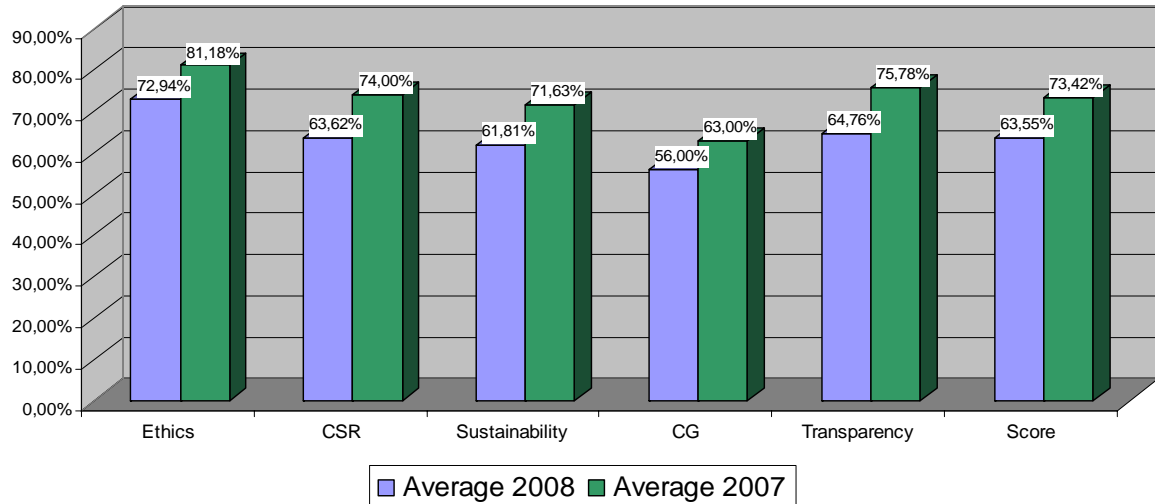
A second M&E study ranks 5 major players in the oil/gas service business which are following in the footsteps of their bigger clients. Yet only Schlumberger and Halliburton achieve above-average compliance levels, with Schlumberger the only member of the Dow Jones Sustainability Index.

Most Sustainable Oil/Gas SERVICE Companies 2008

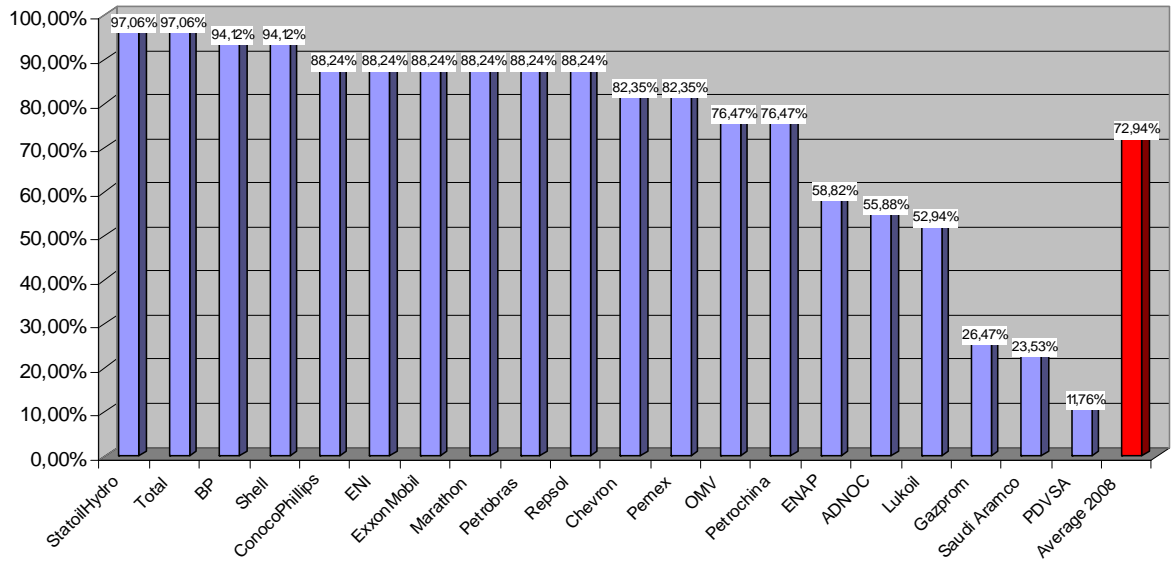
1. Schlumberger	72,68%
2. Halliburton	65,92%
3. Baker Hughes	47,04%
4. Cameron	34,93%
5. Weatherford	30,14%

Commentary on Examples of Trends, Developments by Area:

Average of Oil Companies from 2007 and 2008



Score in Ethics



Companies are best at:

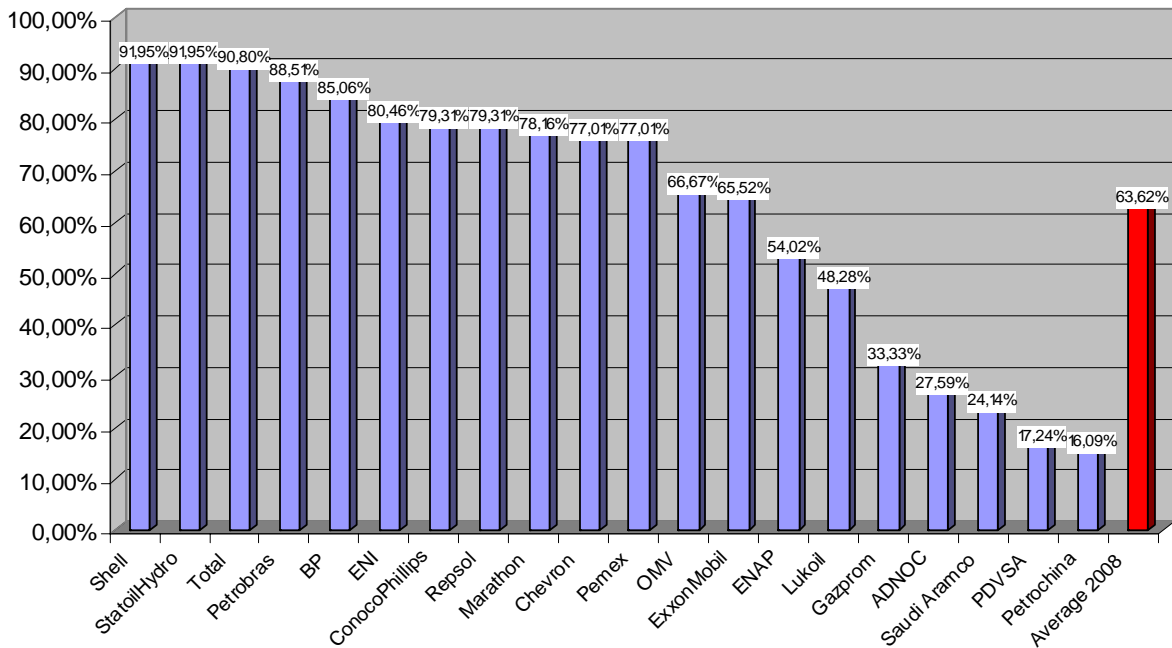
Not having Major strikes by personnel anywhere in the company	100%
Not having Company was prosecuted for bribery or favoritism	100%
General values	95%
Health & safety	95%
Not having Significant environmental fines (more than 1% of net income).	95%

Companies are worst at:	
NGOs	35%
Indigenous groups	35%
Third party monitoring of adherence to and enforcement of the code	25%

Examples of Observations and Developments in Ethics:

- Ethics again is the area with the *highest average* score among the 5 areas and the highest scores achieved by individual companies (Statoil Hydro and Total). BP moves up from 9th position in 2007 to 3rd place this year due to a current absence of any mentionable scandals and a flawlessly complete code of ethics.
- The *ethics criteria* companies are best at fulfilling include avoiding strikes, major fines and scandals as well as implementing general corporate values. They are worst (only 25% complied) about subjecting their ethics processes to third part (external) testing.
- *StatoilHydro*, the number one in Ethics, has long maintained an “Ethics Helpline” offering practical and confidential help in 23 languages. In a separate letter, the Chief Procurement Officer addresses what to do if offered gifts, citing examples of common situations. The company claims to have external, third-party reviewing of its code and processes. Updating and constantly improving codes to bring them in line on issues of bribery and money laundering, for example, is becoming common. Petrobras instituted its 3rd generation code of ethics in an interactive dialogue process with employees. Companies are discovering that ethics is good for employee motivation and fashioning a corporate culture as survey results of employee satisfaction improve consistently.
- *Training in ethics* is becoming more popular. At present, mainly higher levels of management are trained, but the number and courses are increasing. Total regularly surveys its employees on ethical topics.

Score in CSR



Companies are best at:

Educational support	100%
Training in safety techniques for relevant personnel	95%
Training in accident prevention	95%
Responds to real needs of communities and target groups	95%
Community environment	95%

Companies are worst at:

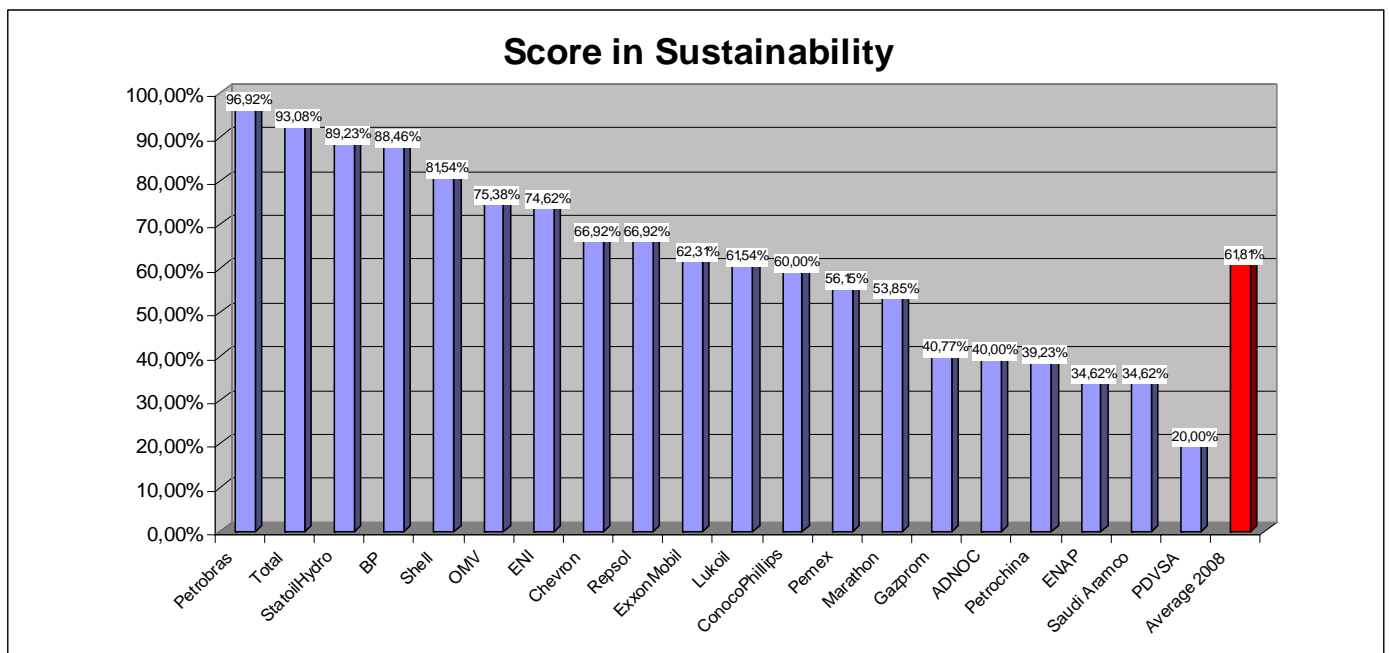
Total Reportable Occupational Illness	25%
Improve and strengthen legal processes for delineating the territory of the indigenous groups	25%
Handicapped	20%
Exposure hours	20%
Benefits for supplier employees	20%

Examples of Observations and Developments in Corporate Social Responsibility:

- Shell moves from 2nd to 1st place in CSR, supplanting Total, which falls to 3rd behind StatoilHydro, which was not in last year's (2007) ranking. Shell even includes sustainable development in its performance scorecard for employees. It is one way to help implement ethical standards in an organization present in 130 countries with over 100.000 employees.
- **Training** on safety, technical, legal and ethical issues is among the most popular CSR measures. Yet training is not a luxury or a one-sided benefit for employees. It generates productivity, avoiding fatal or expensive accidents and avoiding fines. In 2006 Shell, for

example, had to pay €161 million for transgressing competition laws in 1996-1999 when it participated in a synthetic rubber cartel.

- One-hundred percent of the companies provide educational support for communities—making it perhaps the single most popular criterion under CSR. The least popular criterion is giving benefits to employees of contractors (25%). (Please see p. 27 of this report).
- Increased globalization means greater need for *training* in “soft” areas such as values and human rights (e.g. Total and Petrobras)
- Measuring the *impact* of social responsibility programs
- Increasing social *investments* by 10-20% annually
- Broadening the *dialogue* on CSR policies with employees through Total’s European Council on Sustainable Development, CSR and Safety
- Raising the percentage of women, *minorities* and indigenous peoples in management positions (e.g. 26% at Statoil in most locations)



Companies are best at:	
Proven reserves for 1 Year	100%
Proven reserves for 2 Years	100%
Proven reserves for 3 Years	100%
Proven reserves for 4 Years	100%
Proven reserves for 5 Years	95%
Proven reserves for 6 Years	95%
Avoiding oil spills.	95%
Controlling/reducing water pollution.	95%
Controlling/reducing air pollution: NOx, SOx, greenhouse emissions	95%
Reducing liquid wastes.	95%
Controlling/reducing energy consumption	95%
Include handling of hazardous materials in the production process	95%
Involve emergency plans	95%
Environment	95%

Companies are worst at:	
Other indicators for employee performance, such as VAP Value Added Per Person, margin per employee	25%
DJSTOXX SI	20%
FTSE ISS CGI	20%
ASPI Sustainable Development and Governance indices	10%
Statement of Recommended Practice (UK)	10%

Examples of Observations and Developments in Sustainability:

- Investments in **alternative energies** such as wind, biofuels, solar, wave and water power, reached serious levels. Shell, for example, bought a company able to produce biofuels from straw. StatoilHydro developed its first prototype of a wave power turbine. Existing alternative fuel technologies are being improved, such as Shell's joint venture with Saint Gobain to develop advanced thin film technology which is more effective in transforming sunlight into energy.
- **Publicly advertising** investments in alternative fuels broadly (e.g. Shell)
- Improving **energy efficiency** in production processes and end-markets (e.g. Shells Gas to Liquids GTL technology)
- Using **innovative extraction technologies** (e.g. Shell's Snake Well Drill Technology)
- Applying and reporting using more **reserves verification** methods (RRR, proved underdeveloped, SEC, Statement of Recommended Practice)



18 fatalities in 2006 by cause
Total and contractor employees



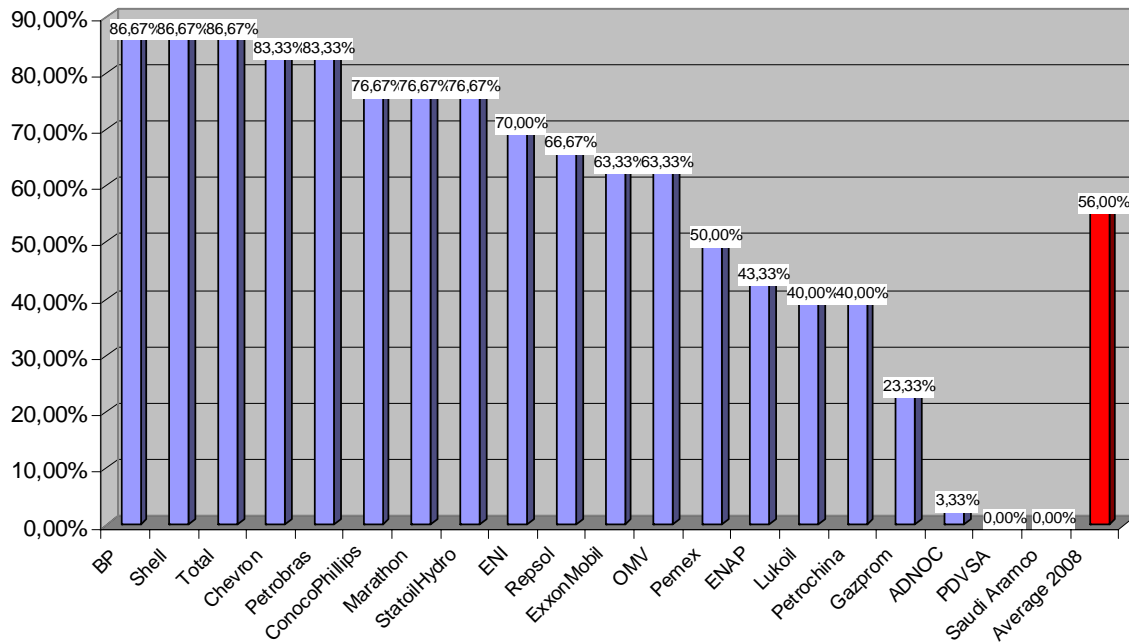
- More *certifications* (ISO 9001, 14001, others) of all facilities worldwide (e.g. 74% at Total) plus social certifications SA8000 or OHSAS (e.g. Lukoil)
- *Fatalities* are nearing zero for employees (0 for StatoilHydro employees, 1 at Total). However, most fatalities still occur in supplier road accidents (e.g. 80% at Total). Low fatality numbers resulted from training in safety over the last years. Statoilhydro, for example, claims that 30.000 people took its safe behavior course.
- Hydrocarbon carbon companies are still not widely held in socially responsible or “green” *investment funds*, despite the companies’ massive investments in environment and social projects. However, Statoil is listed as the “best in class” by the Norway-based pension fund managers Storebrand for SRI performance.
- Ethical, HSE, management and supplier processes are not only subject to tougher standards and certification but to *regular reassessment* and testing (exemplary at Total).
- While the general trend is for decreasing *oil spills*, companies are at a fairly low level of oil spilled. Thus, companies are experiencing volatility in oil spills at a low level due to accidents or hurricanes, indicating that they are not likely to reduce these spill levels substantially in the future. Total has been experiencing an increase both in the number of spills and amount spilled:

Oil spills *	Number	341	291	645
	In cubic meters	1,150	1,564	1,620

StatoilHydro, active in fewer countries than Total, experienced a decrease in oil spilled in 2006 at 156,6 cubic meters after 442 in 2005 and 186 in 2004.

- Companies are emphasizing single and different *environmental themes* as “lead themes” in their communications, e.g. BP in CO2 emissions, StatoilHydro in alternative energies, Petrobras in maritime species salvation.

Score in CG



Companies are best at:

Company has an official corporate governance policy	85%
Company adheres to all national guidelines and laws on corporate governance	85%
Committee members are competent in finance	80%
Committee meets several times annually	80%
National stock exchange listing requirements	80%

Companies are worst at:

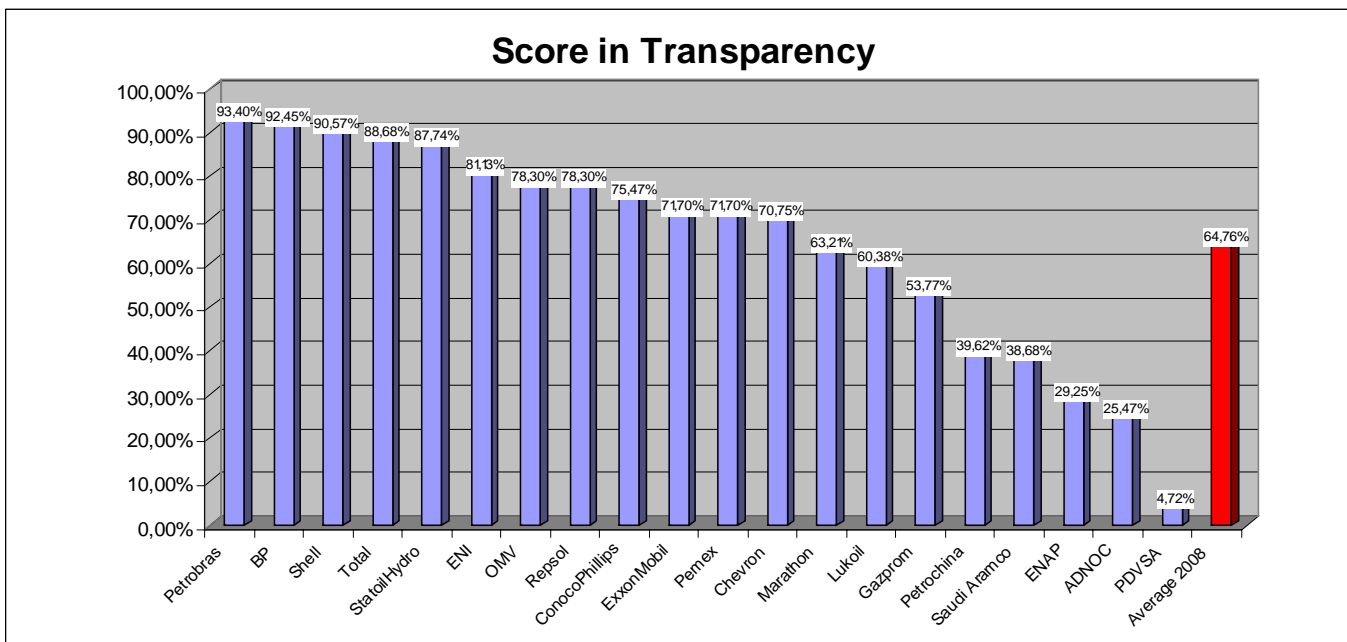
Books stock option programs as expenses	30%
Rotates the auditing firm at least every 5 years	30%
Directors are re-elected annually	25%
Company trains the members of its Audit Committee	25%
Sustainability Committee	15%

Examples of Observations and Developments in Corporate Governance:

- Not only is the average score of Corporate Governance the lowest of all 5 areas (56%), but the difference in points between the *best* and *worst* performers is the greatest. If we extract PDVSA, which delivers an exceptionally poor performance in all areas, the performance spreads by area are as follows:
 - Ethics: 73,33 points
 - CSR: 74,71
 - Sustainability: 62,3
 - CG: 86,67
 - Transparency: 67,93
- All *European companies*, with the exception of Austria's OMV, the country's biggest public company in market cap, are in the governance top 10 of the ranking, even though many of the

standards under governance are U.S.-born. This year's overall number 1, Petrobras, only comes in 5th in Corporate Governance. Like many Brazilian bluechips, it insists on its compliance principally with national and Bovespa standards. In 2008, Corporate Governance suffers from the lowest score among the five areas (56%). Last year, Sustainability came in last. One reason is certainly that this year includes more State-owned companies such as ADNOC, Saudi Aramco and PDVSA.

- As could be expected, the worst performers in Corporate Governance are *State companies*, including PDVSA (0%), Saudi Aramco (0%) and ADNOC (3%), which sunk to the only zero scores for any area and company in this study. Yet these intransparently managed companies are also those with among the greatest oil reserves in the group. Venezuela is estimated at having roughly 80 billion barrels in reserves, Saudi Aramco alone admits to almost 260 billion and ADNOC cites 92 billion.
- While corporate governance policies are popular (85% of companies have one) as well as adherence to national stock exchange guidelines and competence of audit committee members in finance, equal voting rights are only afforded by 30% of companies to their shareholders. The Board meets monthly at only 40% of the companies and 30% rotate their auditing firms every 5 years. Indeed, a mere 15% maintain sustainability committees.



Companies are best at:	
Production, refining data	95%
Corporate strategy and goals	95%
Code of ethics and conduct	90%
Regularly updated press releases	90%
Executive data	90%
Product data	90%
CV's of executives	90%
Significant emissions among NOx, SOx	90%
Liquid wastes	90%
Reserve Replacement Ratio	90%
Descriptions of community programs with positive results for communities	90%
Company publicly communicates information on the corporate strategy and outlook:	90%

Companies are worst at:	
Info on IUCN listed species in areas impacted	25%
General data on key contractors (e.g. location, size, specialty)	25%
Financial data according to IAS	25%
Data on land owned in biodiversity areas	20%
Bribery problems with contractors	20%
Statement of Recommended Practice (UK)	5%

Examples of Observations and Developments in Transparency:

- **Petrobras and BP were the only companies to move up in *rank* in Transparency. Lukoil lost 5 positions, Shell and Repsol each 2. Those losing positions did not do worse in Transparency, but others entering the ranking this year (e.g. Statoil, Chevron, ExxonMobil) pushed them down.**
- **The two *criteria* with which most companies complied are divulging production data and a company's corporate strategy (both 95% compliance), followed by codes of ethics, press releases, executive data and emissions data. Of these data, only emissions data and possibly press releases could reveal potentially bad news. Production data have been going up every year, codes of ethics are inherently good and executive data are normally impressive. Conversely, the least popular standards to be fulfilled are points normally carrying bad news, including bribery problems with contractors (20%), data on land owned in biodiversity areas and info on IUCN species in areas impacted. Only 5% of the companies use the UK Statement of Recommended Practice is accounting for reserves.**
- **Improving transparent reporting on reserves and *reserves replacement ratios***

Proved and probable reserves
- 20.5 billion barrels ¹
- Reserve life of more than 20 years at current production rates

- Reporting specific *goals* to be achieved to the next year and subsequently reporting on whether these were fulfilled (Source: Total CSR Report)

ENVIRONMENT		
Commitments	Accomplishments at End-2006	Next Steps
<ul style="list-style-type: none"> ■ Obtain ISO 14001 certification of 75% of our environmentally sensitive sites by end-2007 	<ul style="list-style-type: none"> ■ 74% of environmentally sensitive sites certified 	<ul style="list-style-type: none"> ■ Pursue the certification program ■ Make the methodological guide available to operations managers in 2007
<ul style="list-style-type: none"> ■ Manage greenhouse gas emissions 	<ul style="list-style-type: none"> - ESP: 39% reduction per unit produced compared with 1990 - R&M: 17% reduction per metric ton refined compared with 1990¹ - Chemicals: 22% reduction in absolute value compared with 1990 - G&P: 203 kilograms of CO₂/MWh (equity share) 	<ul style="list-style-type: none"> - E&P: Reduce flaring of associated gas by 50% in 2012 compared with 2006 - R&M: Reduce our Energy Intensity Index (EII) by 7 points in 2010 compared with 2004 - Chemicals: Improve energy efficiency by 10% in 2011 compared with 2006 - G&P: Maintain carbon content of electricity generated below 350 kilograms per MWh (equity share)
<ul style="list-style-type: none"> ■ Protect air quality - Refining: Reduce SO₂ emissions by 20% in 2010 from 2004 for the worldwide operated scope and prevent SO₂ peaks - Chemicals: Reduce VOC emissions by 20% in 2007 from 2002 	<ul style="list-style-type: none"> - Refining: 8% reduction in SO₂ emissions in 2006 compared with 2004 - Chemicals: target exceeded in 2006 	<ul style="list-style-type: none"> - Refining: <ul style="list-style-type: none"> - Pursue the action plan to reduce SO₂ emissions - Benzene plan (VOC)
<ul style="list-style-type: none"> ■ Protect water quality - ESP: Reduce hydrocarbon discharges to less than 30 ppm per subsidiary in 2007 - Chemicals: <ul style="list-style-type: none"> - Reduce water withdrawal by 10% in 2007 compared with 2002 - Reduce chemical oxygen demand (COD) discharges by 20% in 2007 compared with 2002 	<ul style="list-style-type: none"> - ESP: 2006 target exceeded on average 27 ppm - Chemicals: <ul style="list-style-type: none"> - Target exceeded in 2006 - Target exceeded in 2006 	<ul style="list-style-type: none"> - E&P: Continue to deploy the action plan in each subsidiary
<ul style="list-style-type: none"> ■ Remediate soil 	<ul style="list-style-type: none"> ■ Remtec+ project launched to compile best practices 	<ul style="list-style-type: none"> ■ Publish six methodological guides starting in 2007 ■ Map the risks associated with contaminated soil
<ul style="list-style-type: none"> ■ Identify and curb the impact of our operations on biodiversity 	<ul style="list-style-type: none"> ■ Distribution of the corporate biodiversity policy ■ Deployment of the methodological guide at three pilot sites: Yemen LNG and Foyzin and Prémont in France 	<ul style="list-style-type: none"> ■ Publish a practical guide to biodiversity in early 2007 ■ Upgrade the Protected Areas geographic information system ■ Obtain feedback from the three pilot sites

- The *Extractive Industries Transparency Initiative (EITI)*, founded in 2002 to foster a dialogue with governments and other institutions, is gaining support in the industry.
- Wider use of Global Reporting Initiative *GRI* standards and charts in social, environmental and sustainability reports.
- *Sustainability/social/environmental reports* are being published in more languages than ever before. Shell, for example, releases its report in 11 languages. While years ago, these reports came out months after annual reports, or only once every two years, they are commonly published practically in tandem with annual reports in March/April.
- *Sustainability reports* of top companies are not only becoming longer (40-80 pages) but very detailed. They cover details of hydrocarbon reserves by area, highly detailed environmental data— in particular with respect to emissions, and production wastes, corporate strategy, community programs, technical investments, production data, selected financials and human resource data. Indeed, it appears that the sustainability report is in part supplanting the annual report as a corporate image brochure, with annual reports concentrating on financials and product descriptions. Certainly the wide acceptance of reporting guidelines, such as GRI and eBase (Brazil), have standardized content and structure of sustainability reports.

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