

# Sustainability Report 2012



**PETROM**

Member of OMV Group

# About this report

**Welcome** to Petrom's 2012 sustainability report. This report covers our sustainability performance and relevant data for 2012.

It describes how we integrate environmental, social, and economic considerations into our business and introduces Petrom's Resourcefulness concept, which is at the center of our sustainability approach.

Our reporting boundaries cover data from Petrom operations under management control in our countries of operation (Romania, Republic of Moldova, Serbia, Bulgaria and Kazakhstan) and include Exploration and Production (E&P), Gas and Power (G&P) and Refining and Marketing (R&M) activities. The data is consolidated at Petrom Group level.

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## Resourcefulness: Our sustainability concept



### Eco-Efficiency

Because we work with finite natural resources, we have a responsibility to use them as efficiently and safely as possible

[▶ Go to p15 to find out more](#)



### Eco-Innovation

Eco-Innovation has the potential to provide valuable alternatives to traditional fossil fuels, while also reducing CO<sub>2</sub> emissions

[▶ Go to p19 to find out more](#)



### Skills to Succeed

We foster and promote the skills that our people need to be successful. And we invest in the social and economic development of the communities in which we operate

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# CEO statement

When I accepted the challenge to become CEO, I aimed to transform Petrom into a modern European company and also a strong and reliable partner for the Romanian economy.



**Petrom is not only the largest oil and gas producer in South-Eastern Europe but also the largest Romanian company and a solid pillar of society – our contribution accounts for around 10–11% of state revenue, and we have around 21,000 people. We operate in more than 300 local communities nationwide and our business operations cover the oil, and gas and electricity sectors, which mean we have to overcome constant environmental and operational challenges in our day-to-day activities.**

“The huge impact we have on society comes with great responsibility.”

That is why, besides delivering the financial numbers and improvements in efficiency, my greatest task has been to lead a change in Petrom by guiding us along a more responsible and sustainable development path.

Experience proved that commitment, courage, determination and dedicated people can make the change happen, despite the challenges. In recent years, the support of management and the engagement of our people combined to make Petrom the Company having the greatest involvement in community issues in Romania. Now, our sustainability concept inspires not only our top management, but also entire community of 21,000 employees to embrace sustainability principles in their daily activities. My role is to continue to lead the Petrom team and make sure that we deliver on our promise of sustainable growth, today and in the future.

This role is as inspiring as it is challenging, and I am delighted to share our performance of the past year through this report. In particular, we continued to put sustainability right at the heart of our strategy, implementing great projects by living our values of professionalism, pioneering spirit and partnership every day, across all of our operations.

## CEO statement (continued)

### Delivering our strategy

Our aim is to create an environment of mutual benefit through social and economic partnerships that respect the environmental challenges of our times. In my view, the sustainable and profitable growth of Petrom will benefit our shareholders, customers, employees and the Romanian economy in general and is therefore at the center of all our activities.

During 2012 I am proud to report that we continued to deliver on our business strategy through strong operational and financial performance, within a stable crude price environment, and remained a pillar of stability, despite a challenging economic environment driven by external conditions from the eurozone area.

**“At Petrom, we focus on combining economic success with the best energy solutions for today and tomorrow.”**

In 2012, we have reconfirmed Petrom’s strategic directions for 2021 in line with the previous strategy for 2015, ensuring continuity in the company’s development as an integral part of the OMV Group’s strategy “Profitable Growth”. Petrom remains committed to delivering sustainable performance and aims to remain the leading regional, integrated oil and gas company with the sustainable performance that is required to support potential upstream growth in the neighboring Black Sea region. The Company will continue to invest in a competitive, investment-friendly regulatory and fiscal environment to sustain performance and position us for growth upstream.

### A sustainable business

In 2012, we joined OMV Group in reaffirming a common commitment to sustainability under our shared concept “Resourcefulness”. Initially launched in 2011, we are now taking it to the next level, with a focus on tangible commitments in three key areas: “Eco-Efficiency”, “Eco-Innovation” and “Skills to Succeed”.

Resourcefulness is our approach for implementing initiatives in the areas of environmental management, new energies, education and development, health, safety, diversity, business ethics, human rights, stakeholder engagement and community engagement under a single, overarching strategy.

At Petrom, our top priority is to strive to achieve best practice HSSE standards, including zero-fatalities, and to continue reducing our lost-time injury rate (LTIR). In 2012, we continued to be proactive regarding all aspects of HSSE and this helped us to create a safe working environment for our employees and contractors. This was demonstrated by our improved LTIR performance of 0.41 injuries per million hours worked for our employees, down from 0.47 in 2011 and lower than the industry benchmark. However, despite our rigorous focus on safety, it saddens me greatly to have to report that the year saw two fatalities at Petrom, one involving an employee and one a contractor.

The ways in which we support employees extend well beyond a safe working environment. During 2012 we continued to develop our people, who attended 560,000 training hours across both technical and managerial programs.

## CEO statement (continued)

We also implemented talent management initiatives and further enhanced our business ethics standards and human rights observance.

As a major employer and key player in Romania's economy, we are an integral part of the communities where we operate. 2012 marked our sixth year of social and community involvement and since 2006 we have touched the lives of close to a million people through our community projects.

**"Resourcefulness is our way of supporting sustainable performance for growth in a responsible way."**

### Supporting our business strategy

We have invested EUR 530 mn in our Brazi power plant. This 860 MW Combined Cycle Power Plant, if operated at maximum capacity, can cover up to 8–9% of the electricity market – enough to meet the electricity needs of Bucharest. The plant uses state-of-the-art technology and also contributes to emission reductions.

### Looking ahead

Our successes in 2012 strengthened our reputation as a sustainable business and are the result of the skills, experience and sheer passion of our people. On behalf of the Executive Board I thank them unreservedly. I also wish to express our appreciation for the support of our customers, partners and shareholders as we continue to build a sustainable business for the long-term.

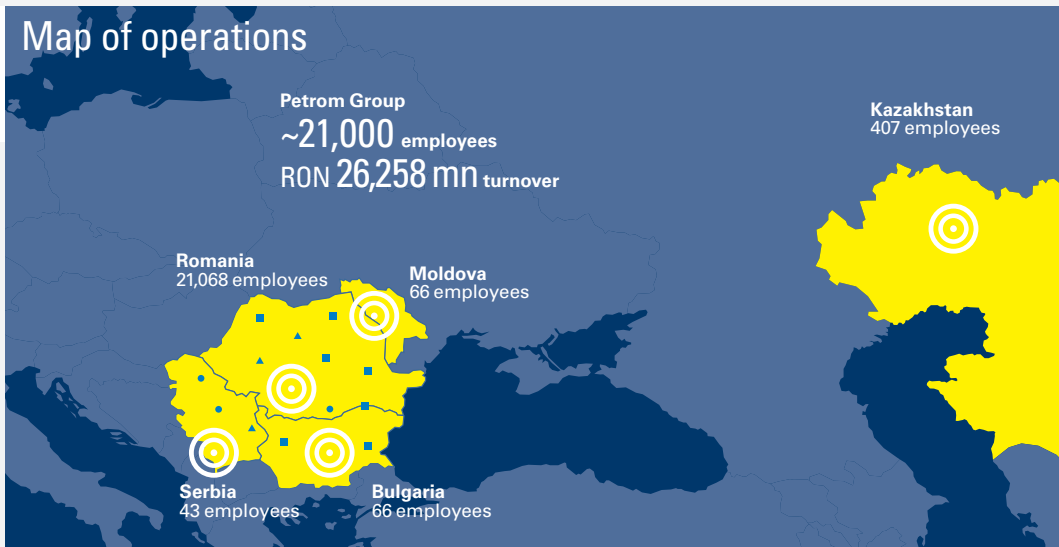
We remain committed to our strategy, which aims to deliver growth through sustainable performance. In achieving that goal, we strive to develop a culture of sustainability based on the efficient use of natural resources, together with high safety and environmental standards. We also place great importance on the development of a performance-based organization and a skill pool to achieve business growth and operational excellence. Together, these commitments will enable us to continue the good progress made in 2012 and underpin our endeavor towards creating shared value for our stakeholders and common long-term growth.

The year ahead will bring its own challenges, not least those associated with a difficult economic environment. However, one thing is clear: the spirit and values of Petrom and our commitment to sustainability will remain constant and help us achieve our strategic objectives.

Mariana Gheorghe

# About Petrom

- Exploration and Production sites
- ▲ Gas and Power sites
- Refining and Marketing



### Our vision

We aim to remain the leading regional, integrated oil and gas company with the sustainable performance that is required to support potential upstream growth in the neighboring Black Sea region.

### Our operations

Petrom is the largest oil and gas producer in South-Eastern Europe, with activities in Exploration and Production (E&P), Gas and Power (G&P) and Refining and Marketing (R&M).

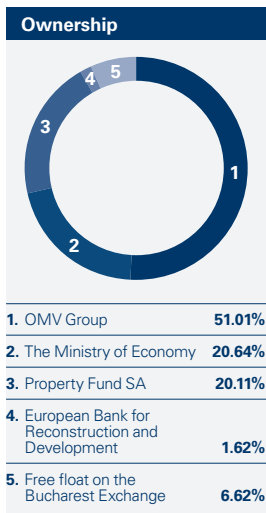
At the year end of 2012, Petrom had:

**~21,000**  
Employees

**RON 26,258 mn**  
Turnover 2012

**5mnt**  
Total refined product sales in 2012

## About Petrom (continued)



### Petrom is the largest oil and gas producer in South-Eastern Europe.

We consolidated our position in the oil and gas market in the region following a comprehensive process to increase modernization and efficiency, backed by investments accounting for more than EUR 8.8 bn over the past eight years.

Petrom is part of the OMV Group; OMV Aktiengesellschaft, the parent-company of the OMV Group, holds a 51.01% share in Petrom and is one of Austria's largest listed industrial companies.

Nearly all of Petrom's profit has been re-invested into development projects which in turn support the country's energy independence and helps it develop as leading energy hub in the region.

In E&P, we are the largest hydrocarbon producer in Southeastern Europe. The E&P business segment explores and extracts oil and natural gas in Romania and in Kazakhstan. At the end of 2012, the proved and probable oil and gas reserves in our portfolio amounted to approximately 1,091 mn boe (barrels of oil equivalent), with hydrocarbon production averaging 183 kboe/d throughout the year.

In G&P, we maintain a strong position in the Romanian gas market and have leveraged our value chain by entering the power generation industry. In 2012, we sold approximately 4.8 bn cbm of gas and had a total net electrical output of 1.58 TWh from the Brazi Power Plant, which came on-stream in August 2012, and 0.09 TWh from the Dorobantu wind park.

In R&M, we processed 3,146 kt of crude oil at the Petrobrazi Refinery and operated approximately 800 filling stations across a wide geographical market including Romania, Bulgaria, Serbia and the Republic of Moldova. We maintain a leading position in the Romanian market, with a total market share of approximately 36%.

We have strong and proven execution capabilities to deliver on our strategic objectives and focus on key enablers to achieve our long-term targets. During the year, Group sales amounted to RON26,258 mn and our headcount at the end of 2012 numbered around 21,000 employees.

### Outlook for 2013

- ▶ **Exploration and Production:** further stabilize production volumes and unlock potential
- ▶ **Gas and Power:** capture synergies from the sale of natural gas and electricity to enhance value of equity gas
- ▶ **Refining and Marketing:** pursue operational optimization and the Petrobrazi modernization

## Petrom as part of the OMV Group

**With more than 28,000 employees based in around 30 countries globally, OMV Group is not only one of Austria's largest companies, but one of the leading integrated oil and gas groups in the world. Headquartered in Vienna, OMV was founded in 1956 and has grown steadily over more than half a century.**

**"In the future, Romania will have an important energy potential within Europe. The success of Petrom has already proven this."**

Gerhard Roiss, CEO OMV Group

OMV is an integrated, international oil and gas company with three core business segments:

Exploration and Production (E&P), Gas and Power (G&P) and Refining and Marketing including petrochemicals (R&M).

In E&P, OMV is active in two core countries, Romania and Austria, and holds a balanced international portfolio. OMV had proven oil and gas reserves of approximately 1.12 bn boe at year-end and a production of around 303 kboe/d in 2012.

In G&P, OMV sold approximately 437 TWh of gas. OMV operates a 2,000 km long gas pipeline network in Austria with a marketed capacity of 103 bn cbm. OMV's gas trading platform, the Central European Gas Hub, is the most important gas trading platform on the gas routes from East to West, with a trading volume of around 528 TWh.

In R&M, OMV has an annual refining capacity of 22 mn t and, at year-end, approximately 4,400 filling stations in 13 countries.

With strong retail brands, a high quality non-oil business (VIVA) and an efficient commercial business, OMV has a leading position in its markets. With Group sales of EUR 43 bn, a workforce of more than 28,000 employees and a market capitalization of approximately EUR 9 bn at year end, OMV Aktiengesellschaft is Austria's largest listed industrial company.

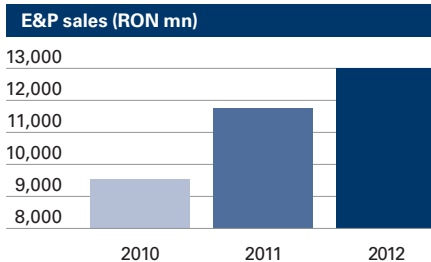
## Petrom's operational profile

### Exploration and Production (E&P)



E&P continues to be the backbone of our activities. The short-term focus is on stabilizing conventional production to largely offset natural decline, and on achieving operational excellence. To achieve this, we will: continue field redevelopment projects, explore and develop near field opportunities, apply state-of-the-art technologies, and optimize the E&P portfolio through partnerships.

► See more about E&P performance and our operating environment on page 103 and in our Annual Report.



# 775 mn boe

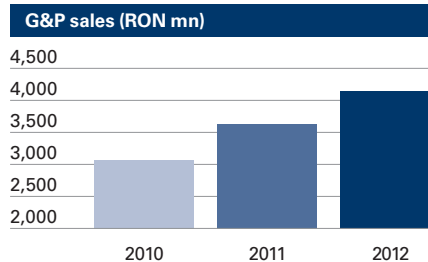
Proved reserves

### Gas and Power (G&P)



In G&P, we aim to enhance the value of our equity gas by strengthening gas sales and leverage fair market conditions. The conversion of gas into electricity through our Brazi power plant extends the value chain and ensures an additional important marketing platform for gas. It also enables us to optimize across different sales channels: gas can either be sold on the market or fed into the Brazi gas-fired power plant for power generation.

► See more about G&P performance and our operating environment on page 104 and in our Annual Report.



# 4,841 mn cbm

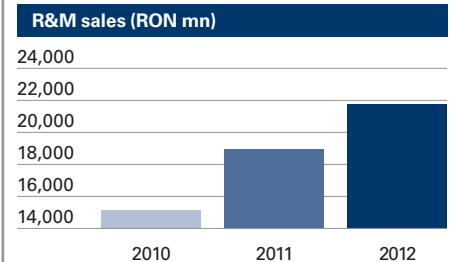
G&P Consolidated gas sales

### Refining and Marketing (R&M)



Petrom's potential in value delivery in R&M is based on the optimization of integrated equity oil. The international downstream business faces pressures on fuel and refining margins, mainly due to overcapacity. The Petrobrazi refinery is currently being upgraded and improved to maximize Petrom's integration value. The modernization process will be finalized by 2014. Going forward, the segment will be focused on reducing costs, increasing efficiency and improving operations through an optimized R&M portfolio.

► See more about R&M performance and our operating environment on page 105 and in our Annual Report.



# 5,004 kt

Total refined product sales

## Strategy 2021: Sustainable performance for growth

There are three cornerstones to our “Sustainable performance for growth” strategy

- ▶ Maximize portfolio value and position for growth
- ▶ Enhance value of equity gas
- ▶ Optimize integrated equity oil

EUR 1.1bn

Annual average investment in the past eight years

**In 2012, our strategic directions were updated following a comprehensive analysis of the Romanian energy sector which took into account the sector’s international and regional developments.**

Oil and gas consumption will continue to grow and account for 60% of energy demand in Romania by 2020.

With imports currently accounting for 20–30% of supply, Romania’s relative energy independence is likely to decrease. Imports are expected to increase to 40–50% by 2030 due to higher primary energy demand and natural decline in domestic hydrocarbon production. However, Romania has a large energy supply potential, which can be unlocked through significant investment, with the amount required to unlock the hydrocarbon potential estimated at over EUR 20–35 bn by 2030.

Our strategic directions aim to maximize the portfolio value and capture growth opportunities upstream while optimizing midstream and downstream operations. In doing so, we will experience and aim to properly address both organic and external challenges posed by the operating environment across our entire value chain. Top challenges include our onshore portfolio of mature fields with declining production, market demand, gas and power market regulations, pressure on fuel and refining margins and the uncertain nature of the fiscal and regulatory regime.

### Successful strategy implementation

To successfully implement our strategy in the future, we will continue to invest at a similar pace as in previous years to support the company’s growth. In the last eight years, we have invested an annual average of around EUR 1.1 bn. As our portfolio is extensively exposed to volatile oil prices, we require an investment-friendly environment with predictable, fair and transparent fiscal and regulatory regimes in order to achieve our strategic objectives and to realize our envisaged investments.

To support our strategy we will focus on key enablers: People and Resourcefulness. We aim to develop a performance-based organization culture and skill pool to achieve business growth and operational excellence. In order to cultivate a culture of resourcefulness, we use natural resources efficiently, apply high safety and environmental standards, and share value with stakeholders for common long-term growth.

An improved performance depends on a clear focus on people and sustainability.

### Petrom 2021: Sustainable performance for growth

We aim to remain the leading regional, integrated oil and gas company with the sustainable performance that is required to support potential upstream growth in the neighboring Black Sea region.

## Our history and driving values

### Our driving values

We are guided in our daily work by three essential values which are at the center of our business. We are:

#### Professionals

We strive to achieve excellence in expertise, processes and leadership. We concentrate on our goals and find synergies to ensure we are amongst the front-runners in the market. Our aim is to foster professional development to generate long-term profitability.

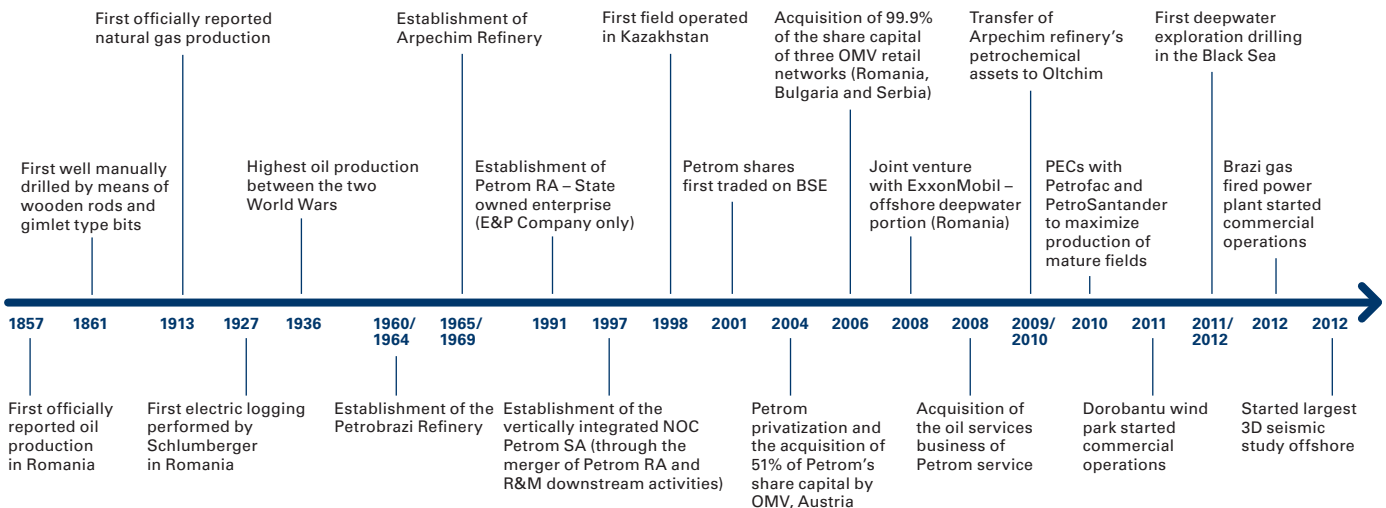
#### Pioneers

Proactive mobility and openness to change are the basis of our strength. We explore development potential and take courageous decisions to create business opportunities in our selected markets through new ideas, successful technologies and profitable growth.

#### Partners

Fairness, responsibility and respect are the core of our relationships with all our stakeholders. Our aim is to create an environment of mutual benefit through social and economic partnerships that respect the ecological issues of our times.

### Petrom's heritage: 150 years of Romanian oil history



# Our sustainability concept: Resourcefulness

## Resourcefulness

Resourcefulness brings together health, safety, environment, diversity, business ethics, human rights stakeholder engagement and community relations under a single, overarching strategy – and it is expressed in the three key focus areas illustrated here:

The structure of our strategy encompasses all of our areas of focus



### Eco-Efficiency

We have a special responsibility because we work with finite natural resources. We do this as efficiently and safely as possible and aim to the best environmental practices and processes. As it is the cleanest fossil fuel, we will focus even more on gas as the most important raw material for generating electricity. A particular focus of our Eco-Efficiency efforts is on carbon and water management.

### Eco-Innovation

Eco-Innovation has the potential to provide valuable alternatives to traditional fossil fuels, while also reducing CO<sub>2</sub> emissions.

### Skills to succeed

We foster and promote the skills that people need to be successful. This applies not only to our workforce of more than 21,000, but also to our stakeholders. We primarily focus on investing in the economic development of the communities in which we operate through vocational training, local workforce support and local supplier development. In the communities where we operate, we support education linked to energy and entrepreneurship.



## Resourcefulness

Resourcefulness is our way of supporting sustainable performance for growth in a responsible manner. This helps us create long-term win-win situations for society, the environment and Petrom as we aim to secure energy supplies for the present and the future.

Launched in Petrom in 2011, the Resourcefulness concept builds on our reputation for putting sustainability right at the heart of the business. It is our approach for implementing initiatives in the areas of environmental management, new energies, education and development, health, safety, diversity, business ethics, human rights, stakeholder engagement and community engagement under a single, overarching strategy.

As the largest oil and gas producer in Southeastern Europe, Petrom has opportunities, but faces challenges due to market and regulatory uncertainties.

Furthermore, concerns regarding energy affordability and climate change are of growing importance.

Responsible behavior and careful management of resources are the underlying principles that guide our conduct. This is why “being careful with our resources” is one of our basic business principles.

The year 2012 marked a change in gear for Petrom as we took Resourcefulness to the next level, concentrating on tangible commitments in three focus areas: “Eco-Efficiency”, “Eco-Innovation” and “Skills to Succeed”.



# Eco-Efficiency



 We focus on carbon, water and waste management and efficiencies.

## Why it matters to us

The world has changed from one where resources were abundant to one where households, communities and businesses such as Petrom share the same concern and vision: to protect our environment by using resources as wisely as possible.

## Eco-Efficiency in focus

In 2012 we had a number of projects underway that addressed the impact of our activities on the environment.

### What we focus on

E&P focus	R&M focus	G&P focus
<ul style="list-style-type: none"><li>▶ Gas to Power and Combined Heat and Power/Cogeneration</li><li>▶ Wells automation programs</li><li>▶ Boiler replacements</li></ul>	<ul style="list-style-type: none"><li>▶ Waste Water Treatment Plant</li><li>▶ Revamp of Atmospheric and Vacuum Distillation plant</li><li>▶ Pipes re-engineering</li><li>▶ Switch to Gas fuel of turbines for producing electricity</li></ul>	<ul style="list-style-type: none"><li>▶ Brazi Power Plant</li></ul>

### What we have achieved so far

<b>EUR 7 mn</b> Invested in wells automation programs	<b>EUR 6 mn</b> Invested at a waste water plant since 2008	<b>EUR 4.17 mn</b> Total invested in replacing boilers
<b>EUR 8 mn</b> Invested in Gas to Power and combined Heat and Power/Cogeneration projects	<b>EUR 530 mn</b> For Brazi Power Plant	

## Eco-Efficiency in focus

**Our main focus in Eco-Efficiency is carbon and water management.**

### Carbon management

Our objective is to use resources more efficiently while also reducing carbon emissions through effective carbon management. Following on from the revised business strategy 2021, we are committed to continuing initiatives to improve energy efficiency and reduce the carbon intensity of our operations.

### Water management

Water availability is critical to both society and our industry. Water is also important because it implies costs. We are aware that for our business we need sustainable water resources where we operate. As part of our Resourcefulness concept we implement projects to optimize water management and minimize the environmental impact of our activities.

In addition to investing in energy efficiency at our Petrobrazil Refinery, we have also invested EUR 6 mn at a waste water treatment plant which resulted in improved quality of discharged waste water as well as a reduced amount of sludge waste.

This project was finalized in 2012 and encompassed an increase in efficiency during the mechanical stage, optimization of the de-nitrification stage, modernization of the dosing unit for chemical substances, and utilities monitoring.

### Other projects include:

- ▶ Implementation of the Energy Management System, with the aim of aligning the existing Petrobrazil Refinery and E&P systems with systems currently being implemented in G&P, Marketing, Facility and Corporate Fleet Management. The implementation will be certified through an audit performed by an external certification body in 2014.
- ▶ Commencement of the implementation of IT support for the Energy Management System.
- ▶ Development of the Energy Efficiency Council, comprising representatives from all business divisions, with the goal of identifying and fostering synergies across the entire organization together with sharing existing best available techniques.

## Eco-Efficiency in action



### In 2012, Gas to Power and Cogeneration projects

- ▶ Currently installed capacity of **29 MW** – compared to **1 MW** in 2009
- ▶ Delivered a total of approx **91,500 MWh** electricity
- ▶ Target to reach minimum **44 MW** in 2015
- ▶ Steam for oil treatment

## EUR4.17 mn

Total investment in replacing boilers

### Gas to Power (G2P) and Combined Heat and Power/Cogeneration (CHP)

During 2012, we invested EUR 8 mn in Gas to Power (G2P) and Combined Heat and Power/Cogeneration (CHP) projects to reduce our own energy consumption as well as GHG emissions. This work resulted in a CO<sub>2</sub> emissions reduction of 24,000 t CO<sub>2</sub> equivalent throughout the year.

Beginning 2014, we expect the program to generate a total reduction of around 170,000 t CO<sub>2</sub> equivalent/year over a 2009 baseline.

Three G2P/CHP units were put in operation in 2012 (one G2P in Ghelinta, one CHP in Cerdac and one CHP in Co-manesti), added to other ten existing ones.

Furthermore, this work ensures our compliance with current regulations, as well as with the regulatory acts issued for the performance of our activity. G2P and CHP also contribute to cutting our operational costs because they reduce the amount of electricity bought by E&P and also use recovered thermal energy (in CHP) for internal processes, thereby reducing the gas consumption of boiler plants.

### Replacing boilers

In 2009 we launched a boiler replacement program as an eco-efficiency initiative. The construction began in Q4/2010 and was completed in Q2/2012, with a total investment of EUR 4.17 mn financed under EBRD environmental loan (granted in 2009). In 2012 our investment totaled was EUR 0.23 mn.

This program has led to an improvement in energy efficiency, with gas savings of around 3.06 mn cbm and as well as a reduction in CO<sub>2</sub> emissions of around 6,528 equivalent per year. All of the new boilers comply with EU regulations and standards, as well as local Romanian requirements, and provide a more advanced specification including enhanced monitoring.

▶ Read more about our performance for replacing boilers on page 109



# Eco-Innovation



 We focus on research and development in partnership with OMV Group.


## Why it matters to us

Global demand for energy continues to rise at a steady pace. However, the twin challenges of climate change and fossil fuel depletion mean that the world is increasingly looking to innovative new ways of meeting its growing energy needs.



# Skills to Succeed



 We focus on social initiatives and training.

## Why it matters to us

We foster the skills people require to be successful. We invest in the economic development of the communities in which we operate through our Andrei's Country social platform, local employment and supporting former employees.

## Skills to Succeed in focus

We foster and promote the skills that people need to be successful. During 2012 we invested in a number of projects related to “Skills to Succeed”.

### What we focus on

- ▶ Andrei’s Country social activities platform
- ▶ Stakeholder engagement for local teams
- ▶ Development of Community Based Organizations
- ▶ Projects for Roma communities
- ▶ Volunteering championship – for Petrom employees to support local communities
- ▶ Outplacement centers – for former employees
- ▶ Job fair – for former Petrom employees and contractors

### What we have achieved so far

**40**

Subcontractors participated at our first Job Fair

**2,420**

Employees engaged in volunteering programs

**74%**

Former employees were provided services through our outplacement service

**7**

Community based organizations created with Petrom communities



## Skills to Succeed in action

### Feedback on the Job Fairs

#### Encouraging:

- ▶ 73% of contractors who attended the Job Fairs said it was a "very good" or "excellent" experience
- ▶ 21% said it was "good"
- ▶ 67% found the event "very useful" or "useful"
- ▶ 46% of the employees who participated said they would do so again

#### Room for improvement:

- ▶ 16% said that the applicants did not match the profiles for the vacancies they had to offer
- ▶ 73% would want to see employees provide more robust jobs/profiles

### How Skills to Succeed pours into Resourcefulness

We have identified four main areas for our activities focused on employees, suppliers and communities in the regions where we operate.

#### Job Fairs

- ▶ Connect former employees with existing Petrom suppliers
- ▶ Analyze profile of employees and suppliers
- ▶ Identify possible matches and skills gaps

#### Entrepreneurial skills

- ▶ Encourage and enable former employees to become entrepreneurs
- ▶ Work with the transition center to create customized training packages
- ▶ Support and give guidance until "point of no return"

#### Develop existing suppliers

- ▶ Analyze the possibility of existing Petrom suppliers in the region increasing their local employment
- ▶ Investigate whether former employees could benefit from such an increase

#### Develop new suppliers

- ▶ Analyze the market for new suppliers by balancing cost, quality and business opportunity with potential HSSE impact
- ▶ Organize "supplier fair"

### Job Fairs

One of our highlights of 2012 was helping to organize a job fair in Pitesti, which brought together around 400 of our former employees with 40 subcontractors looking to expand their workforces.

The Job Fair is an important event that gives Petrom the opportunity to provide former employees with a fast track to apply and interview for jobs, and a platform for contractors, or potential contractors, to source qualified candidates.

The contractors take part in Job Fairs to screen former employees for existing or future job openings. Although finding highly qualified applicants to hire is the main goal, the contractors also have the opportunity to promote their company as a desirable place to work.

Our Procurement, HR, Communication and Sustainability teams are all involved in the Job Fairs and they work hard to keep other key internal stakeholders up-to-date of the progress.

We recognize the closure of the Arpechim Refinery has had an impact on the Arges/Valcea region. To help alleviate this impact the Job Fair provides a boost to employees, contractors and suppliers in this region and helps support the local community through challenging times.

# The rationale for Resourcefulness

**Resourcefulness is our concept for ensuring responsible behavior, which is an enabler for achieving the goals of our strategy 2021 “Sustainable Performance for Growth”. Through Resourcefulness, we support building a sustainable competitive advantage.**

Resourcefulness supports the business strategy by: securing future energy resources; making sure we retain our licence to operate; providing us with access to new resources; and helping us attract the best employees and customers.

We have evaluated our operating environment and identified the following key opportunities and challenges:

## For Exploration & Production

### Challenges

- ▶ Oil price volatility
- ▶ Lack of predictability and uncertainty over competitiveness of the fiscal and regulatory regimes
- ▶ Mature fields with declining production (technical/reservoir risk)
- ▶ Safety and environmental standards (e.g. due to old infrastructure)

### Opportunities

- ▶ Potential for improvement of recovery rates
- ▶ Neptun/Black Sea deepwater
- ▶ Unconventional hydrocarbons

## For Gas & Power

### Challenges

- ▶ Challenging power market conditions for gas power plants
- ▶ Gas and power market regulations

### Opportunities

- ▶ Market growth capture by leveraging equity gas
- ▶ Related infrastructure and tools to maximize value of gas
- ▶ Cleanest fossil fuel for cleaner environment and higher safety level (vs. coal and nuclear)

## For Refining & Marketing

### Challenges

- ▶ Pressure on fuel and refining margins
- ▶ Overcapacity in refining

### Opportunities

- ▶ Efficiency increase
- ▶ Optimization potential from integration



## How we deliver Resourcefulness

### How we deliver Resourcefulness

Responsible behavior is enabled by a set of policies and our new Code of Business Ethics, which includes clear rules on conflicts of interest, gifts and hospitality, donations, intermediaries and lobbyists as well as the assessment of third parties. A compliance system helps to ensure adherence to these procedures. Regular training courses raise our employees' awareness of compliance issues and our people are encouraged to contact us via a helpline or web form if they have any questions.

To support our compliance procedures, we have appointed local compliance officers. Through OMV's participation on the UN Global Compact we are guided by the 10 principles of the UNGC. Together with the Code of Business Ethics, the Compact is a guideline for actions, for both employees and suppliers.

### Measuring our actions

We are developing a set of KPIs that helps us to embed and measure Resourcefulness throughout our organization. Our top management leads by example and motivates employees to actively engage in driving responsible and sustainable business behavior. We encourage them to take ownership of corporate Resourcefulness initiatives and to embed those in their personal development targets. The aim is to ensure that Resourcefulness is always a key element in all our training.

# Materiality

## The stakeholders considered in this report

- ▶ Institutions
- ▶ Regulatory bodies
- ▶ International associations
- ▶ NGOs
- ▶ Petrom employees

In selecting the content for this report, we applied the materiality principle; which means that we report on what is most important to us and to our stakeholders. The materiality assessment takes into account that reported information covers topics and indicators which would substantively influence the assessments and decisions of management and stakeholders.

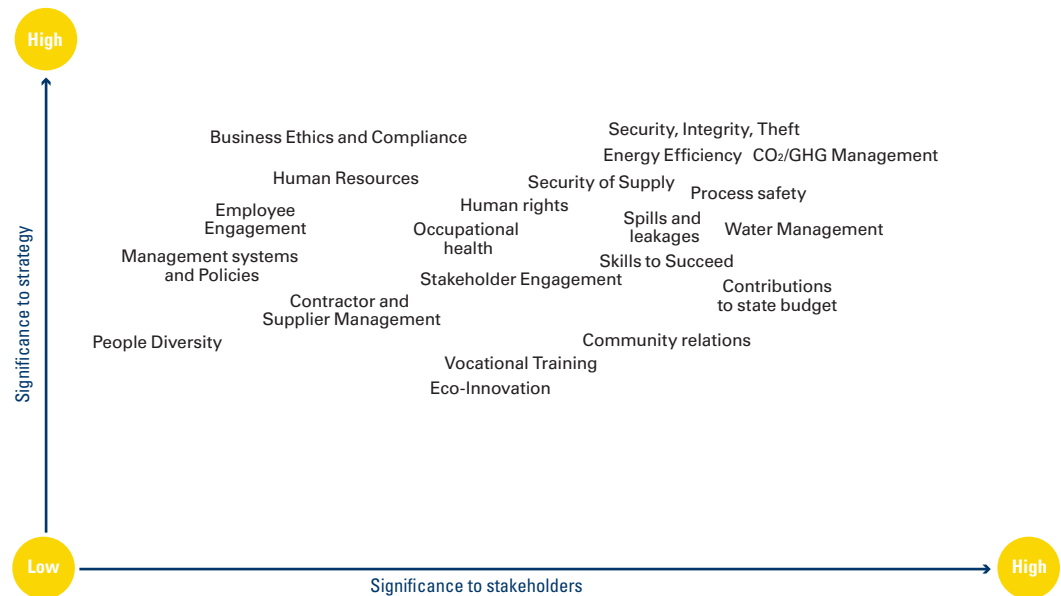
For the present report, we performed a materiality analysis with our main stakeholders. They were consulted regarding their perception of recent developments within these topics. The topics of highest significance are addressed in this report.

Among the topics addressed, our responsible behaviour approach is exposed to issues such as: spills and leakages, energy efficiency, climate change, water management, security, integrity and theft.

## Relevance to business

- ▶ Financial risks
- ▶ Reputation risks
- ▶ Market risk
- ▶ Operational risk
- ▶ Sustainability priorities
- ▶ Key projects
- ▶ Contributions to state budget

## Our materiality matrix



# How we manage Resourcefulness

**Every individual at Petrom is committed to Resourcefulness and takes personal responsibility for ensuring it realizes its potential for driving our business to new levels of efficiency and performance.**

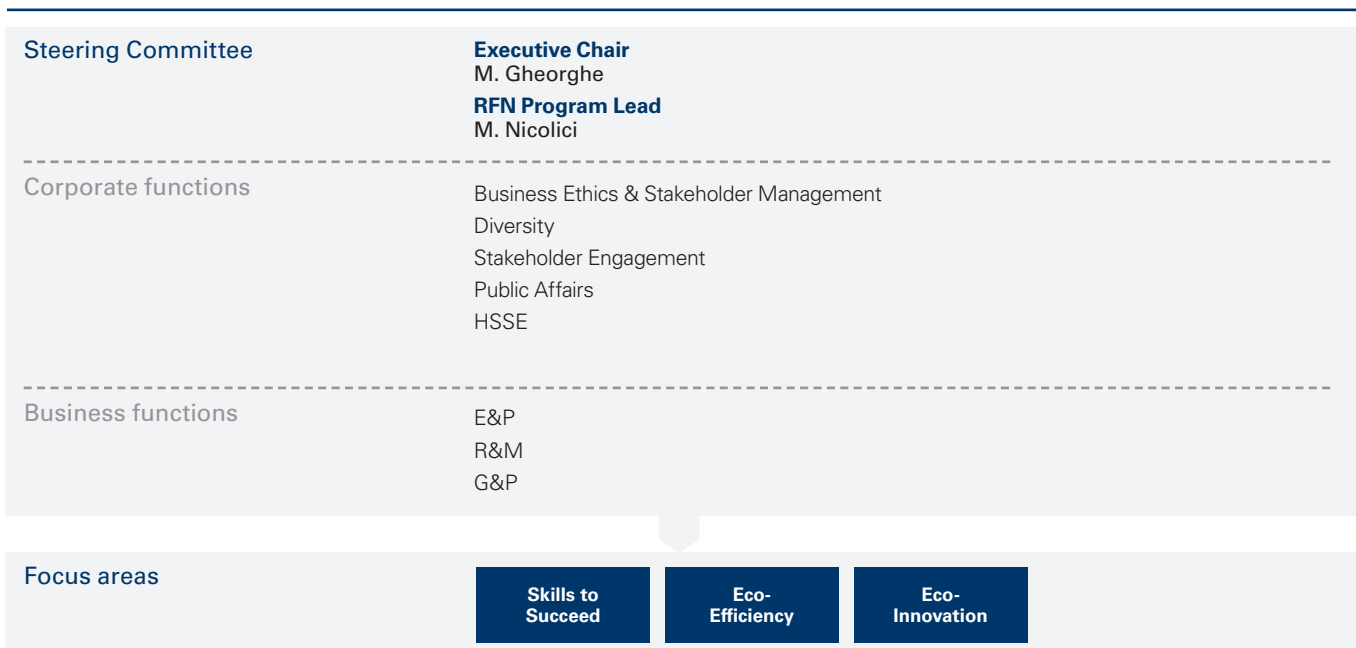
Our Resourcefulness strategy is effectively managed and overseen by robust governance. Led by the CEO, our Resourcefulness steering committee includes representatives from across the business including the major business functions of E&P, R&M and G&P. Below them sit team leaders with responsibility for overseeing initiatives and monitoring progress relating to three key focus areas: Eco-efficiency; Eco-innovation; Skills to succeed; Employee engagement; and Resourcefulness Controlling.

### Crisis management

We have responsibilities to our customers, our shareholders, our people and the communities where they live. Events such

as natural disasters, safety issues and security incidents all have the potential to impact on our business. We fully recognize the importance of crisis management and have measures in place to make sure that our security processes and procedures deliver high standards of emergency, crisis and business continuity management.

All business divisions, corporate functions and ventures adhere to the Petrom corporate crisis and business continuity management standard, which has established a baseline for all crisis management support plans. We regularly review the membership of our crisis teams and carry out exercises in order to hone our ability to mitigate a broad array of risks, from earthquakes to terrorist attacks. Our objective is to maintain the safety and security of our people and the reliability of our technical infrastructure and business processes, as well as to protect our physical and financial assets, our strategic information and our reputation.



# Our roadmap

## We are working hard to implement Resourcefulness throughout Petrom.

We aim to develop a sustainability culture which maximizes the efficient use of natural resources (through Eco-Efficiency and Eco-Innovation) and shares value with communities (through Skills-to-succeed) for mutual long-term growth.

### Three clear focus areas

#### Eco-Efficiency

- ▶ Gas to Power (E&P)
- ▶ Boiler replacement (E&P)
- ▶ Waste Water Treatment Plant Revamp (Petrobrazi)
- ▶ Brazi Power Plant
- ▶ Planting trees and eco-initiatives

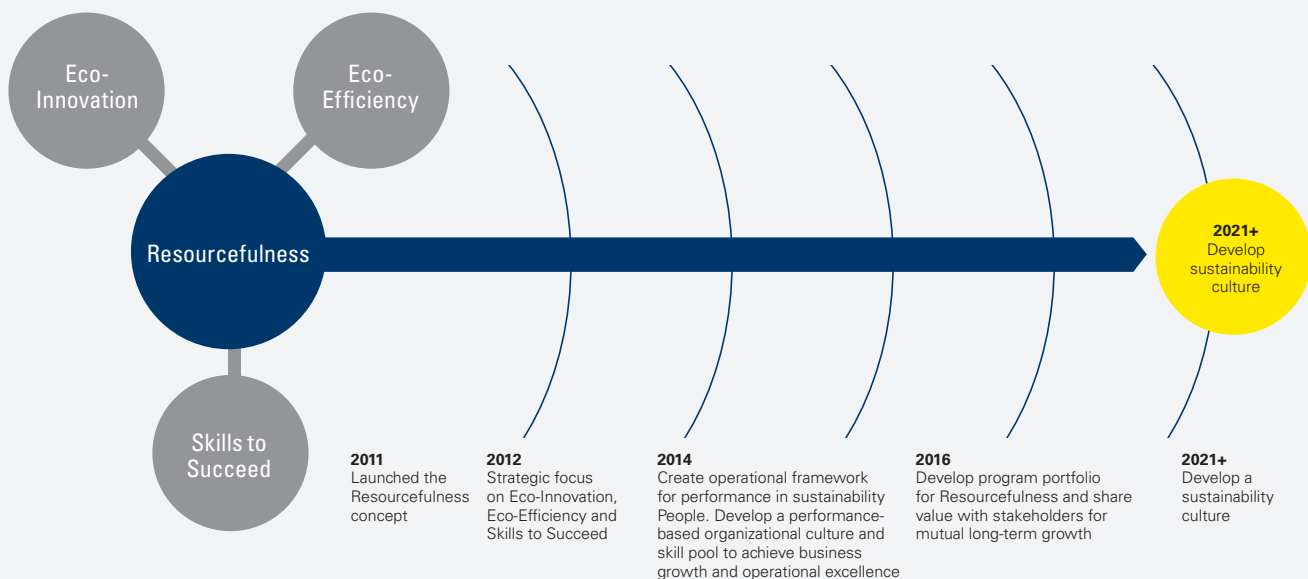
#### Eco-Innovation

- ▶ Support Research & Innovation in the Energy field in Romania in partnership with universities

#### Skills to Succeed

- ▶ Stakeholder engagement workshops
- ▶ Volunteering Championship
- ▶ Andrei's Country
- ▶ Projects for Roma Communities
- ▶ Job Fair in Arpechim
- ▶ Outplacement centers for former employees
- ▶ Local Community Relations Plans

### Our journey



# Areas in focus



## Health, Safety and Security

The safety of our employees and contractors is of paramount importance and we recognize that we operate in a sector that poses a higher level of health, safety and security risks.

**Page 29**



## Environmental Management

Our approach is based on precautionary, proactive management aiming to prevent and to minimize our environmental impact along the value chain.

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## Human Rights

Human Rights represent an important pillar of Petrom's Resourcefulness Concept and are engrained in the way we behave and conduct our business activities.

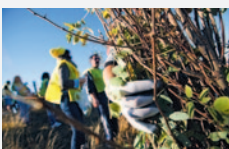
**Page 60**



## Diversity and Human Resources

Our people are the driving force behind our success and we work hard to attract, retain and develop the best talent.

**Page 64**



## Stakeholder Engagement and Community Relations

By sharing knowledge, expertise, and engaging actively with our stakeholders we are able to identify and manage risks, adapt to societal changes, and pinpoint areas of improvement within the business.

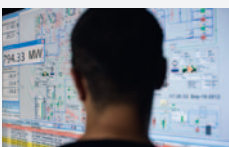
**Page 74**



## Compliance and Business Ethics

We have a comprehensive approach to compliance management.

**Page 86**



## Management Systems and Policies

We operate in a complex and challenging environment, so we carefully assess the current and future financial and non-financial risks associated with our activities.

**Page 96**

# Health, Safety and Security

## Our focus areas



### Road safety

We invest in training and have committed to the UN Decade of Action for Road Safety 2011–2020.



### Awareness and training

We invest in our people's and our contractors' training on HSS, road safety, emergency, and security.



### Occupational safety

We invest significant resources in ensuring that all workplaces and processes are safe and secure for our people, our stakeholders and the environment.

### Our approach

The safety of our employees and contractors is of paramount importance and we recognize that we operate in a sector that poses a higher level of health, safety and security risks.



## What we achieved so far

# 312,100 training hours

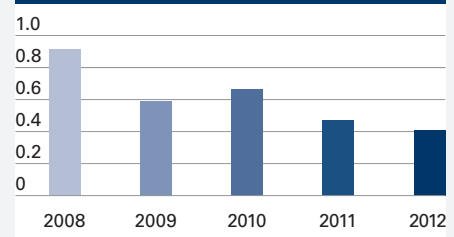
in Health, Safety and Security topics

# 10,000 employees

trained in Health, Safety and Security topics

Note: Petrom employees

Lost Time Injury Rate (LTIR, per 1 mn hours worked)\*



\* Petrom employees (excluding contractors)

## Our strategic approach

### Key actions

- ▶ Risk management systems
- ▶ Recording and investigating high potential incidents, incidents and near misses
- ▶ Awareness and training in HSS
- ▶ Medical emergency procedures
- ▶ Road safety systems and training
- ▶ Improve contractors' HSS capabilities
- ▶ Process safety
- ▶ Health management and awareness programs
- ▶ Resilience and business continuity

### Creating a safe working environment for our employees, contractors, stakeholders and the environment is a key material issue for Petrom and one of our top priorities.

We work hard to ensure safe operations at all times, and have a set of processes in place that comply with the standards set out in our corporate directives. Furthermore, we continue to train and empower our people to work safely, and protect them through hazard identification and risk management practices.

Unfortunately, despite our best efforts we experienced two fatalities during the year in Petrom an employee died during a work-over operation; and a contractor who was killed during an armed robbery in Moldova. These fatalities stress the importance of safety as a top priority for our people and our operations.

We believe that all accidents are preventable. Safety performance can be vastly improved through health and safety regulations, reporting, management tools, and training courses.

### Risks and opportunities

All our sites have been assessed for health, safety and security risks with a particular focus on transportation, contractor management and processes. Following these risk assessments, we created a Prevention and Protection Plan, with all mitigation measures implemented at site level in 2012.

Our policy is to maintain a structured and systematic overview of risks. This aims to ensure that risks are monitored and controlled at every management level at all times via Enterprise Wide Risk Management (EWRM) system that covers all operational and strategic risks.

Petrom and the OMV Group recognize that a Major Accident Event (MAE) could pose a serious threat to our corporate reputations and even the survival of the businesses. For this reason, reviews are carried out across the Group to ensure that controls and mitigation plans are in place to reduce the risks of a major accident to 'As Low As Reasonably Practicable' (ALARP).

### Key actions

We have now put new safety measures in place that focus on data collection to prevent incidents from recurring. In addition, we monitor safety indicators on a monthly basis and use this information as the basis for key management decisions. By proactively recording and investigating incidents and near misses, we aim to make sure that we learn from past experiences and therefore reduce incident rates.

CARE is a program that helps us to manage aspects of risks relating to health, safety, security and the environment (HSSE). It allows us to search a backlog of events, such as incidents and their respective consequences, investigations, and proactively record new information. Through CARE, we have identified that most of the health, safety, security and the environment risks lie in the Exploration & Production (E&P) Division.

# 0.41 LTIR

Lost time injury rate per million working hours in Petrom

## Our strategic approach (continued)

### Increasing awareness, reducing incidents and promoting safety

- ▶ Over **110,000** findings and hazards were reported and followed up
- ▶ Over **78,000** measures were assigned and **88%** were **completed** within the scheduled time frame

### 77 high potential incidents

According to our Major Accident Event (MAE) screening, some sites and activities were identified as having high potential risk

During 2012, we rolled-out and communicated the OMV Group Golden Rules of Safety across Petrom. We have continued our progress with the Process Safety Management Roadmap 2012–2016, defining KPIs and integrating them into the process. Also, as part of our MAE project, we carried out a follow-up study to identify critical areas, define them in terms of risk and put strategic action plans in place against them. Moving forward, safety will be a key focus in our EWRM system.

One of our most high profile commitments to road safety will involve a partnership with the Romanian Police and will form part of the UN Road Safety Decade of Actions. Although we are still in the process of finalizing the finer details of this program, it is scheduled to start in 2013.

### Process safety:

#### Major Accident Event (MAE) screenings

The first stage of our Major Accident Event review saw the development of a screening tool to identify all areas with the potential for a MAE. These areas were ranked according to risk level. On-site audits were then carried out with priority given to those with higher potential risk.

The audits reviewed the effectiveness of the management and technical systems in place to prevent an MAE from occurring. They also closely evaluated emergency response and crisis management systems that mitigate the consequences, should an MAE occur.

During 2012, we carried out on-site audits, areas of improvement were identified and action plans, known as risk reduction plans, have been established to address the key issues.

## Safety awareness and training

### Training in each business unit

- ▶ 1,000 employees from E&P
- ▶ 10,200 filling station operators (R&M)
- ▶ 502 from Petrom Global Solutions

### Additional initiatives at Petrobrazil

- ▶ Emergency shutdown procedures
- ▶ Implementation of a warehouse management and barcode system
- ▶ Modernization of storage space for materials

**+4mn hours**

Worked at Petrobrazil without accident

**While danger is inherent to the oil and gas industry, we believe that all accidents are preventable. We invest significant resources in ensuring that all workplaces and processes are safe and secure for our people, our stakeholders and the environment.**

Through leadership and commitment, safety has become an integral part of Petrom culture. We are focused on process reliability, workplace safety and health prevention, as well as road safety.

We believe that accidents can be prevented through hazard analyses, risk management and safety training. Through our company-wide initiatives, such as HSSE Hour events and HSSE Alerts, we aim to promote behavioral change by sharing real life experiences.

Launched in 2012, the program enables employees to openly discuss current issues concerning health, safety and security. Each quarter, we also organize HSSE Hour events to address health and safety topics and offer tips and suggestions to our office workers. Events have included the "Importance of wearing a seatbelt", "Stepping, handling, lifting for office workers" and "Ergo-Harmony".

**Our ultimate aim is to encourage a shift in attitude, where health and safety becomes a personal commitment as opposed to a professional activity.**

During the year, we issued 19 HSSE Alerts. These used powerful imagery and text to publicize the root causes and lessons learnt relating to serious HSSE incidents, including high potential incidents (HiPo).

Our training program focuses on building HSSE awareness at all levels and making health, safety and security an integral part of company culture. During 2012 within a corporate program we delivered a range of training programs including HSSE for Managers, Process Safety Leadership, Incident Investigation, Practical Risk Management, Fundamentals in Process Safety and Management Walk-Arounds. In total, we trained more than 1,000 people through 148.5 training days.

▶ See more on page 106

### The "Stepping, Lifting, Manual handling and Working at height" campaign

In 2012, we continued to deliver this important safety training campaign, first launched in 2010. Employees and contractors attended one-day events, covering both theoretical and practical training. The campaign has now been extended to the R&M Division in Retail and Depot Management business and to the Petrom Global Solutions business for office workers.

In addition to providing training on accurate and safe working practices, the campaign's workshops also introduced a variety of practical scenarios, where participants had to identify the hazards around them. This real life experience provided valuable training for identifying and preventing hazards at work.

### "Safe into the future" program at Petrobrazil

At our Petrobrazil Refinery, we continued to promote our "Safe into the future" program during 2012. At the end of 2012, our team had worked over four million hours without accident, with the last accident of a Petrom employee at Petrobrazil occurring in 2007.

## The Golden Rules

**Our commitment to safety is supported by the Golden Rules, a guideline to safe working practices based on eight simple rules.**

Under the campaign theme of “Think: Ahead – get the basics right!” the Golden Rules encourage employees to:

### The Golden Rules

	<b>Ask!</b> Ask when you are in doubt!
	<b>Risk Assessment</b> Know the hazards before you start!
	<b>Permit to Work</b> Make sure you have a Permit to Work or authorization for your job!
	<b>Working at Heights</b> Use fall protection whenever you could fall from heights!
	<b>Lifting Operations</b> Follow basic rules for every lift and plan all your lifts!
	<b>Housekeeping</b> Maintain your/our workplace clean and tidy!
	<b>Stop Work</b> Stop all unsafe work, acts and conditions!
	<b>Transportation Road Safety</b> Drive safely and comply with road transportation rules!

The rules are the product of a three-year, industry-wide study of the causes of fatalities. A team of OMV and Petrom-led experts, working in cooperation with an international industry association, analyzed some 1,870 fatalities from across the oil and gas industry spanning over 20 years. The final output clearly showed that 70% of the fatalities could have been avoided by complying with a number of rules – the Golden Rules.

With support from all areas, the Golden Rules have enabled us to identify the critical controls that should be in place prior to starting work. During 2012, we launched annual events on Golden Rules implementation (20 events were held in E&P, G&P and R&M) and reached 19,000 employees and contractors with an extensive communications and training program. We have now embedded the eight Golden Rules into our company culture.

## A focus on road safety

### In Vehicle Monitoring System (IVMS) in 2012

- ▶ 1,300 vehicles installed
- ▶ 3,320 people trained

#### The In Vehicle Monitoring System (IVMS)

In the oil & gas industry, driving related incidents, particularly those involving excessive speed, are the greatest cause of fatalities. In the first six months of 2012 there were some 4,000 major traffic incidents on Romanian national roads, which led to 778 fatalities and more than 5,300 people being seriously injured.

At Petrom, we have always adopted industry best practice and the latest technologies to ensure the health and safety of our employees. In order to achieve even higher safety standards, in mid 2012 we implemented a new In Vehicle Monitoring System (IVMS) solution aimed at reducing traffic incidents.

The key benefit of the IVMS solution is that it helps drivers identify, recognize and modify poor driving habits. This, in turn, improves driving attitudes and behaviors and reduces the risk of road accidents.

Prior to implementation, all drivers are provided with the necessary instructions and training, ensuring that they understand the IVMS operation and how the system will impact the way they drive.

By the end of 2012, we had already achieved over 50% of our target, with more than 2,800 drivers, 460 line managers, 20 HSSE personnel and 40 IVMS coordinators trained. The final training programs are planned for March 2013.

#### Case studies on Seatbelt and Road safety

Saving lives is the clear priority for any road transportation operation. Having signed up to the European Road Safety Charter in 2010, we have committed to the UN Decade of Action for Road Safety 2011–2020. In 2012 the road safety program focused on three main strategic directions:

- ▶ Increase awareness and reinforce the use of seatbelts
- ▶ Implement an upgraded IVMS to improve safety and fleet performance
- ▶ Implement an upgraded defensive driving training approach, with an increased focus on the enhancement of the practical skills involved in driving in traffic

## A focus on road safety (continued)

### The Crash Bus awareness campaign

Crash bus campaign was another initiative with high impact. A bus involved in a real road accident was brought to Petrom locations. The interior of the bus and impact on the dummies delivered a powerful visual message to some **4,500 employees** of the consequences of not wearing a seatbelt in a collision.

A comprehensive bus inspections program was rolled-out at our headquarters and at each asset in order to raise awareness and demonstrate management commitment.

More than **200 commuting buses** were inspected by cross-functional teams throughout Romania. Following this exercise, seatbelt usage was reported to increase to more than **90%**.

Random checks continue to be performed in order to monitor the impact of the inspections program.

### The seatbelt reinforcement program

The seatbelt reinforcement program aims to ensure that company drivers and passengers wear their seatbelts at all times, with the goal of preventing injuries and loss of life. The key focus in 2012 was on employees using our company buses for commuting to work. We developed and rolled-out a comprehensive program based on the following key pillars:

#### Management commitment

The Company's senior management was fully involved at all levels and demonstrated ongoing support and engagement.

#### Employee accountability

Working with HR and our central trade union, we developed a corporate regulation that stated clear rules and consequences with regards to seatbelt use.

#### Communication and awareness

The seatbelt program was supported by a series of integrated communications activities, including company-wide distribution of leaflets and posters, as well as various interactive events, such as the HSSE Hour.

The first HSSE Hour took place in Petrom City with 185 people participating in three one-hour sessions focusing on the importance of wearing a seatbelt. The goal was not only to raise awareness, but also to engage in constructive discussions and challenge misconceptions.

The seatbelt campaign was also delivered at our headquarters and a number of our assets, with over 2,000 employees taking part in a series of theoretical and practical sessions. These included simulators, which demonstrated in great and vivid detail the benefits of wearing a seatbelt during a crash.

The campaign also gained strong local public recognition from the Romanian Police and Technical Inspection Authority – ITP. With positive feedback from the first event, we have increased the number of events to four per year, with each one addressing a different HSSE topic.

## Contractors' safety

**We rely on contractors to help us develop our business and achieve our objectives. Therefore, it is critical that all contractors meet our expectations when carrying out their work and observe the safety measures we have in place.**

Continuously improving our HSSE performance is a key aspect of these expectations. During 2012, our safety and procurement teams worked together to integrate a framework for managing contractors. This framework includes standardized and updated contractual requirements, as well as new tools for selecting and continuously assessing contractors.

- ▶ We provided feedback to contractors through dedicated forums, workshops, regular meetings or during field visits

### **Identify high risk contractors and manage them effectively**

- ▶ We aim to improve the HSSE performance of contractors through close monitoring and have KPIs and targets in place for all new medium-high risk contracts
- ▶ We have developed a risk assessment tool, with contractors classified according to their HSSE risk: high, medium or low
- ▶ High risk contractors are monitored and assisted

### **Support the Contract Holders to proactively monitor and manage their contractors**

- ▶ More than 100 Contract Holders have been fully trained on the updated requirements
- ▶ A training program on contractor management regulations was implemented with over 120 participants at Headquarters level and over 2,300 supervisors trained in the E&P Assets
- ▶ All contractors were listed and ranked, with 73 identified as high risk contractors

The overall objective for 2012 was to ensure that our contractors' HSSE performance steadily improves and to embed HSSE requirements into the daily work habits.

We focused on the following strategic priority areas:

### **Understand and improve contractors' HSSE capabilities, with a focus on high and medium risk contractors**

- ▶ We developed a new assessment process and tools, which include the ability to track past performance
- ▶ We redefined and standardized the HSSE contractual requirements
- ▶ We released a Contractor Management Standard along with eight specific HSSE minimum requirements for high risk activities (i.e. drilling, constructions, road transport)

## Occupational health

**At Petrom, the health of our employees is a key concern. We promote a healthy work environment and are committed to improving our employees' physical and mental well-being.**

The objectives set out in our HSSE strategy include health promotion and higher health standards for our Operative Medical Service Providers.

The provision of health services is supported by a two-level organizational structure:

The Health Management Department (HMD), which is staffed by medical doctors with specialist knowledge in public health and health management, is fully integrated in our HSSE Management System and focuses mainly on strategic aspects of health.

The HMD works closely with local experts to provide regular input on health topics and practices, supporting line management by taking ultimate responsibility for occupational health. The HMD also supports operational HSSE and medical staff with industry-wide expertise on health-related issues.

The Operative Medical Service Provider of Petrom Group (PetroMed) is responsible for the delivery of health services, including those occupational health activities required by law. The objectives set out in our HSSE strategy include higher standards for all PetroMed clinics and regular health assessments. Our medical infrastructure has recently undergone an upgrade with two refurbished PetroMed clinics in Videle and Baicoi. In addition, clinics in Stoina/Bulbuceni, Oprisenesti and Moinesti are currently in the process of refurbishment or relocation. We have also opened a new PetroMed clinic to serve employees working in a secondary headquarters building in Bucharest.

In 2012, we performed spot audits to continue the implementation of the Petrom Health Standard, followed up on action plans and prepared an updated version of the Standard. We developed a Health Risk Register that addressed over 30 specific health risks and other medical issues. To encourage health and well-being, we rolled out health promotion activities, such as an Ergonomics Campaign and Healthy Eating Campaign. Furthermore, we prepared employees for medical emergencies by carrying out first aid training and simulation exercises.

## Occupational health (continued)

### Medical emergency resilience

During 2012, we initiated a renewed focus on medical emergency activities, with over 2,000 employees across all Petrom Divisions being trained in first aid procedures. PetroMed performed some 150 medical emergency exercises involving first aiders and other emergency related groups. By providing our employees with medical emergency knowledge based on realistic scenarios, we hope to prepare them in the event of a real life emergency.

We also provide a round-the-clock psychological counseling and emergency helpline to support the mental well-being of our employees.

### Preventive and Health Promotion Initiatives

We support our employees through preventive measures, such as vaccination campaigns against tick-borne encephalitis, flu, hepatitis, tetanus and other illnesses, which are adapted to the risk level of the territory. We also provide voluntary health checks through our PetroMed clinics, which focus on lifestyle-related health risks, such as cardio-vascular, liver function and respiratory function screening. These checks are accompanied by medical advice and/or referrals to specialists and give employees the opportunity to take control of their own health.

### Financial support for employees with severe medical conditions

We aim to provide financial support to employees with severe medical conditions. In 2012, with support from the Maecenas Fund, we allocated important resources to support 17 employees whose treatment was not covered by the National Insurance House.

## Security

# 10,200

Operators trained at filling stations

**We have developed an intelligence-led security strategy to support our business. This includes accurate and timely information on operational security threats.**

### **Protecting our people and our assets**

By working together with other internal functions as well as with the OMV Group, our Security and Resilience Department implements standard procedures and training programs that secure our people, our critical assets and our production.

This gives us the reassurance to handle our business operations as normally as possible and respond appropriately in the event of an emergency or crisis situation.

### **Security**

The protection of our people and security of our operations is a top priority. Sadly, we have to report a contractor fatality in the Republic of Moldova as a result of an armed robbery at one of our filling stations during 2012. In Serbia, two robberies occurred at filling stations, including one in which an entire day's cash collection was stolen. Thankfully, in this case, no Petrom Group employees nor contractors were injured.

As a result of direct threats such as these, we carried out a thorough security evaluation relating to robbery risk. We have subsequently launched a security awareness campaign – Behavior in Case of Robbery, which was supported by training sessions for some 10,200 operators at filling stations across Bulgaria, Serbia and the Republic of Moldova.

### **Security management**

The role of our security team is to follow legal procedures relating to the protection of our people and assets. However, because of the inherent oil & gas industry HSSE hazards associated with security risks, we have widened the scope to include protection of the environment and the safety of local communities.

During 2012, the Executive Board approved the formation of a redesigned Corporate Security Organization, aligned with the OMV Group's HSSE five-year strategy. The new security department's role will be to increase control over security activity and integrate strategic objectives at the Petrom level.

To build our security network and enhance our resilience, we maintain close contact with authorities and information providers, as well as with local, national and international organizations.

Our E&P growth strategy is dependent on the Security and Resilience team defining a transparent and standardized process. Managing private and public security contractors at our operating sites is a key aspect of this process.

## Security (continued)

The Security Services Management department was implemented in 2012 as a central resource to provide contracted security services. The goals of the department include transparent budgeting for security services, tracking costs and reporting.

We have already achieved a EUR 4.3 mn cost reduction through the renegotiation of unit rates. A standard contract and standard invoicing model has also already been implemented for all security providers.

Last year we experienced an average of close to 10 thefts per day in E&P, of which around 65% were related to non-operational parts of installation with main purpose to be sold as scrap iron. We continue to work closely with the authorities to implement our "Zero-tolerance to theft" policy in order to deal more efficiently with thefts carried out by persons unknown.

In the year ahead, our approach will be to identify current threats and risks in each location, based on security risk assessments. This activity will provide a solid foundation from which appropriate security measures can be developed, enforced and integrated across the entire business with the aim to efficiently mitigate security risks.

## Resilience

**Resilience in this context relates to business continuity and crisis management across Petrom. To align our approach with the OMV Group, we have updated our internal regulations and infrastructure regarding emergency situations.**

In 2012, the Resilience Department issued a standard “Crisis & Emergency Management and Business Continuity Management” plan – an internal regulations framework for all business divisions.

The Resilience Department has several responsibilities: it coordinates our Emergency Response and Crisis Management programs and systems; it adheres to legislation on natural disasters, acts of terrorism and sabotage, social and political environment conditions and impact, occupational health and safety, fire defense and civil protection. It implements the Emergency Response and Crisis Management training program for our employees at national, regional, and local levels; and it manages strong communication links at all levels within Petrom and externally with support agencies.

We now have all necessary procedures in place from a crisis management perspective. In order to test these procedures, we successfully carried out 10 oil spill incident drills in all E&P assets. This program of drills led to the implementation of a radio station system, for use in areas with no GSM signal and as a back-up solution in case of telecom network failure.

When finalized, we will use all logistics available to continue emergency and crisis drills. We also plan to finalize the revamped crisis and emergency rooms initiated last year. Our main resilience objective is to conduct a cross-business exercise, with the participation of management at all levels, using the scenario of a major earthquake affecting critical components of the business.

## Achievements and targets

### 🎯 What we did in 2012

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#### Redesigned organization

- ▶ The redesigned Corporate Security Organization was set-up and staffed towards the end of 2012

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#### Security Services Management

- ▶ The implementation of Centralized Security Services Management was finalized by year-end
- ▶ A standard contract and standard invoicing model were implemented for all security providers

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#### Security operations support

- ▶ The designing of tailor-made security plans was delayed until year-end (pilot in Asset I defined)

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#### Security Operations

- ▶ Defined customized Security Management Plans for Petrom site/facilities, based on specialized security risk assessments, along with on-the-job training of operational security

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#### Resilience and crisis management

- ▶ Developed and implemented crisis management documentation
  - Standard ST HSSE 060 E “Crisis & Emergency Management and Business Continuity Management”
  - Procedure P HSSE 006 E “Crisis Management Plan”
  - Incident Management Plan Template
- ▶ Conducted crisis management and emergency management drills with senior management

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#### Loss Prevention

- ▶ The “Zero-tolerance to theft” policy was not fully implemented in case of persons unknown (>10 thefts reported per day in E&P)

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#### Badge Process Group

- ▶ Implemented the Unified Badging System for all Petrom employees and contractors

## Achievements and targets (continued)

### © What we will do in 2013

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#### Occupational health

- ▶ Improve Health Management Processes within the organization: update the process and the standard for granting financial support to employees with severe medical conditions and update the Health Standard
- ▶ Increase awareness of health topics within the organization, launch two health promotion campaigns

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#### Resilience and crisis management

- ▶ Set the basis for business continuity and recovery strategy to be rolled out at Petrom level in 2013

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#### Loss Prevention

- ▶ Define and align with the relevant national authorities any improvement possibilities for the “Zero-tolerance to theft” Petrom policy

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#### Security

- ▶ Identify and assess current security threats and risks in each location

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#### Looking ahead

Looking ahead, the focus for 2013 will be to continue to improve safety performance and ensure that new standards have been integrated and fully understood by our contractors. In particular, we will focus on:

- ▶ Process Safety
- ▶ Contractor Management
- ▶ Occupational Safety
- ▶ Transportation Safety

# Environmental Management

## Our focus areas



### Carbon emissions

Reducing carbon emissions by investing in the energy and carbon efficiency of our operations.



### Waste management

Reducing waste from our operations and investing in waste management facilities.



### Water management

Improving water efficiency and reducing wastewater.

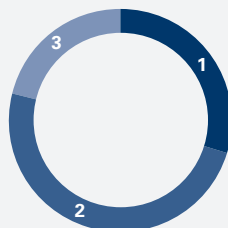
### Our approach

Our approach is based on precautionary, proactive management aiming to prevent and to minimize our environmental impact on the environment along the value chain.



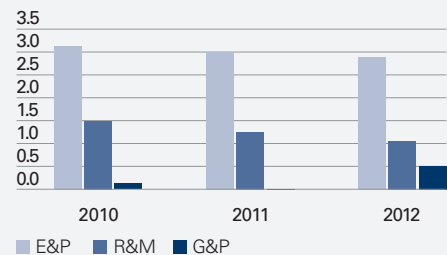
## What we achieved so far

Total water withdrawal by source in 2012



1. Groundwater  
7.84 mn cbm
2. Surface water  
12.94 mn cbm
3. Water from public supply systems  
5.52 mn cbm

Total GHG emissions by business segment\*



\*in mn t of CO<sub>2</sub> equivalent

## Our strategic approach

### Petrom's ongoing aim to sustainable resource management includes:

- ▶ The efficient use of water
- ▶ Waste treatment and disposal
- ▶ Sensitivity to areas of high biodiversity
- ▶ Management of greenhouse emissions
- ▶ Managing risks and opportunities

**As an international oil and gas company, we place great importance on maintaining high environmental standards managing risks and opportunities across all of our operations.**

We operate in a complex and changing environment. This is why Petrom's risk management is not limited to immediate business and regulatory risks; it also includes social, political and other economic risks. To meet these demands our Company is increasingly integrating environmental, social and health impact assessments into our environmental risk management.

### Carbon risks

Climate change risks are integrated into our Group-wide risk management process (EWRM). Measures to reduce the impact of these risks have either been planned or implemented with the aid of economic instruments such as emissions trading and carbon portfolio management.

The main risks associated with climate change include: the impact of energy and climate policies; tighter rules on emissions trading; market price risk assessment concerning unknown future costs of CO<sub>2</sub>; higher insurance premiums and related risks; and extreme weather events that may affect production and transportation.

### EU Emission Trading Scheme

Risks related to the EU Emission Trading Scheme (EU ETS) are separately recorded, aggregated and monitored for the OMV Group as a whole.

In 2012 we focused on achieving optimal compliance of our business by meeting the requirements of the second phase of the EU ETS legislation. We efficiently monitored and reported on the process of EU ETS installations and prepared the trading strategy moving forward. Work will continue to actively monitor the legal framework developments, such as the revision process on carbon leakage status in 2014, as well as any amendments to Emissions Trading Schemes that could potentially impact our business.

We are committed to continuing our work to prevent and to minimize our environmental impact.

Across our operations the environmental risks, including those related to climate change, are assessed on a systematic basis and consequently Environmental Management Plans are developed and implemented.

▶ See our **Materiality Matrix** on page 25

### Shale gas

There is currently no shale gas project under development in Petrom. Instead we are focusing our investment efforts on the very promising conventional gas reserves, such as those in the Black Sea. We welcome the European regulatory inputs with regard to shale gas.

▶ Read more about **EU ETS** on page 49

## Environmental management and monitoring

During 2012 we achieved several ISO re-certification in Retail business as well:

- ▶ RO: ISO9001:2008 & HACCP, ISO14001:2009, OHSAS18001:2007
- ▶ BG: ISO9001:2008 & HACCP, ISO14001:2009, OHSAS18001:2007
- ▶ RS: ISO9001:2008 & HACCP, ISO14001:2009, OHSAS18001:2007

**We are committed to efficiently managing energy and natural resources and reducing emissions and discharges wherever possible. We aim to prevent and to minimize the environmental impact of our operations throughout the entire lifecycle.**

Our environmental management directive, backed by our standards, targets and performance measurements, form a Group-wide framework for ongoing improvement.

### The Environmental Management Directive and Standard

Petrom's Environmental Management Directive has been revised and updated to include organizational developments and to define environmental management requirements and link environment with other business process (e.g. strategy, budgeting and purchasing). To ensure that the relevant employees are up to date with these developments, we ran 25 workshops company-wide, involving over 500 participants.

A corresponding Environmental Management Standard has also been issued to support the implementation of the directive. The Standard provides the framework for a systematic approach in managing all environmental activities, with the specific aim to prevent, eliminate and reduce environmental impacts.

To further integrate environmental management processes into our business, the environmental directive is linked to other business processes, such as investments, strategy development, planning, budgeting and purchasing. Within each business segment, we have internal environmental regulations which relate to each process.

### Certifications

Our environmental management system ensures continuous improvement of our environmental performance. In 2012 valid re-certifications against ISO 14001 and ISO 9001 requirements were available for:

- ▶ Petrom Refining division
- ▶ Maintenance and Logistics activities in E&P
- ▶ Petrom Distributie Gaze
- ▶ OMV Petrom Gas SRL (ISO 9001)

Petrobrazii Refinery, as well as Petrom E&P, has implemented certified Energy Management Systems, in accordance with ISO 50001:2011, to meet energy objectives, monitor energy performance and to continuously improve energy efficiency.

The Environmental Management Directive pervades the entire organization: from the Group Policy on Health, Safety, Security and the Environment (HSSE) to the Group's commitment to the UN Global Compact.

## Environmental management and monitoring (continued)

### Raising awareness

- ▶ 10,000 employees engaged
- ▶ 400 employees trained
- ▶ 6,000 hours of training

### The Environmental Risk Assessment Methodology

The Environmental Risk Assessment Methodology was developed to establish best practice and meet the requirements of ISO 14001. This methodology is harmonized across the Group and gives management the knowledge and support to set priorities and make effective environmental decisions.

Further benefits include: awareness of legal requirements and regulatory acts; loss prevention/minimization; and environmental awareness amongst stakeholders.

A pilot study in the Depots Management Department at Petrom R&M depots was successfully carried out in 2012 and the methodology will be rolled out Group-wide in 2013.

### Raising environmental competences amongst employees

To improve environmental performance, it is crucial that we raise awareness and develop environmental competences amongst our employees. To meet this objective, in 2012 we launched a Group-wide environmental awareness campaign headlined "Eco-Efficiency: how do YOU care?" to run alongside the International World Environmental Day. The campaign targeted over 10,000 employees and was communicated through online information packages, such as energy saving tips, and brought to life through video, intranet and flyers.

Environmental training and workshop sessions were also held on various topics, including waste management, EU-ETS environmental risk assessment and environmental management. In 2012, over 400 people participated in some 6,000 hours of training and workshops.

### Reporting and KPIs

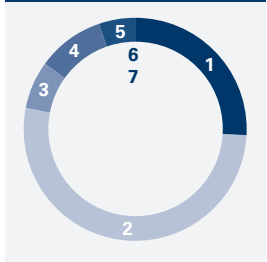
At a corporate level, we monitor environmental KPIs on a monthly and annual basis and they are embedded in our standardized reporting processes. The various business divisions are given annual targets set out in the corporate Balanced Scorecard (BSC).

### Considering GHG emissions in investment decisions

The corporate directive on investment controlling requires an analysis of GHG emissions for each project. This provides a detailed evaluation of how we can reduce emissions, factoring in the cost and revenue estimates that steer every investment decision.

## Environmental compliance

Environmental protection expenditures 2012 (in EUR mn)



1. Waste	29.82
2. Soil and groundwater	59.80
3. Air	8
4. Wastewater	10.83
5. Environment Management	6.05
6. Noise and Vibration	0
7. Nature protection	0

**We carry out legal compliance monitoring and audits on a systematic basis. This aims to ensure that all necessary environmental permits are in place, all environmental rules and regulatory acts are observed and that inspection reports developed by the authorities are correctly implemented within the set timeframe.**

For example, in 2012 we faced monetary fines and penalties for non-compliance related to environmental incidents including spills, exceeding the values of legal limits for various discharges into the environment, cases of non-conformity related to waste management, and flaring.

We continue to invest in environmental protection using our own funds, as well as support from financial institutions.

### Environmental expenditures and investments

As part of the OMV Group, we have adopted International Federation of Accounting (IFAC) guidelines for environmental management accounting (EMA). The guidelines are followed when reporting environmental expenditure and investment, including fines and revenues.

The environmental costs are reviewed twice a year, based on internationally standardized EMA methodology, with this cross-functional process involving interdisciplinary teams comprising line management, HSSE, engineering, accounting and controlling experts.

The fines and penalties decreased by around 27% compared to 2011, reaching a total of EUR 0.36 mn (compared to EUR 0.50 mn in 2011).

For example we deployed in March 2009 a loan of EUR 300 mn through the European Bank for Reconstruction and Development (EBRD) (out of which EUR 275 mn from EBRD and EUR 25 mn from Black Sea Trade Development Bank – BSTDB) to implement various environmental projects within the E&P and Refining Divisions.

► [Read more on environmental expenditures on page 109](#)

## GHG emissions management

### Dorobantu wind park (45 MW), 2012

- ▶ Net electrical output of **0.09 TWh** – Compared to **0.04 TWh** in 2011 (that included commissioning phase)
- ▶ Received **182,784** green certificates

### Examples of key actions in Petrobrazil Refinery include:

- ▶ The switch to gas fuel for turbines used in electricity production
- ▶ The reduction of steam losses by re-engineering the pipe network
- ▶ The revamp of the Atmospheric and Vacuum Distillation Plant

### Environmental and climate protection

Today's energy and climate policies present challenges to the oil and gas industry. As international energy demand grows, the industry has a pivotal role to play in securing energy supply. At the same time, GHG emissions must be reduced in all economic sectors to manage the impact of climate change. We will continue to monitor GHG emissions and launch new initiatives to reduce them. We will also continue to promote the use of natural gas for power generation.

We demonstrate our commitment to the Group's GHG Emissions and Reduction Strategy by managing GHG emissions in three key ways:

- ▶ Efficiency improvements to reduce direct GHG emissions from Exploration and Production (E&P) and Refining and Marketing (R&M). For example, since 2010 Petrobrazil Refinery has set targets for reducing carbon intensity and in 2012, we achieved a reduction of 4.6%, ahead of our target of 4%. For 2013, Petrobrazil Refinery is targeting a further reduction of 4% compared to 2012
- ▶ We contribute to the de-carbonization of the energy markets by reducing the carbon intensity of our portfolio, promoting natural gas and wind for power generation
- ▶ We have deployed technology to limit the power generation portfolio to no more than 0.37 t CO<sub>2</sub> equivalent per MWh

### Emission Trading

Petrom is subject to the EU Emissions Trading Scheme (EU ETS.) By the end of 2012, 16 of our operating installations were in the scope of EU ETS. Around 43% of the direct GHG emissions of Petrom (1.9 mn t ) were CO<sub>2</sub> emissions from EU ETS installations.

Petrom complied with the EU ETS requirements of the second trading period (2008–2012) without incurring any additional cost.

In respect of Petrom's installations under EU ETS, a specific standard was issued in 2012 to effectively comply with legal requirements in this field. This standard aims to establish the responsibilities, activities, documentation and processes involved in the trading of greenhouse gas emissions allowances.

## Direct and indirect emissions

### Direct emissions (scope 1)

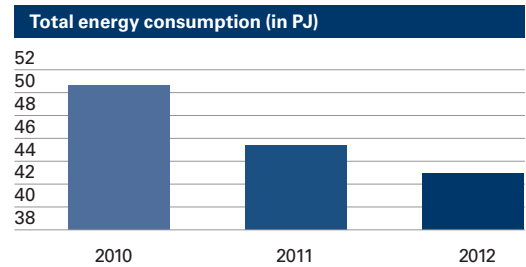
The greenhouse gas (GHG) emissions directly related to our operations are carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), and nitrous oxide (N<sub>2</sub>O). The other GHGs are of minor relevance and, therefore, have not been included in Petrom's GHG figures.

After its modernization programs, our E&P business division achieved a reduction of around 90,000 t of CO<sub>2</sub> equivalent between 2009 and 2012.

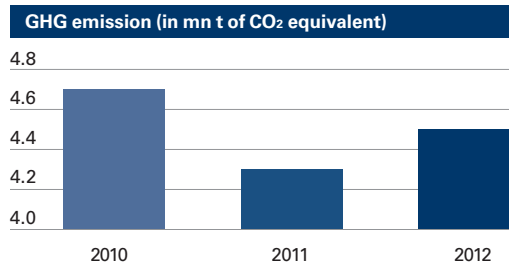
Petrobrazil Refinery has continued to implement optimization and energy efficiency projects resulting in around 240,000 t of CO<sub>2</sub> equivalent savings/reductions between 2009 and 2012. We expect additional savings of over 100,000 t CO<sub>2</sub> equivalent in 2013.

### Indirect emissions (scope 2)

Indirect emissions means emissions of greenhouse gases associated with the purchase of energy (electricity and heat).



► [Read more on air emissions on page 107](#)



\* Scope 1 emissions (direct emissions)

## Energy management

**24,000**  
t CO<sub>2</sub> equivalent  
reduction in 2012  
Gas to Power (G2P)  
and Combined  
Heat and Power/  
Cogeneration  
(CHP) projects

**Our industry is energy-intensive, with energy costs accounting for a large share of our operational costs. By improving our energy efficiency we can reduce costs as well as GHG emissions.**

A number of activities took place in 2012 to improve levels of environmental protection and reduce impact across our business chain.

In Exploration and Production (E&P) we continued to make good progress:

- ▶ Investment of EUR 8 mn during 2012 on Gas to Power (G2P) and Combined Heat and Power/Cogeneration (CHP) projects to reduce our own energy consumption and also reduce GHG emissions. The works in 2012 resulted in 24,000 t CO<sub>2</sub> equivalent emissions reduction. From 2014, we expect the program to generate a total reduction of around 170,000 t CO<sub>2</sub> equivalent/year since its launch in 2009
- ▶ Investment of EUR 0.23 mn in 2012 (financed under EBRD environmental loan), in a Boiler Replacement Project, to increase energy efficiency and reduce CO<sub>2</sub> emissions. (Read more on pages 18 and 109.)
- ▶ Initiation of the wells automation program to ensure that pumps run only when necessary. This program, which saw an investment of EUR 7 mn in 2012, saved energy and optimized production for 1,526 wells during the year.
- ▶ Other actions include the installation of some 8,000 low energy fluorescent bulbs (leading to a reduction in energy consumption of 265 MWh) together with the installation of High Efficiency Motors with an investment value of EUR 0.53 mn (leading to a reduction in energy consumption of 130 MWh)

We invested EUR 8 mn during 2012 on Gas to Power (G2P) and Combined Heat and Power/Cogeneration (CHP) projects.

In Refining and Marketing (R&M) the Petrobrazi Refinery continued to implement optimization and energy efficiency projects, including among others: the switch to gas fuel for the turbines used for electricity production; the reduction of steam losses by pipe re-engineering; and the revamp of the Atmospheric and Vacuum Distillation Plant.

In the Gas and Power (G&P) we invested EUR 530 mn in our Brazi power plant. This 860 MW Combined Cycle Power Plant if operated at maximum capacity, can cover up to 8–9% of the electricity market – enough to meet the electricity needs of Bucharest.

The plant's efficiency is twice higher than the sector average (it uses half the gas quantity used by any other gas fired plants in Romania to produce the same amount of electricity) while CO<sub>2</sub> emissions are significantly lower and below European average.

The plant is characterized by flexible operations given its capacity of fast start (half the time needed by a conventional plant) as well as the high speed in increasing the electricity production. Thus, the Brazi power plant can react very quickly in order to support the production – consumption balance in the National Energy System (SEN).

The plant is able to counterbalance the low predictability level of wind power production as the two gas turbines have the capacity to balance approximately 700 MW in wind power plants, when wind is not available.

## Water management

### Water withdrawal at Petrobrazil Refinery

Due to restructuring and optimization activities, total water withdrawal at Petrobrazil Refinery has decreased by **64%** since 2007. Wastewater management systems have also been improved. The volume of discharged wastewater fell from **22.7 mn cbm** per year in 2006 to **11.29 mn cbm** in 2012.

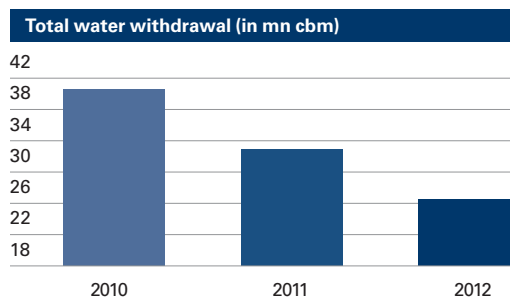
**Fresh water management is a critical concern; not only for our industry but also in everyone's day-to-day lives. As an international organization, water is a resource that we value and cherish, and indeed we would be unable to operate without it.**

In our day-to-day operations we withdraw water from various sources, and use it for various purposes including steam production, cooling, potable water in office buildings, and car washing at filling stations.

### Water efficiency and reducing wastewater

Using this valuable resource efficiently and economically is crucial for our own operations as well as the environment.

In 2012, we continued our efforts to increase the efficiency of our heating and cooling systems and to optimize the water supply systems. This has resulted in a reduction of our total water withdrawal of around 34% since 2010, the equivalent of 13.65 mn cbm. A total of 14.68 mn cbm of wastewater was discharged after appropriate treatment in 2012.



► [Read more on water withdrawal on page 108](#)

### Water management

In 2011 we conducted a "Fresh Water Management" pilot study to assess the current practices in Petrom E&P. In 2012, we capitalized on these results by developing Water Management Plans across all business divisions. To this end, the operational units have been provided with guidance on a systematic approach to managing freshwater withdrawal and wastewater production.

Large amounts of formation waters have been managed in Exploration and Production (E&P) operations, amounting to 37.5 mn cbm in 2012. Over 96% of water is injected deep underground. The remaining quantities are then treated and finally discharged in surface water bodies, in accordance with our environmental permit.

In Petrobrazil Refinery we invested in total EUR 6 mn to revamp the Waste Water Treatment Plant.

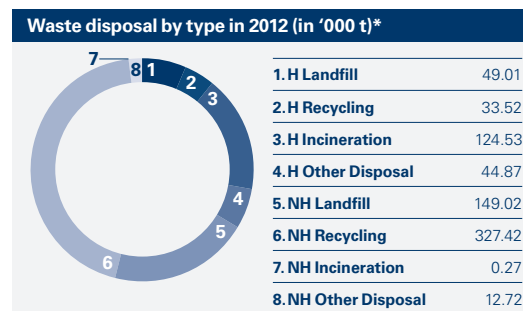
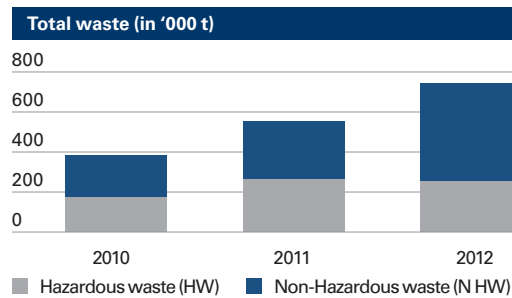
The Waste Water Treatment Plant project was finalized in 2012 and resulted in improved quality of discharged wastewater, as well as reducing the amount of sludge waste. The project improved efficiencies from the mechanical stage to the de-nitrification stage, as well as modernization of the dosing unit for chemical substances and utilities monitoring.

A further project finalized in 2012 in Petrobrazil refinery was the rehabilitation of the internal and external sewerage system. The goal of the project was to minimize the amount of treated wastewater by segregating wastewater streams based on their level of contamination. By using this approach, wastewater can be collected safely and any leakage into the ground prevented.

## Waste management

**As with any oil company, Petrom activities generate solid and liquid wastes, including oily sludge, waste chemicals, spent catalysts and construction debris.**

The total amount of waste in 2012 increased by 30% compared with 2011. This was mostly due to the non-hazardous waste from demolishing facilities, most of which was recycled. The total amount of hazardous waste generated in 2012 was consistent with that in previous years.



\* 'H' refers to Hazardous waste, and 'NH' to Non-Hazardous waste

► Read more waste disposal on pages 107 and 108

### Waste disposal and infrastructure in Petrom E&P

Building on last year's activities, our E&P division finalized the process of cleaning 44 sludge pits, financed under EBRD/BSTDB environmental loan. The pits contained about 600,000 cbm of sludge which was removed, treated by mobile units and disposed of.

A number of 26 pits required complex demolition works. One of the pits (at Abramut in Suplac) involved extensive water engineering works to capture and filter water springs beneath the site. Over 300 operational and environmental, health and safety audits were performed during project implementation.

To date, Petrom E&P has built a total of nine bioremediation plants and two landfills as part of the waste infrastructure program, financed under EBRD/BSTD environmental loan. This has contributed to the creation of a waste infrastructure needed for the clean-up of contaminated soil, as well as the abandonment of some 26,000 oil wells and 1,100 production facilities.

## Waste management (continued)

### Waste disposal in Petrom refineries

The remediation project of both external sludge lagoons at Petrobrazi Refinery was completed by the end of 2012 and was financed under EBRD/BSTDB environmental loan. These lagoons, located near Brazi and Triaj Railway Stations, had been transformed into sludge lagoons after various residual oil, untreated household waste and other waste from demolition accumulated over time. To add to the inherent challenges of removing the sludge pits, they both belonged to different owners, and were situated in an area without utilities, roads or electricity.

Overall some 218,000 t of sludge were removed from both lagoons, with waste being treated by thermal desorption. A total surface of around 33,000 sqm was remediated. After the lagoons were emptied and the monitoring wells were installed both upstream and downstream, the next phase of filling with clean material and grassing was set in motion.

With the soil remediation and ecological reconstruction of the area, the land was almost restored to its natural state and the existing risks in the affected area were eliminated.

At Arpechim Refinery, the bio-remediation of Dambovnic and Suseni lakes was finalized in 2012 and was financed under EBRD/BSTDB environmental loan. Over 90,000 cbm of contaminated sediments were treated in biopiles (also known as bio cells used to reduce concentrations of petroleum constituents in excavated soils through the use of biodegradation). The quantity of sediments in the lakes was reduced by approximately 30%.

### Drilling mud

We seek to avoid the use of hazardous substances whenever and wherever possible. For example, in our drilling operations, we use water-based drilling fluids wherever technically feasible. In fact, most of the drilling mud used by our E&P division is 65% water-based. However, using such fluids is not always possible for technical reasons, and in some cases, such as extended-reach wells, we use non-aqueous drilling fluids (NADF), always selecting the least toxic option. We no longer use any diesel-based drilling fluids anywhere in our operations.

Drilling mud is reused whenever possible to follow our comprehensive waste minimization and management plans. Cuttings are treated to reduce toxicity and disposed of in accordance with applicable national regulations and best available technology.

## Update on the decommissioning of Doljchim plant



**Our chemical plant Doljchim Craiova occupies some 220 ha approximately 7 km northwest of the city of Craiova. It was one of the largest fertilizer and methanol plants in Romania, with production also including many organic chemicals and catalysts. However, as chemicals and fertilizer segments is a non-core business of Petrom on one hand, and prevailing and foreseeable market conditions deteriorated on the other, at the end of 2009 management decided to exit this business and hence permanently close down the Doljchim chemical plant.**

Throughout 2012, Petrom continued the dismantling and decontamination activities at Doljchim in compliance with European environmental and safety standards, to prepare the site for future alternative use. In this respect, several development alternatives were considered and will be evaluated for future development.

We are taking particular care to carry out all scrapping and demolition activities safely, in accordance with industrial best practices and our own regulations. Environmental matters, such as decontamination and waste disposal, are managed accordingly.

For example, in 2012, HSSE training programs have been delivered to all contractors, as well as our own employees, covering the following topics: health and safety potential risks specific to Doljchim; environmental risks; emergency situations; good practices; lessons learnt from internal/external safety incidents; requirements of Romanian health and safety legislation.

The closure of such a large industrial unit had an impact on local communities. We decided to take the initiative, and to support local people where possible. A local NGO named CERC (Community Resource Center) Isalnita was set up in 2012, a multi stakeholder forum aimed at managing local community initiatives and to ensure sustainable development of the region. CERC Isalnita member representatives are drawn from Petrom, Isalnita residents and the local authority.

Discussions about the implementation of further projects took place on a monthly basis in 2012 and continue in 2013.

## Other environmental management

# 10

All E&P assets  
conducted Spills  
Response Drills

### Spills and leakages

In 2012, we recorded six significant hydrocarbon spills (>1,000 l level 3 on a scale of 1 to 5) and 1,796 minor releases (2011: 1,955 respectively). The volume spilled was 217,264 l. (2011: 460,697 l).

A broad range of mutually supportive activities were also implemented in 2012 to reduce and prevent the environmental impact of oil spills, including:

- ▶ The Spill Risk Map project – this aimed to provide detailed information regarding the risk of pollution from pipelines in Petrom E&P. A pilot was successfully run in one of E&P's assets. In 2013 this tool will be implemented in 50% of all E&P assets.
- ▶ A Risk Based Inspection study – this is close to completion and will sit under our new Pipeline Integrity program. Dedicated teams in each asset will ensure effective implementation of ongoing inspection works, with repair and replacement carried out on a risk priority basis.
- ▶ A Spill Preparedness and Response program – also implemented in 2012 to increase our ability to prevent and respond effectively to oil spills. This started with ten spill drills conducted in all E&P assets; it will continue in 2013 with the implementation of an action plan and strategic program containing technical, organizational and skills development measures.

In addition, under EBRD environmental loan, we are in a process of constructing and relining priority pipelines. This will lead to a high quality production transport system, will increase energy efficiency and will decrease environmental impact by preventing spills in related areas. This program includes many small to medium local pipeline projects, each of them being managed at local level as an individual project. A number of 144 pipeline replacement or relining projects were initiated in 2010 out of which 88 projects were finalized in 2012. All pipeline replacement projects developed in 2012 were on-shore.

### Biodiversity

As a general rule, before launching new projects and operations, we undertake environmental impact assessments to address biodiversity issues. When developing in protected areas or where protected species exist, we monitor the ecosystem to ensure that our operations cause no adverse effects. Although we have not yet needed to develop biodiversity action plans for any of our operations, we stay committed to monitoring biodiversity issues at all sites, at all times, in all of our operations.

## Product responsibility and safety

**We produce gasoline, diesel fuels and other products, including LPG (Liquefied Petroleum Gas) and heating oil. We aim to provide high-quality products that meet our customers' expectations. Health and safety is an integral part of this, from production through to storage, transport and sales.**

### Policy and guidelines

We manage the quality and safety of our products in line with our internal policies, as well as international and national regulations and standards.

### Product Safety—Material Safety Data Sheets

The quality and safety of our products is the result of standardized processes, quality testing across the supply chain, and a highly developed traceability system. We provide our partners and customers with detailed information about our products and the materials used to produce them. They have the reassurance that all products manufactured, marketed or distributed by Petrom comply with legal regulations. Safety data sheets for Petrom products can be downloaded from our website. These provide our customers and employees with comprehensive information on potential health, safety and environmental hazards, as well as precautionary measures for safe product handling and usage.

### REACH

The implementation of the EU Regulation on Registration, Evaluation and Authorization of Chemicals (REACH) meant that our refineries successfully registered around 60 substances by the end of 2010.

The EU Regulation on Classification, Labeling and Packaging of substances and mixtures (CLP) requires manufacturers and

importers of such products in or to the EEA (European Economic Area) to ensure the re-classification and relabeling of substances and mixtures. By using internationally agreed classification criteria and labeling elements, the aim is to facilitate trade as well as help global efforts to protect human beings and the environment from the hazardous effects of chemicals.

We submitted all due C&L notifications successfully and the product safety data sheets were updated accordingly. We have several working groups that oversee our compliance with REACH and CLP regulations. We are also members of the REACH and CLP working groups within the trade associations for the oil and chemical industries.

### Cleaner fuels

At present, the diesel and gasoline produced in Petrobrazi Refinery is sulphur-free (sulphur content <10 ppm).

In 2012, Petrom blended 78,111 t FAME (fatty-acid methyl ester) into diesel and 39,037 mc bioethanol/ETBE (ethyl tertiary butyl ether) into gasoline fuels for producing bio-fuels.

Petrom supports the use of environmental-friendly transportation fuel. This compressed natural gas (CNG) leads to about 20% lower CO<sub>2</sub> emissions, 80% reduction of carbon monoxide and virtually no particulate emissions.

Across the Petrom Group network of some 798 filling stations, we offer gas as fuel (either LPG or CNG) at 231 filling stations (43 filling stations in Romania, 91 in Bulgaria, 53 in Serbia and 38 in Moldova), a coverage rate of 29%. As of the end of 2012, CNG is sold at six filling stations in Bulgaria out of 93 sites in total.

## Site focus: Brazi Power Plant

### The Brazi Power Plant project in numbers

- ▶ Investment decision: May 2007
- ▶ Investment value: ~EUR 530 mn
- ▶ Construction period: 2008–2011
- ▶ Commercially operational since August 2012
- ▶ Share of Romanian production: 8–9%
- ▶ No of workers on-site: 200–1,200 per day
- ▶ No of man-hours worked: 3,000,000 by beginning of June

### Key environmental benefits

Much lower CO<sub>2</sub> emissions:

- ▶ For a production of **5,000 GWh** of CCPP Brazi, the volume of the CO<sub>2</sub> equivalent emissions generated by the electricity sector in Romania is reduced by **2.5 mn t**
- ▶ Specific emissions: **0.33 t CO<sub>2</sub>** equivalent/MWh (gas) Vs. **0.66 t CO<sub>2</sub>** equivalent/MWh (gas) and/or **1 t CO<sub>2</sub>** equivalent/MWh (lignite) for Conventional Power Plants

### In 2012, Petrom commenced operations at the Brazi power plant, the largest private greenfield power generation project in Romania.

This project will generate growth for the Romanian energy sector and increase energy security for Romanian consumers. Furthermore, it will deliver a much higher efficiency rating and lower CO<sub>2</sub> equivalent emissions.

The Brazi power plant has a capacity of 860 MW and could cover, if operated at maximum capacity up to 8–9% of the electricity market, equivalent to the electricity consumption of Bucharest. At the same time, it meets EU commitments for emissions reduction.

The plant was designed to bring added flexibility to Petrom, and has the ability to quickly adapt and change the levels of electricity produced to meet shifts in demand. Put another way, Brazi power plant supports the balancing production market in the National Energy System (SEN).

This is particularly important given that wind energy production increased in Romania in 2012 to 3.7% of total energy produced in the country, from a contribution of 1.9% in 2011.

“Our investment in the power plant will trigger annual benefits for the Romanian economy through its contribution to GDP, additional income to the state budget and jobs; it will also generate benefits for consumers, namely greater security of electricity supply and potentially a reduction in electricity price, due to increased competition.”

Mariana Gheorghe, CEO Petrom

## Achievements and targets

### © What we did in 2012

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#### Identify environmental risks and costs

- ▶ Developed an Environmental Risk Assessment Methodology to improve effectiveness of environmental risk management
- ▶ Developed a Spill Risk Map Tool to tackle the risks posed to the environment by pipelines

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#### Optimize processes to make efficient use of natural resources and minimize waste and emissions to air, water and land

- ▶ Decreased the carbon intensity in Petrobrazil Refinery by 4.6%
- ▶ Finalized the clean-up of all 44 sludge pits in E&P
- ▶ Finalized the remediation of the two external sludge lagoons in Petrobrazil Refinery as well as the revamp of the Waste Water Treatment Plant

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#### Manage greenhouse gas emissions economically

- ▶ Initiated the Carbon Strategy revision
- ▶ Assessed the current GHG status and forecast; identified potential abatement options and opportunities
- ▶ Reported the CO<sub>2</sub> equivalent emissions and energy consumption forecast until 2016, and the CO<sub>2</sub> equivalent emissions reduction projects

### © What we will do in 2013

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#### Identify environmental risks and costs

- ▶ Implement the generic Environmental Risk Assessment Methodology, and continue the implementation of the Spill Risk Maps across Petrom

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#### Optimize processes to make efficient use of natural resources and minimize waste and emissions to air, water and land

- ▶ Optimize water and waste management in operations
- ▶ Use energy efficiently and reduce carbon intensity of Petrom activities and portfolio

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#### Manage greenhouse gas emissions economically

- ▶ Improve the carbon management across Petrom

# Human Rights

## Our focus areas



### Training, awareness, engagement

Introducing a Human Rights e-learning program to raise awareness and develop skills.



### Human Rights Self-Checks

Acknowledge and manage potential risks related to Human Rights and conduct self-checks.



### Engaging suppliers

Engaging with suppliers to commit to our Code of Conduct.

### Our approach

Human Rights is an important pillar of Petrom's Resourcefulness concept and is engrained in the way we behave and conduct our business activities.



## What we achieved so far

# 8

suppliers selected for comprehensive audit

# 10 years

since applying to UN Global Compact

# 95.7%

of our employees are represented by trade unions or work councils

## Our strategic approach



### Engaging suppliers and contractors on Human Rights

We have developed a mandatory Human Rights questionnaire for standard Petrom supplier audits and have trained auditing teams on how to use it.

Of the 212 "A suppliers" (suppliers, including contractors, accounting for the highest percentage of total purchasing volumes of the procurement department), eight companies were selected in 2012 for a comprehensive audit, including compliance with Human Rights criteria.

The Petrom General Conditions of Purchase include a clause on the need for our business partners to observe Human Rights and comply with our business ethics principles.

**Human Rights are an important pillar of Petrom's Resourcefulness concept. It covers a wide range of social and economic areas, which are engrained in the way that we conduct our business activities.**

Starting in 2012, Petrom has aligned itself with the OMV Group initiative to include Human Rights as a core element of the Resourcefulness concept. It is now embedded in our sphere of social responsibility and we communicate on all topics regulated by national laws through regular dialogue with our stakeholders.

### Human Rights Self-Checks

As a company we acknowledge that our activities may uncover potential risk in the area of Human Rights. To control this risk we have implemented Human Rights Self-Checks, based on our Human Rights Matrix and developed in conjunction with the Danish Institute on Human Rights.

The Human Rights Self Check is carried out by Corporate Affairs & Compliance, the team also responsible for the Human Rights Matrix.

The aim of the questionnaire is to raise awareness on responsible Human Rights behavior. It has been completed by Human Resources, Procurement, Legal, HSSE and Communications and Sustainability and analyzed by Human Rights Consulting Vienna as external independent expert.

The assessment concluded that we have a supportive attitude towards Human Rights issues, in relation to our own employees and stakeholders and that we should continue to follow up the measures already taken to achieve full compliance with European and international Human Rights standards.

Looking ahead, we are committed to continuous business development in line with the Petrom strategy, as well as complying with EU legislations and policies.

### Management systems

The Human Rights management system is divided into two focus areas: the Petrom Human Rights Matrix and Petrom Human Rights Policy.

In the Human Rights Matrix, we have pledged to meet the UN Global Compact directives, a mandatory document setting out minimum standards of social responsibility.

The implementation of the Human Rights Matrix has been closely linked to activities at business divisions, specifically at a Corporate Functions level, as well as through business activities with stakeholders.

## Engaging employees, suppliers and contractors on Human Rights

### Human Rights and compliance

The rights and obligations of our employees are set out in labor contracts. They are derived from various company agreements, collective bargaining agreements and locally applicable policies.

All of our employees have the right to exercise their freedom of association. Without exception, minimum wages or salaries of employees are fixed by law (National Level) and also agreed upon by company CLA.

Almost all of our employees (95.7%) are represented by local trade unions or works councils.

### Engaging employees on Human Rights issues

At the beginning of 2012, an interactive application, the Human Rights e-learning, was introduced to the Petrom Intranet to raise employee awareness on the company's practices in the area of Human Rights. The program was developed by Corporate Affairs and Compliance experts, in cooperation with OMV specialists, and creates awareness amongst our employees of our approach to Human Rights and our responsibilities as a company.

This program is based on an established application used by major oil and gas companies, which we have brought up to date and adapted according to the Petrom Human Rights Matrix. Packed with information on Human Rights topics, the program provides an interactive hub for employees to share information and think about their needs in practical terms.

The Human Rights training program, conducted by an external Human Rights consultant, was based on the standards recommended by the UN Global Compact and the Human Rights Matrix. It was our response to the high turnover of security personnel and the appointment of several newly tendered and contracted security companies. All of our suppliers are required to commit to our Code of Conduct, especially as all of supplier audits include some form of Human Rights and HSSE elements.

The awareness of Human Rights within our management team has had to keep pace with the growth of the business. To ensure that this happens, we developed a comprehensive guiding document known as the Human Rights Matrix. Over the past three years we have organized a number of seminars and workshops for both the security forces and our employees to raise awareness of Human Rights.



## Achievements and targets

### © What we will do

in 2013

- ▶ Drive implementation of the Human Rights Action Plan based on the recommendations of the Human Rights Self-Checks
- ▶ Awareness building with a particular target on those areas where Romania's labor laws and/or practices fall short of international Human Rights standards
- ▶ Continue improvement of existing risk management tools and training programs for managers

# Diversity and Human Resources

## Our focus areas



### HR management

We have an integrated approach to HR management, building on organizational capabilities to deliver on our business objectives.



### Training and development

To retain the best talent, we invest in training and development to match the needs of the business and of our employees.



### Employee engagement

We engage directly with our employees to identify how we can enhance employee engagement and satisfaction.

### Our approach

Our people are the driving force behind our success and we work hard to attract, retain and develop the best talent.



## What we achieved so far

**43** nationalities

working for Petrom

**560,000**

hours of training

**EUR 10mn**

training investment

## Our strategic approach

### Our people in numbers

Total workforce: around **21,000**

Job rotations: **70**

Gender split:  
**23% Females/  
77% Males**

Average time spent for recruitment depending on business need:

**90 days** for specialist positions; **105 days** for middle management; and **120 days** for top management.

Communicating recruitment plans and growing internal recruitment to **80%**.

We want to continue to be recognized as a leading employer by recruiting the most talented people, and support this ambition by developing and integrating HR management systems across all of our operations.

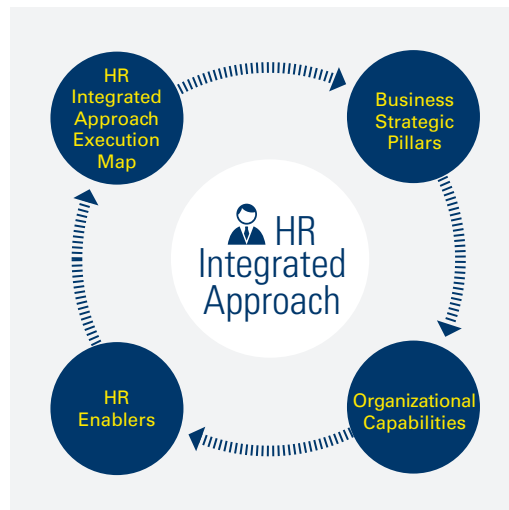
Our HR Management Objectives are:

- ▶ Collaboration
- ▶ Commitment Building
- ▶ Capacity building

**Our people are the driving force behind Petrom's strategy and we work hard to attract talented people, dedicated to building a career in the oil and gas industry.**

In return, we show our commitment by giving them the tools and training they need to perform to their full potential. Petrom is acknowledged as an employer of choice and we are committed to maintaining and building upon this reputation.

HR supports our business strategy by addressing organizational capabilities and implementing the appropriate actions through HR enablers.



### Sustainable performance

To secure sustainable performance, we need to embed leaders in the organization who will deliver the right results in the right way.

This approach is part of our organizational capabilities priority of "focused leadership" and our People HR enabler – which concentrates on improving how our people are recruited, selected, trained, developed, and assigned to work. This issue has a huge impact across the organization, and on all of our stakeholders in some way.

We have achieved outstanding performance in the area of talent management and career rotations including: a high standard of quality development (100% of top potentials); career moves plan (70% achieved); implementing our new employee induction training (100% attendance); and delivering our assessment of development centers projects (100% achievement).

On average, our employees benefit from 21 hours of training per year through our training programs.

### Risks and opportunities

We train and develop our people to fuel the realization of our strategy in three principal ways: through giving them new skills and competences, such as technology skills and the expertise to work on innovative projects such as gas-fired power generation; by helping them live our values, and fostering a culture of performance and value creation; and through developing our own systems and processes so that they facilitate strategic workforce planning and enable us to launch and roll-out initiatives such as skill pool management.

## Our approach to human resources

# 99%

Local employees, including management

### The role of an HR manager is extremely varied

They are a strategic partner in corporate governance, a provider of integrated solutions at corporate level and a champion for change across the business. Above all this, they oversee the implementation of Petrom's driving values and work closely with the management team to achieve the common objectives set out in the business strategy.

**We want to continue to be recognized as a leading employer by recruiting the most talented people, and support this ambition by developing and integrating HR management systems across all of our operations.**

In doing so, we endeavor to strengthen our appeal as an employer by nurturing career development and rewarding superior performance and leadership.

### Role of human resource management

The HR management team supports employees at all stages of their careers at Petrom. They ensure that the human capabilities are firmly in place to meet the growing demands of the business strategy. Where appropriate, they suggest to the management team how to strategically manage people to get the most out of their skills and expertise. This includes: managing, recruiting and hiring employees; coordinating employee benefits; and designing employee training and development strategies.

HR business partners and managers take on a consultancy role to the management team, advising them on many issues related to employees. Information exchange inside and outside the Company keeps them up to date on best practices in modern HR management and helps them to professionally handle any issues that arise across the business units.

**Our goal is to have the required skills available at the right experience level, at the right time, in the right place.**

### Workforce and local employment

In 2012 the number of Petrom employees decreased by approximately 6%, mainly due to outsourcing and restructuring. Our employees are covered by mandatory periods of notice under national employment laws and Collective Labor Agreement for cases of necessary restructuring.

While there are 43 nations working in Petrom, 99.03% are local employees, including management.

### Strategic Workforce Planning

Strategic Workforce Planning has been performed for E&P, based on Skill Pool Management allocation and analysis of employees with similar skills and competencies.

For the first time Manpower Planning was also performed from a Skill Pool perspective, with the results integrated into the Strategic Workforce Planning process for the Manpower Planning Cycle 2012.

Based on the Company's strategy, we quantified the business demand for manpower, taking into account both the desired efficiency ratios and planned future activity levels. Data from eight skill pools and 26 disciplines, involving over 2,300 employees, was analyzed in terms of evolution over time, with an emphasis on attrition rates, retirement and demographic distribution.

The resulting Strategic Workforce analysis provides us with a five-year outlook for resource availability, trends and gaps and is then subject to qualitative assessment based on context.

## Employee engagement

### Engaging employees with Resourcefulness

- ▶ Petrom volunteering championship: 420 employees
- ▶ 2% provision in the fiscal code: 2,000 employees
- ▶ Workshops for us: 597 employees

**Our human resources strategy includes regular global opinion employee surveys (HCM) to identify areas where we can enhance employee engagement and improve business performance.**

To follow up HCM 2011 findings, this year we held 38 workshops in order to analyze the unfavorable results in detail, with 32 workshops dedicated to the business units. The remainder were devoted to mixed groups, such as expatriates and those with less than five years of continuous service at Petrom.

A total of 821 employees participated in the workshops, including Executive Board members and senior management, whose attendance underlines the proactive corporate culture we foster at Petrom.

**Our employees are the everyday champions who make Resourcefulness happen. To encourage our champions, we inform and engage them through a number of initiatives, from training to volunteering in their local communities.**

### Engaging employees with Resourcefulness Skills to Succeed

One of the key focus areas in our Resourcefulness concept is expressed as Skills to Succeed; this is aimed at fostering the skills people require to be successful. Aligned with the Group, we developed a set of Talent Management Programs focused on developing the leadership potential of employees who display strong potential for further professional development. The programs were tailored according to the individual's career level. The Talent Challenge Core Program focuses on the skills needed early in a career, while Talent Challenge Advanced is for those with more

experience. In 2012, 22 employees participated in these specific programs.

We are also committed to developing our managers and leaders by providing specific development programs based on their level of expertise and position. Power2Manage and Power2Lead are external customized programs facilitated by two world leading business schools. In 2012, 23 of our employees participated in these programs.

Our aim is to develop a sustainable skills pool that gives us a competitive advantage and supports our business growth in the future.

### Engaging employees with Resourcefulness

In order to make the Resourcefulness concept a living part of Petrom's organizational culture, it must trickle down from the management team. We actively engage line management to take charge of Resourcefulness initiatives and develop them into sustainable projects for the benefit of the company and beyond.

During 2013, we will proactively inform and engage line management about Resourcefulness. We intend to stimulate and support Resourcefulness initiatives throughout the organization and offer strategic guidance to contribute to PDS sustainability targets.

This project will foster the skills and knowledge needed for line management to confidently carry out Resourcefulness initiatives. It will also contribute to Resourcefulness becoming a cross business commitment that leads to the company's sustainable development.

▶ [Read more in our dedicated Community relations report](#)

## Talent attraction, retention and development

### Integrated Graduate Development Program

In 2012 the program proceeded according to plan, comprising six groups per month, over **250 participants** at two separate training venues and a total of **87 training sessions** delivered by **90 instructors**, with **158 visas** needing to be obtained. In total, we recruited **98 new graduates**.

### Talent retention and development

Our long-term business strategy is centered on recruiting and developing talented people. During the last year, we continued to adapt our learning and development programs to match the needs of the business and our employees.

In 2012 Petrom invested EUR 10 mn in employee' development (out of this, EUR 6.9 mn represents soft and technical skills training activities that are centrally administrated or organized centrally and the rest are courses organized by business).

To support this, we have established a network of synergistic HR systems and processes, including PDS, Talent Management, and career development through cross-divisional and/or cross-functional moves which will create opportunities for professional development and career planning across the company. This enables our employees to grow and develop internally – and to adapt their skills and expertise to an evolving business environment.

### Career development

Career development has been of high interest to our organization during the past years. Cross divisional and/or cross functional moves have been perceived more and more as development opportunities towards a solid career to build within the Company across the years.

**“A new era started for all of us – our new Human Resources strategy is based on the pillars of growth – integration – change – performance.”**

Georg Horacek, Senior Vice President, Corporate Human Resources OMV Group

### EUR 10 mn

Invested in the development of Petrom employees

Group Development Programs are integrated across both Petrom and the OMV Group to nurture and grow the stand-out employees of the whole Group. The wealth of development tools available include a range of training programs, such as professional leadership, that are blended with professional assessment tools and alternative coaching and mentoring programs.

In 2012 we set out to increase internal moves with a target of 100 cross divisional and cross functional moves. Although still short of our target, we achieved 70 cross divisional and cross functional moves.

### E&P Integrated Graduate Development Program

The E&P IGDP is a fully integrated Graduate Development Program for the E&P division. It operates in accordance with the new concept established for all E&P technical skill pools and gives the graduates on the job training with modules organized in Bucharest.

## Development and training

We also offer practical training in project management, IT and English classes. During the past year we have held:

- ▶ **13 IT sessions** with over **190 participants**
- ▶ **35 project management sessions** with over **327 participants**
- ▶ Several language training sessions with a total of **8,251 participants**
- ▶ Over **860 events, conferences** and external programs

**The training department provides our employees with valuable tools focused on both personal and professional development.**

### Training provided in 2012

We also acknowledge that the students of today are the managers and engineers of tomorrow. Universities are home to the most talented people of their generation; individuals who are curious and keen to push back the boundaries of knowledge. We encourage this pioneering spirit by developing strong relationships with both students and teachers in academic environments. The University of Petroleum and Gas in Ploiesti has been a long-term partner and we also collaborate closely with several leading universities in Constanta, Brasov and Cluj Napoca. We support their work through collaboration and training opportunities.

Through our training portfolio we offer a variety of options for our employees' personal and professional growth. Our aim is to develop their professional skills so they can achieve the best results for themselves and profitable growth for the company. We also foster a skills-sharing culture, for example through our "Train the Trainer" program, and encourage our employees to work as a team and share their skills and experience with colleagues. By putting our people at the heart of our business, we not only promote our Company values but also ensure our sustainable development.

### Rewards and benefits

We expect high levels of skill and commitment from our people and in return we provide extensive training and development opportunities together with good levels of pay and benefits.

Reward management activities involve advising management on compensation and benefits, the analysis and effective control of remuneration, tracking market rates, and retaining the best performers with reward and recognition schemes.

A high level of employee motivation is maintained with a diversity of benefits, which can include:

- ▶ Collective Labor Agreement financial benefits such as: Oil Worker Bonus, holiday bonus, additional vacation days and paid days off, allowances for special days (June 1, Christmas, March 8) special events bonus for marriage and childbirth
- ▶ Seniority in work field and Petrom Seniority increments
- ▶ Subsidy for kindergarten costs and special deals with two kindergartens close to Petrom City
- ▶ Additional meal tickets
- ▶ Transport to and from work or the reimbursement of travel costs for commuting employees
- ▶ Preferential services and fees from banks
- ▶ Private healthcare agreements

## Diversity

### Diversity at Petrom

- ▶ 43 nationalities
- ▶ 93 interns in Internships "Open 4 U" programs (22 females)
- ▶ 93 graduates in the Integrated Graduate Development Program (29 females)

**Diversity directly benefits our decision-making, marketing, operations, culture building and recruitment – and removes any cultural barriers that can impede our strategic development.**

By valuing diversity we acknowledge that all people, all races, all voices, and all cultures have as much integrity and as much claim on society as the next. It is the recognition that there are other ways of seeing the world, solving problems and working together.

At Petrom we have 43 nationalities represented across the business. We recognize that it is not enough to hire employees from underrepresented groups; we must also foster an environment where all employees are supported and valued.

To achieve this, we embed diversity values and behaviors across Petrom through our diversity programs.

Historically, the oil and gas industry has not attracted many women. The reasons include educational background, the nature of the tasks in E&P – especially in asset positions – and the overall culture of the industry.

Talent Management is also monitoring the gender diversity in both development programs and pool of identified employees with strong development potential. In 2012 we achieved an average of 40% of females present both in development programs and in the potentials pool, with 10% above our target.

Our medium-to-long-term objective is to embark on a diversity project that focuses on changing mentalities around gender in the oil and gas industry.

## A focus on Skills to Succeed

### Petrom Training Center

#### Scope of the projects:

- ▶ Carry out training needs assessments for envisaged target groups (> 12,000 employees in scope)
- ▶ Design qualification mechanism and curricula for target groups
- ▶ Identify and coordinate activities with internal and external training resources
- ▶ Establish a Training Center in Romania
- ▶ Identify partners willing to be involved in the development of PTC, then define and establish how we can best work together

### Petrom Training Center

At Petrom, we have and always will invest in the development and education of our people. As part of our long-term strategy and in order to achieve our ambitious targets for employee development, we have decided to establish a dedicated Training Center.

The new Training Center, planned for Q4 2013 will be situated on the campus of the Oil & Gas University of Ploiesti (UPG) and will focus on programs designed for the specific needs of our oil & gas workforce. With the evolving nature of the industry, these programs will focus on recent developments and modernization, as well as upcoming international developments and best practice.

With the Training Center in place, we aim to become a role model in Romania, encouraging a new mindset, supporting a willingness to change behavior and continuously improving the way we use energy.

### Supporting former employees

In 2012, we continued to develop the Career Transition Program, an initiative to which we committed in 2005 as part of our social plan. The program supports those employees made redundant following the re-organization process.

The main objectives of the program include: finding a new job through career counseling and professional re-orientation sessions; qualification or re-qualification courses; support in opening a small business; and developing new skills.

This is what makes us an employer of choice and helps to keep a high level of motivation amongst our current workforce. It is always our aim to part ways with employees in a positive manner and to do everything within our means to make the transition as smooth as possible.

Since 2006, we have provided 15 fully operational Transition Centers across the country, staffed by a total of around 32 employees with at least two located in each Center. Each Center provides those interested in finding a new job with free services, such as candidate profile evaluation, access to re-qualification courses and career development counseling.

## A focus on Skills to Succeed (continued)

Participation in the program is entirely free of charge and does not affect the right of former employees to unemployment benefits or financial compensation.

By the end of 2012, the Centers had provided support services to over 74% of former employees that required outplacement services.

### Other Skills to Succeed achievements

- ▶ Petrom also funded requalification courses for around **1,667** former employees
- ▶ The project has an overall **success rate** of almost **84%**

However, the program has not been without its challenges. The ways in which people deal with redundancy can vary, as can the attitudes towards working in a new environment. A large percentage of candidates, because of their age and educational background, are unwilling to go through professional retraining. For example, most candidates are in their late 40s, which can make them difficult to place.

It is also important to look at market conditions when analyzing the performance of a Center. Those candidates that are joining the program from former marketing positions, for example, seldom require support from Career Counselors as they have an educational background and a personal network that makes transition into new employment less arduous.

Over the past two years, the results of the Transition Center project have steadily improved. The counselors work as a united and functional team when dealing with the challenges faced during the outplacement process. Their success stories speak for themselves and we are confident that the team will continue to make a difference and grow Petrom's reputation as an employer of choice.

## Achievements and targets

### 🎯 What we did in 2012

#### Diversity

- ▶ We embed diversity values and behaviors across Petrom through our programs: Graduate attraction activities in 2012 included gender diversity perspectives

#### Strategic approach

- ▶ Our integrated HR approach has achieved excellent performance over the past year. Overall, we issued 80% of planned HR regulations as reported and 100% of MPP (Manpower Planning Process) at Group level

#### E&P IGDP (Integrated Graduate Development programs for EP)

- ▶ Six groups per months, over 250 participants; 2 training venues, 87 training sessions; 90 instructors; 158 visas obtained

### 🎯 What we will do in 2013

#### Diversity

- ▶ Diversify the set-up of the Petrom Women Leadership Council and establish partnership with similar entities from other organizations
- ▶ Fresh Graduates program to identify the best young professionals in oil and gas industry (100 new graduates)

#### Technical center

- ▶ Start activity in Petrom Technical Center (PTC) in Q4 2013

#### Top performers

- ▶ Establish Top 50 Talents and Top 50 Performers initiatives

#### Career and development

- ▶ Career moves:  
100 cross divisional and/or cross functional moves in Petrom in 2013; and 30% of all internal moves should be cross functional and cross divisional

#### Training programs

- ▶ Increase the number of participants on the training modules that address alignment of objectives both vertically and horizontally

# Stakeholder Engagement and Community Relations

## Our focus areas



### Stakeholder dialogue

We engage in constant dialogue with our stakeholders to help us define and achieve our sustainable development objectives.



### Community relations

We support a variety of projects to deliver wider social and economic impacts to local communities.



### Andrei's Country

Andrei's Country is our umbrella platform for delivering most of our social responsibility projects.

### Our approach

By sharing knowledge, expertise, and engaging actively with our stakeholders we are able to identify and manage risks, adapt to societal changes, and pinpoint areas of improvement within the business.



## What we achieved so far

# 95

participants at the 2012 Stakeholder Forum

# >12,000

beneficiaries of Andrei's Country initiatives

# 100

communities we have community relations projects in 2012

# 6,450

listings in our stakeholder database

## Our strategic approach

### Stakeholders' engagement strategy

We engage with our stakeholders in several ways, including forums with key stakeholders, expert committees, working groups and strategic partnerships.

The stakeholder engagement strategy involves all Petrom divisions (Exploration and Production, Refining and Marketing, Gas, Power and Chemicals) and encompasses the training of local teams, implementing the strategy at operational level and integrating best practice guidelines throughout the organization.

### Stakeholder engagement is an integral part of the Resourcefulness concept and an important process at Petrom.

Regular dialog lies at the heart of how we engage with our stakeholders. We rely on their input in the context of our activities and processes to help us achieve our sustainable development objectives. By sharing knowledge, expertise, and understanding the concerns of our stakeholders we are able to identify and manage risks, adapt to societal changes, and pinpoint areas of improvement within the business.

For each of those clusters, we've identified specific stakeholders with whom we engage:

- ▶ **Authorities** and central administrations; the Romanian Energy Regulatory Authority; national governments and central administrations; technical and operational governmental bodies; legislative bodies; central control and regulatory authorities; political parties; intelligence agencies; and residency authorities
- ▶ **Banking institutions**; banks; and the European Bank for Reconstruction and Development
- ▶ **Capital markets**; investors; capital market authorities; shareholders; and analysts
- ▶ **Customers**
- ▶ **Suppliers and contractors**
- ▶ **Business partners**; clients; business partnerships and consortiums; competitors; and external consultants
- ▶ **Local control and regulatory authorities**; and local administrations (councils, municipalities, prefectures)

- ▶ **Local communities**
- ▶ **NGOs**: associations; and foundations
- ▶ **Employees**: employee representatives; and employer's professional institutions
- ▶ **Media**: local, national and international media
- ▶ **Research institutes** and universities

### Key actions

To meet our engagement objectives, the activities relating to stakeholder engagement are carried out at both corporate and local community levels.

The key actions of 2012 were based on three core objectives: to initiate the roll out of the Resourcefulness strategy across Petrom; to improve communication with local authorities through community relations projects in Petrom communities; and to maintain our leading position in social engagement with the Romanian business community by addressing relevant issues for communities and society at large.

## Stakeholder engagement processes and management systems

### Developing our employees' stakeholder engagement skills

Another key target is to develop stakeholder engagement skills among local Petrom employees in order to enhance the way our business operates and improve relations with external stakeholders.

To this end, in 2012 our Community Relations & Social Affairs department implemented a stakeholder engagement project in 10 E&P assets, with the objective of identifying challenges in daily operations/project management and learning by implementing one operation project per asset, using strategic stakeholder engagement for business success.

**As stakeholder engagement is of vital importance to our business, all related activities must be effectively managed and follow a specific set of criteria. In 2012 we implemented a framework known as the Petrom corporate standard "Management of Stakeholder Engagement", a set of guidelines to be followed when engaging with stakeholders.**

During the year, we further developed our database and this now has 6,450 listings. The purpose of the database is to quickly identify and manage the relationships with our stakeholders. It also provides crucial information to make key management decisions, such as resolving emergency and crisis situations and providing timeframes to launch campaigns and other activities.

The Corporate Affairs and Compliance team that initiated the database now oversees all related activities. They also provide training on how to record information and give other teams in each individual business unit the traceability and confidence to take ownership of local projects. And regular reporting allows us to monitor progress and flag gaps and areas for improvement.

### Engaging with local communities authorities

We invest in the education and economic development of the local communities in which we operate.

One of the key ways in which we achieve this is through community relations projects – led in partnership with both local authorities and local communities under our "Andrei's Country" platform. This is part of our long-term strategy to establish Petrom as the most important and responsible company involved in socio-economic issues throughout Romania.

Ultimately, we will continue to lead projects in line with our Skills to Succeed focus area and ensure we add value in our communities through jobs, local taxes, local investments and education.

**"The Stakeholder Engagement approach developed in Asset VIII Moldova Nord has brought added value, a step forward in what concerns the dialog with the Zemes community; an opportunity through which the issues and needs of the community have become topics for teamwork, for the company, for the local authorities and for the community."**

Luminita Banasu, Business Officer

## Engaging with internal stakeholders

### Dialog with trade unions

We acknowledge that a good relationship with trade unions benefits our employees and our Company.

This is why we engage in open and transparent dialog with them, responding quickly to changes in legislation and finding the best solution for our employees.

**As our operations are spread throughout Romania, we engage in dialog with each of our internal stakeholders to build internal unity and make our activities more efficient. To this end, we continued our series of roadshows in 2012, ensuring direct communication between our top management and employees across the country. We conducted roadshows in Petrom locations throughout Romania, as well as holding informal meetings with employees at our head office. In total, our management team directly communicated with some 460 employees last year.**

To facilitate communication, we developed an internal blog that focuses on a wide variety of topics including business projects, competitions and awards, employee services, community relations issues and even personal experiences. On average, we publish 14 articles on these topics every month and they are read by more than 9,000 employees (unique visitors) who vote and comment on the respective subjects via the blog.

### Reputation and external communications

We have worked hard to boost our image externally as the most important and socially responsible company in Romania. To extend our reach and communicate to a variety of audiences, we have launched a series of multi-channel and media campaigns.

Andrei's Country (or "Tara lui Andrei" in Romanian) is the best known CSR platform and campaign in Romania. Highlights of 2012 included a multi-platform media campaign communicating our new strategy and all projects developed in Andrei's Country to internal and external stakeholders.

The Andrei's Country platform was re-shaped in line with our Resourcefulness strategy, with the re-launch event held on 26 November 2012 attended by around 200 stakeholders. The TV campaign was seen at least once by almost ten million viewers in Romania and the PR generated reached an audience of well over two million. Our social media presence also gained in popularity with new visitors to our Facebook page up by 75% and more than 220,000 people visiting since the launch.

These achievements support one of our main reputational objectives – to position Petrom in the top three of Romania's most responsible and sustainable companies.

## What's next?

**Stakeholder engagement is a main catalyst in the Resourcefulness concept. This is why we intend to hold several stakeholder dialog meetings at local and corporate level, asking for their views, concerns and suggestions relating to our strategic initiatives. Their critical and constructive feedback will ensure that all voices are heard and continue to steer us in our journey to sustainable development.**

In 2013 we will also continue to engage with local authorities. The agenda will include policy making and identifying common objectives and collaboration opportunities for sustainable development of local communities.

We will keep improving the format of our Stakeholder Database – jointly with Global Solutions – and align Petrom's SHDB with OMV Group's latest requirements. We will also train new users for the SHDB and issue a new training concept format.

In Petrom hot spots, we will continue to build clusters of collaboration in the form of community based organizations (CBOs) – local platforms for dialog and initiatives where local authorities, Petrom representatives and members of the community identify the best opportunities for development.

### **Entrepreneurial education for local public administration**

A major focus for 2013 is on entrepreneurial education. A potential project, "Entrepreneurial education for local public administration", aims to increase awareness among public administration authorities, especially in rural areas, of opportunities for local economic development.

The project is set to run from May to October 2013. To date, the proposed topics include: European funding accessing and public procurement, with training courses delivered by specialists from KPMG.

## Stakeholder Dialog Forum

### What attendees discussed

- ▶ How a predictable regulatory framework would encourage a high level of investments in the energy sector
- ▶ The relationship between operational and financial performance and its impact on socio-economic issues
- ▶ The wider issue of how sustainable performance growth could be achieved through sharing knowledge and experience with stakeholders

**The Stakeholder Dialog Forum is a major event in Petrom's corporate calendar and on the 20th November 2012, we hosted this annual event for the fourth time. The forum was attended by key partners – authorities, experts, regulators, other players in the industry, financial institutions and NGOs – who worked hard to identify areas of cooperation and ways to improve business efficiency.**

We shared our key achievements over the past year with our stakeholders and engaged them in dialog to gain their input on how to progress even further in the short, medium and longer term. To support our aim, the topic of the 2012 forum was "Petrom Strategy over the next ten years and its inseparable connection with the Romanian energy industry".

### What's next

Following the 2012 Stakeholder Forum and the key messages that surfaced, we have kick started an initiative called "Energy Compact". At present, there are several ongoing events centered on this initiative and we are working to create an official document. In 2013, we will organize talks with the business community, engage in debate and monitor feedback in order to identify topics to be included in the new Energy Compact.

We have already committed to holding the fifth Stakeholder Forum in November 2013, again focusing on interesting and topical subject matters from the gas and energy market. Action plans and post-event actions in relation with the 2013 forum have already been planned.

**"Petrom has been a partner with whom we share the same values. They have enabled us to do things together and demonstrate what can be achieved in terms of technology in contemporary Romania."**

Carmen Neagu, GE

## Community relations

### We have ongoing community relations projects in all of our 10 assets, including:

- ▶ Andrei's School: in all assets
- ▶ Stakeholder engagements: in all assets
- ▶ Made in Andrei's Country: in all assets
- ▶ CBO support: in six assets
- ▶ Volunteering: in four assets
- ▶ Anti Theft project pilot: in Asset VII, Muntenia East

### EUR 3.3mn

invested by Corporate Community Relations and Social Affairs (CR&SA) in 2012

### Community relations risk mapping

As a first step to enhance local stakeholder dialog and to prevent any related issues that might affect our business, we developed a risk map in 2011 to evaluate the risk level of the business in relation to local communities.

Examples of the indicators taken into account include: the number of reported incidents and their severity level; registered petitions and complaints; and negative messages in the media relating to our activity. This instrument will periodically monitor risk levels and prioritize our investments and involvement in different areas.

In 2012, the reporting in CARE of the incidents with community relations consequences was put in practice through several "train the trainer" sessions. The goal here was to report incidents affecting community relations and to monitor how our business impacts local communities.

As of December 2012, 33 incidents with community relations consequences had been reported. While each incident was solved within the business, the wider community impact is something we must be alert to and address in a responsible way.

▶ [Read more about our community relations approach and achievements in our standalone community relations report](#)

## Andrei's Country: Our social activities platform

### 18 community projects developed by Corporate CR & SA Department, in over 100 Petrom communities in 2012

- ▶ Total investment: around EUR 3.3mn
- ▶ Total number of projects: 18
- ▶ Total number of direct beneficiaries: around 12,000

### New initiatives in 2013: The "Little entrepreneurs in Andrei's School" program

The objective of this project is to develop Petrom's involvement in the communities in which our employees work and their children go to school. Partnering with the Ministry of Education, the program will launch in 2013 and will aim to support these communities with a range of educational benefits.

We have planned for some **10,000 pupils** from Petrom communities and national communities to take part in entrepreneurial education. Around **200 teachers** will also be trained in entrepreneurial education, financial education and economic education.

The training will count as four points toward their graduation.

**As a major employer and industrial player in Romania, we have great direct and indirect impact on the communities where we operate. Beyond the direct economic impact of our operations – in terms of local employment, tax and infrastructure – we support a variety of initiatives designed to improve relations with local communities and build a sustainable future for our business.**

In 2012 we celebrated six years of implementing social responsibility projects and in November, we re-launched Andrei's Country in line with our Resourcefulness concept. Over the past three years, Andrei's Country has been responsible for delivering many social responsibility initiatives. While Andrei's Country was initially designed for corporate projects alone, in 2013 all of our projects will sit under the AC umbrella.

### A focus on Skills to Succeed

To align with our Resourcefulness strategy, the aim of the new Andrei's Country online platform is to provide our people with the skills they need to be successful. Projects include "Made in Andrei's Country", a competition which will be launched in 2013 and is designed to promote social entrepreneurship and raise employment in Petrom communities. The project will finance ten social businesses and will contribute to the sustainable development of our local communities by being a source of inspiration for our young stakeholders.

### Andrei's School

We strongly believe that in order to create the future leaders of tomorrow, we must invest in the young volunteers of today. This principle is at the heart of Andrei's School, and is the driving force behind our "Skills to Succeed" initiative.

The Andrei's School project started in 2009, and has since offered a unique and fulfilling experience to over 25,000 students and 1,700 teachers.

In total, 238 teachers and 4,040 students from all Petrom communities submitted projects that presented solutions to problems directly affecting their communities to the competition. Petrom rewarded the first ten teams with EUR 5,000 each to implement their project, and laptops for the ten coordinating teachers. The following ten winning teams were rewarded with multimedia systems for their schools. All the schools that entered a valid project in the competition received educational kits.

The Andrei's School competition was rewarded a Silver Award for Excellence at the PR Awards Romania 2012, in the category of "Social responsibility and dialog with co-interested groups".

### What's next

We have already committed to maintain our commitment to Andrei's School in 2013:

- ▶ The focus will be on Entrepreneurship (aligned with our Skills to Succeed focus area) for students and teachers
- ▶ We are targeting 404 schools, 15,000 pupils and 1,500 teachers
- ▶ The competition will be organized in partnership with the Ministry of Education, Research, Youth and Sports

## Andrei's Country: Our social activities platform (continued)

### Andrei's School and Summer Camp

- ▶ 400 children
- ▶ 60 volunteers
- ▶ 16 winning teams

### Andrei's Country Summer Camp

Andrei's Country Summer Camp began as an informal educational program for our employees' children. Since then it has evolved into an annual event to educate and inspire the youth of Romania.

The program aims to identify the top ten winning teams and also to select 60 proactive young volunteers who offer their support in a range of activities. The activities are designed around skills building (communication, writing, artistic talents, creativity), as well as a better understanding of the four essential elements of the planet (Water, Air, Earth, Fire) and how to protect them.

The goal was also to give pupils the tools to implement their projects in their community – such as motivation, communication skills, project management and fundraising training.

The teachers were also involved in the activities of the camp. The 35 teachers who submitted the best projects participated in training workshops dedicated to two important themes: project management and social media.

### What's next

We have already committed to supporting Andrei's School and Summer Camp in 2013:

- ▶ Objectives for 2013: promote innovative education and offer children unconventional lessons which will develop their sense of responsibility in using natural resources, develop entrepreneurial skills and promote engagement in their community
- ▶ Operated in partnership with the Ministry of Education, Research, Youth and Sports
- ▶ Beneficiaries will include 400 pupils from Petrom communities

**“Andrei's Country Summer Camp has offered new and unique experiences to my students. Kids I've worked with for a long time have evolved before my eyes and demonstrated team spirit and ambition.”**

Coordinator teacher for winners team I-VIII classes, Doftana

## Andrei's Country: Our social activities platform (continued)



This year more than **2,250 volunteers** were involved in these initiatives, and more than **102,500 trees** were planted on **16 hectares** of land across **six Petrom communities**.

Volunteers included community members, Petrom employees and Andrei's Country citizens.

### Forest curtains and tree planting

In line with the "Eco-Efficiency" and environmental management focus of the Resourcefulness concept, we continue to uphold our tradition of protecting the environment by building green areas.

In 2012, our aim was to not only protect the environment, but also to plant trees as natural barriers to severe weather events such as snowfalls, floods and landslides.

We achieved this by planting tree curtains along the access roads to mitigate the negative impact of snow and wind during the winter season. We worked in collaboration with the local authorities, as well as a specialist NGO, that helped us to identify the key points of access.

The maintenance of the trees over the next five years will be performed by 12 of our former employees.

We will continue the project in 2013:

- ▶ Create green areas and try to solve landslide problems as efficiently as possible by replanting trees where the success rate was 50% or below
- ▶ The focus will be as much on the safety of our communities as the protection of the environment

## Other community relations initiatives

### Community based organizations

- ▶ 7 projects funded
- ▶ 12 meetings held by local initiative groups in the communities
- ▶ 367 people benefited training programs

#### Community based organizations

The Community Resource Center (CERC) is a great opportunity to improve relations with external stakeholders by engaging them in community development projects.

The program was implemented in seven Petrom communities during the first quarter of 2012 and will run for one year. In addition to supporting three existing community-based organizations (CBO), we also created three entirely new ones, with support from local NGOs, Petrom employees, local authorities and communities.

Each CBO benefited from EUR 10,000 for developing local activities such as community training, local development strategies, social businesses and social entrepreneurial skills.

The participation levels and results over the course of the program have been encouraging: seven NGOs and local authorities funded the development of seven different projects, each lasting between 4–12 months; there were

12 meetings held by local initiative groups in the communities; 300 attendees training programs (creative workshops, summer schools, local community clubs); and 67 people attended skills development trainings, including those focusing on agricultural, construction and entrepreneurial skills.

#### Boldesti Scaieni – Educational Center for Roma Community

Since launching this project in 2012 the objective has been to support child education in the Roma community, as well as curb the threat of theft and anti-social behavior – an enduring stigma of that particular community. With support from local authorities, the mayor's office and several NGOs, we will organize a Center in 2013 that will host several training courses and after-school workshops. The aim of the Center will be to arm the community with practical skills they need to make a positive impact in their communities and build a better future for their families.

The project will run until December 2014 and in the process we also aim to establish best practice in sustainability, community relations and investment, and to align these with our own business and community development objectives.

**"Life changed. I think that's the best way to explain it. Leadership Authentic far exceeded my expectations, because it is a program not only for future leaders but also for future life. At the end of these two days I felt a total trust in my own skills for a successful future."**

Student at "Colegiul National Bogdan Petriceicu Hasdeu", Buzău

## Achievements and targets

### Andrei's country event

- ▶ Carrying out capacity building programs, with focus on:

### 🎯 What we did in 2012

#### Stakeholder engagement

- ▶ Monitor stakeholder activity through the Stakeholder Database (SHDB)
- ▶ Organize Stakeholder Dialog Forum and produce a movie on Petrom's main achievements over the past seven years
- ▶ Present the SHDB at Petrom's "Compliance day" event

#### Community relations

- ▶ Andrei's Country Event – reshape and re-launch in line with Resourcefulness strategy (November 26, ~ 200 Petrom stakeholders) by:
  - ▶ Carrying out capacity building programs, with focus on:
    - Skills development training, including agricultural, construction, entrepreneurial skills
    - Project management and social media training
    - Training on strategic vision and thinking, integrity, self-trust, public speaking and financial education

### 🎯 What we will do in 2013

#### Stakeholder engagement

- ▶ Organize Petrom Stakeholder Dialog Forum 2013-fifth edition
- ▶ Launch an industry wide Energy Compact in Romania, as one of the conclusions of the 2012 Forum
- ▶ Train new SHDB users and issue a new training concept format; issue reports from SHDB to EB members

#### Community relations

- ▶ Implement projects in line with Skills to Succeed in order to bring added value in Petrom communities (jobs, local taxes, local investments, education for Roma communities, etc)
- ▶ Improve relations with local authorities and communities in order to maintain license to operate
- ▶ Develop 2012 Sustainability Report in GRI in Petrom
- ▶ Position Petrom as one of top three responsible and sustainable companies in Romania

# Compliance and Business Ethics

## Our focus areas



### Code of Conduct

Our Code of Conduct sets out clear rules of behavior in accordance with the UN Global Compact principles in the area of human rights, labor, environment and anti-corruption and applies to all Petrom employees.



### Code of Business Ethics

Our new Code of Business Ethics sets rules for dealing with business ethics issues that may arise, such as conflicts of interest, gifts, bribery, as well as rules for compliance with the Competition Law and trade control and embargoes.



### Governance

We analyze cases of suspected misconduct and act accordingly.

### Our approach

We have a comprehensive approach to compliance management.



## What we achieved so far

# 1,396

employees trained in business ethics

# 93%

of our suppliers agreed our Code of Conduct

# 250 employees

attended our Compliance Day event

# 0

breaches

## Our strategic approach

**We are committed to fostering a high ethical code of conduct throughout the business. Our employees must follow a clearly defined set of rules relating to conflicts of interest, gifts and hospitality as well as relationships with third parties.**

Our commitment is reflected in Petrom's comprehensive approach to compliance management. The Executive Board has spearheaded this by integrating the appropriate compliance processes with our business strategy at all management levels. As part of the OMV Group, all activities relating to business ethics and compliance tend to be unified throughout the business.

Petrom is part of a wider OMV Group network of compliance teams. Therefore our compliance matters and activities are aligned with those of our colleagues at Group level.

This carries forward to the fair and respectful way in which we treat our stakeholders. This unified approach is what enhances our reputation as an employer and business partner – and is what will ensure our sustainable development in the future.

### **Governance and compliance mechanisms**

Our core compliance matters fall under the responsibility of the Corporate Affairs and Compliance Department, dealing mainly with: business ethics, anti-trust, trade control and embargoes and insider trading matters.

Given the demanding nature of our industry, the Corporate Affairs and Compliance Department must also deal with Operational Compliance risks, such as: third party grievances, compliance with permit requirements for Petrom business activities; and land-related formalities which can arise in the field. By proactively managing grievances and other Operational Compliance matters, we are able to meet the expectations of our stakeholders and foster long-lasting relationships.

## Our strategic approach (continued)

### Business Ethics regulatory framework

Petrom's first Business Ethics Directive was issued in 2009 and on July 1st 2012, a revised Code of Business Ethics came into force. To reach our business objectives, we ramped up our employee training and communications activities to focus more on the importance of business ethics.

To support these activities, we planned and implemented several business ethics tools during 2012. For example, we developed guidelines for dealing with conflicts of interest, as well as guidelines for gifts, and both being available on Petrom Intranet. We implemented an electronic register for gifts, and a second register for gratuities, which are also available on the Intranet.

We improved our Business Ethics Helpline by considering our multi-cultural workforce and providing new options to choose language and remain anonymous.

### Certification of OMV Group's Compliance Management System

Petrom has joined in the certification of OMV's Group-wide Compliance Management System. The process, conducted by KPMG, will take over 18 months and include three phases – design, implementation and effectiveness. All three phases will be finalized by the end of 2013.

The Compliance Management System is supported by a range of training and communications activities. For example, we are developing an advisory platform for compliance matters on the Petrom Intranet, as well as an electronic register for commercial sponsorship. To encourage more people to become involved, we have adapted training materials to make the training sessions more engaging and interactive.

### What's next

In 2013, we plan to train 1,000 employees with a focus on managerial levels 0–4. An online survey will be carried out to assess the value of the training sessions and we will continue to communicate our activities and organize "Compliance Days" in at least two E&P assets.

## Communication and training



In 2012, we distributed some **2,000** Code of Business Ethics booklets. The statement of Petrom Executive Board members in the beginning of the Code of Business Ethics was also used as an effective communications tool. It expressed the “tone from the top”, in particular the commitment to compliance and business ethics, and was framed and posted in meeting rooms at Petrom HQ and local premises.

### Communication

Effective communication is integral to a strong compliance culture. Every year, the Corporate Affairs and Compliance Department develops a comprehensive communication program to communicate compliance and business ethics messages to all Petrom levels.

In 2012 we focused on two key objectives: to develop a comprehensive annual Communication plan and follow up on its implementation; and to initiate Petrom professional events dedicated to the compliance area. We are pleased to say that we achieved both these objectives.

We carried out a number of communications activities on compliance topics through various touch points, including: info screens, e-mail newsletters, blog posts on the intranet, articles in the internal magazine “Impact”, and printed materials distributed at info points or during training events.

In 2012, the Corporate Affairs and Compliance Department organized the first ever professional events dedicated to compliance, known as “Compliance Days”. Around 250 employees attended the first two Compliance Days held on 26 September at Petrom City and 10 October at Petrobrazi Refinery.

The events consisted of a series of workshops run by corporate affairs and compliance experts who addressed Petrom employees both at central and local levels and highlighted ways in which compliance can add real tangible value to the company.

Employees can also communicate with the Corporate Affairs and Compliance Department by directly approaching the Corporate Compliance Officer, or during training workshops, or through dedicated channels, including the Business Ethics Helpline and the dedicated e-mail address.

### Compliance training

Training is one of the most valuable tools for communicating the importance of business ethics to our employees. The Corporate Affairs and Compliance Department is responsible for preparing training materials and the annual training program, as well as for delivering the training sessions through the Ethics and Compliance Officers.

The training process is ongoing and we periodically hold refresher sessions. We trained a total of 1,396 employees on business ethics matters in 2012, significantly exceeding our target of 1,000. Specialized training on Competition Law was provided to a further 205 employees with high exposure to anti-trust risks. Business Ethics training sessions were also delivered to employees in Petrom Group companies in Bulgaria and Serbia.

## Our Code of Conduct

### **We uphold a series of self-imposed obligations based on both internal and external standards.**

The regulations for the management of sustainability across the Group are contained in a series of directives and standards. Some business segments and sites have also established their own specific complementary guidelines and procedures.

We have committed to implementing the ten UNGC principles. The Code of Conduct sets out clear rules of behavior in accordance with the UNGC, and these apply to all Petrom employees in all business segments as well as to contractors.

UNGC principles in the area of anti-corruption were further developed in the Code of Business Ethics.

**“Trust and integrity are one of the most important assets a company can possess. This Code of Business Ethics is designed to preserve these values.”**

Opening statement to our Code of Business Ethics

### **Code of Conduct**

We adhere to the OMV Code of Conduct and follow the same principles as the rest of the Group. The Code of Conduct is based on the UN Global Compact Ten Principles on human rights, labor standards, the environment and anti-corruption. We are committed to implementing these principles in all our activities.

Sustainable business success can only be achieved responsibly and by taking key sustainability factors into account. The implementation of the Code of Conduct principles, in alignment with the OMV Group, has steered us forward by covering all core areas of sustainability management, with a focus on the following:

### **Equal opportunities**

All staff should enjoy equal opportunities and not be discriminated against on grounds of age, race, faith or religion, skin color, nationality, ethnic origin, political or other beliefs, sex, sexual orientation, disabilities or family status.

### **Forced labor and child labor**

We prohibit forced labor and unlawful child labor in all our supplier contracts.

### **Safety, security, health and the environment**

Our staff is responsible for the occupational safety of their operations and for actively protecting the environment. We set ourselves ambitious targets for resource conservation with an emphasis on energy efficiency, recycling and reducing emissions and waste.

### **Corporate Governance**

Petrom has adhered to the Corporate Governance Code of the Bucharest Stock Exchange, and also considered the best international practices.

## Code of Business Ethics

**At Petrom we expect our employees to maintain an ethical and responsible attitude in all business activities. Behaving fairly towards our stakeholders substantially enhances our good reputation as an employer and as a business partner.**

The Business Ethics Directive first came into effect in 2009 and has been an integral part of our activities ever since. It was developed as a general business ethics framework setting rules for dealing with issues that might arise, such as conflicts of interest, gifts, bribery and corruption.

The new Petrom Code of Business Ethics, which came into force on July 1st 2012, was updated to comply with the standards set by international anti-corruption legislation (mainly OECD Convention and UK Bribery Act).

The new Code begins with a bold leading statement by the Petrom Executive Board. "The tone from the top" expresses that "trust and integrity are one of the most important assets a company can possess" and highlights our commitment to maintain our high standards of trust and integrity.

In addition to the areas covered previously (conflicts of interest, gifts, bribery and corruption), the new Code of Business Ethics also includes principles relating to anti-trust matters, trade control & embargoes, and in addition defines rules to be used when dealing with intermediaries and lobbyists.

Compliance with our Code of Business Ethics is mandatory, without exception. Employees who violate it face disciplinary consequences, which could involve dismissal and may expose Petrom and themselves to criminal liability.

▶ See more on page 92

### Internal communication on our Code of Business Ethics

The Petrom Executive Board grasped the opportunity to filter down the compliance message to all levels within the organization. The Executive Board statement contained in the Directive was widely posted internally, both in headquarters and within local premises. Around 2,000 copies of the Code of Business Ethics brochure were distributed to information points in 2012. The Code was also posted on the website and intranet.

In addition, the Corporate Affairs and Compliance Department posted a set of guidelines on the intranet page for procedures dealing with conflict of interest and gifts. Our Executive Board decided that conflict of interest declarations should be signed by managers at levels 0–4, thereby promoting transparency and managing the risk to operations. In 2012, 973 managers signed the declaration of conflict of interest.

To further improve compliance management efficiency, the Corporate Affairs and Compliance Department extended the Electronic Register of Gifts available on the intranet to include Offered Gifts and Gratuities. In 2012, there were 189 received gifts registered and 194 offered gifts.

## Compliance

### **Inside information guidelines: “Capital Markets Law”**

We introduced an updated version of the Issuer Compliance Directive on July 1st 2011, which reflects requirements in the regulatory framework. Its purpose is to provide guidance on the proper handling of inside information and prevention of market abuse and insider trading. A compliance system is in place to support its implementation, comprising: annual training of Petrom insiders; and consistent monitoring of insider trading.

### **Competition law**

We aim to fully adhere to competition rules. This means addressing any decisions, actions or practices that might restrict or prevent fair competition. We make extensive efforts to inform and educate employees on competition rules and have established a compliance program on competition rules matters, which includes: an annual training program of employees exposed to specific risks, the development of guiding materials; and advisory competencies. Besides training, we have also created a set of guidelines to gain cooperation and compliance of competition rules across the Group. In 2012 we developed a new guideline which addresses our representatives in trade associations aiming to enhance their knowledge of anti-trust rules.

### **Trade control and embargoes**

Petrom employees are required to comply with the relevant export, import and trade compliance laws in all operations. To enforce this, a three-staged approach was developed in 2012 at OMV Group level to comply with trade control and embargoes. Our central master data team conducts assessment checks of new suppliers against current trade restrictions and embargoes while our business partners are assessed against the same criteria.

### **International standards and voluntary commitments**

#### **UN Global Compact**

By adopting the OMV Code of Conduct which is based on the UN Global Compact Principles, Petrom committed to undertake its ten principles in the areas of human rights, labor, the environment and anti-corruption.

Aligned with the Code of Business Ethics, the Compact is a guideline for both employees and suppliers in relation to compliance and business ethics. Regular training courses are provided to raise Petrom employees' awareness of compliance issues. Employees and stakeholders are encouraged to contact the Corporate Affairs and Compliance Department via a toll-free helpline or the dedicated business ethics e-mail address if they have any questions.

The Petrom Executive Board is committed to maintaining the highest ethical standards of trust and integrity, in alignment with the ten UNGC principles, and to further enforce those in our Business Ethics Directive, which was updated in 2012 to the “Code of Business Ethics”. The Code has been designed to comply with Romanian anti-corruption laws and current international anti-corruption standards.

#### **Other anti-bribery, corruption standards and voluntary commitments**

The new Code of Business Ethics was substantially influenced by the UK Bribery Act 2010 that came into force in July 2011. It supports the OECD Anti-Bribery Convention to discourage the bribery of Foreign Public Officials in International Business Transactions, a policy first issued on December 17th 1997.

## Procurement

**In 2011, we implemented a new internal organization for our Procurement function, based on five pillars:**

- ▶ Category Management
- ▶ Operational Procurement
- ▶ Project Procurement
- ▶ Performance Management
- ▶ Business Partners

**In 2012, 196 "A suppliers" (93%) Petrom accepted Petrom's Code of Conduct.**

**Further 62 "A suppliers" of Petrom additionally provided their own Code of Conduct.**

### Local value creation

There are no corporate directives that stipulate or promote the use of local suppliers. However, local spending with our "A suppliers" reached almost 94% of total expenditure.

We classify "A suppliers" as those – including contractors – accounting for the highest percentage of total purchasing volumes of the procurement department. In 2012 the "A suppliers" accounted for 80% of the total purchasing across Petrom.

The procurement process is organized on a material specific basis. This means that we need to take into account that contracts being issued locally are not always available locally and heavily depend on the nature of the product or materials involved.

There is a priority given on creating as robust a local supply chain as possible. We have met this challenge by creating as robust a local supply chain as possible. Using in-country suppliers and creating local employment opportunities are just two of the many ways in which a sustainable business environment can be achieved.

Local content management and development of local suppliers are part of the strategy developed by the procurement function, several "Supplier Days" were organized in 2012 and these were considered successful by parties involved. Similar events will take place also in 2013 with the purpose to select and increase the number of local companies.

### Human Rights

In order to actively foster Human Rights in our sphere of influence, we have developed a mandatory Human Rights questionnaire for standard Petrom supplier audits and have trained auditing teams on how to use it. In 2012 we launched a software system that bundles together all the relevant information on our "A suppliers". Of the 212 "A suppliers", eight were selected for comprehensive audits which include compliance with Human Rights criteria.

These audits were included as part of an overall audit plan with selected suppliers. In addition to our existing CSR questionnaire, we have also developed a new Compliance Questionnaire which will be introduced to suppliers.

### Procurement policy and guidelines

We aim to conduct the procurement process in a professional, confidential and ethical manner, in accordance with our corporate guidelines, the Business Ethics Directive and our Code of Conduct.

This organizational change resulted in an improvement in sustainability practices in our supply chain. It is now mandatory for example to make specific reference to the Petrom Code of Conduct in all contracts.

The 2012 revision of the supplier audit system reinforced aspects relating to Human Rights and labor practices as well as safety and environmental criteria. A supplier management system has now been established in all countries and provides OMV and Petrom with risk assessment and evaluation data with regard to "A suppliers". Category management enables us to leverage synergies and optimize costs.

## Governance and management

### Responsible governance

In 2012, our Internal Audit Department carried out 18 compliance audits across the full range of business ethics issues. Risk-related audits form an inherent part of the audit plan of the Internal Audit Department. The team investigated several cases of suspected misconduct that were either detected in these audits or reported to us directly. In case of serious violations, sanctions can extend to dismissal and claims for damages.

### Financial management

The Code of Business Ethics contains clear guidance on bribes and facilitation payments.

Our people must not offer, promise or give someone an advantage, financial or otherwise, to encourage or reward that person to perform the function or activity assigned to them. In addition, our people must not make a payment to secure or speed up the action of a public official. Facilitation payments are a form of bribery.

### Grievance mechanism

Developed by the Corporate Affairs and Compliance Department in 2011 to manage the efficient response to all grievances brought to the management's attention, the Grievances Management System (GMS) is an important tool supporting Petrom's operational compliance. The GMS tool has several benefits: it encourages users to be proactive in handling grievances; it gives management an effective tool to monitor and respond to grievance activity; and it helps to protect our reputation at a local and national level.

In 2012, the increased number of grievances recorded and proactively monitored showed the real benefits of GMS. The percentage of grievances resolved improved by around 12% over the previous year, thereby reducing the financial loss to the Company.

Compliance is regularly on the agenda of Petrom Executive Board meetings and leadership meetings with business segments. Ethics and Compliance Officers within the Corporate Affairs and Compliance Department are periodically invited to attend these meetings to offer their input and support on compliance matters.

## Achievements and targets

### 🎯 What we did in 2012

#### Human Rights awareness

- ▶ Human Rights e-learning tool – promoted via intranet
- ▶ Completion of Q & A – Questionnaire for Human Rights in line with OMV

#### Inclusion of Human Rights elements in all supplier audits

- ▶ 100% of supplier audits include Human Rights elements and HSSE criteria

#### Business Ethics regulatory framework

- ▶ New Code of Business Ethics in force starting from July 1st; promotion on intranet, screens, by distribution of Business Ethics booklets; posting of Petrom management's message in meeting rooms

#### Business Ethics Communications campaign

- ▶ Compliance Days held in Petrom City (Sept.) and Petrobrazil Refinery (Oct.) emphasizing compliance added value to business; workshop dedicated to business ethics topics also included

### 🎯 What we will do in 2013

#### Human Rights

- ▶ Carry out Human Rights Action Plan resulting from the OMV Human Rights Self-Check conducted in OMV Petrom
- ▶ Human Rights Training Program for managers – topics such as diversity, sexual harassment
- ▶ Identify projects for new country entry Human Rights questionnaire

#### Business Ethics

- ▶ Advisory platform for compliance matters on Petrom intranet
- ▶ Electronic Register for Commercial sponsorship on Petrom intranet
- ▶ Comprehensive training and communication campaign, including organization of several "Compliance Days" events with a focus on local level (E&P Assets)

# Management Systems and Policies

## Our focus areas



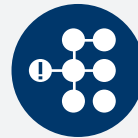
### Directives and policies

We follow strict directives and policies relating health, safety, security, environment and Human Resources.



### Process safety

We proactively identify, analyze, evaluate and prevent process accidents that could occur.



### Risk management

We systematically identify risks and quantify impact.

### Our approach

We operate in a complex and challenging environment, so we carefully assess the current and future financial and non-financial risks associated with our activities.



## What we achieved so far

# 80%

of Petrom's business activities were ISO 14001 certified

# 100%

of crude oil processing and gas transmission were ISO 14001 certified

## Risk management

**We operate in a complex and challenging environment and the management of risk is an integral part of our Company's sustainable growth. Systematic identification of risks, quantitative impact analysis, decision management and respect for the environment in which we operate are part of Petrom's tools to meet and exceed the expectations of our stakeholders.**

We assess the current and future financial and non-financial risks associated with our activities. This involves monitoring the pulse of our industry (i.e. market growth, regulations, technologies) and assessing the macroeconomic and environmental impact of these trends on Petrom. We can then develop initiatives to effectively manage these uncertainties and decrease the potential impact of the risks we face.

Our Enterprise Wide Risk Management (EWRM) covers all operational and strategic risks. We follow industry best practice (ISO 31000), which ensures that risks are identified and that mitigation measures are in place at all levels of the organization.

Our main risks are centrally managed to ensure effective delegation and that strategic objectives of the company are met. Our Company follows strict corporate directives to manage risk exposure, including those relating to: health, safety, security and environment; legal matters and compliance; human resources and corporate social responsibility; human rights; and market price risks. Risk management is facilitated by dedicated software. For substantial risks, particularly those requiring individual monitoring, we set clearly defined limits.

### Main risk exposures

The oil and gas industry is a highly challenging business environment. As a result, we are exposed to a variety of market risks as well as other risks, including operational, strategic, regulatory, political and hazard risks. Through our commitment to risk management and engagement with our stakeholders, we are able to safeguard our company's reputation, minimize our environmental footprint and meet the expectations of our stakeholders.

Petrom's operations take place in many different geographical and social environments – from offshore Black Sea to the Republic of Moldova, Serbia, Bulgaria, Kazakhstan and Romania.

As a result, potential risks are not only widespread but also varied. The Petrom Operations that are most visible include: sales via our filling stations; refining and storage activities; seismic operations in E&P; drilling activities; construction of pipelines and processing plants; and ongoing production operations.

In the future, our strategic operations will lead to further sustainable growth – mainly in areas where we are already active. Every new activity brings new community involvement, each with its own local culture and concerns. We have already proven that we can adapt and operate in diverse socio-economic environments over a sustained period of time.

## Risk management (continued)

### Political and regulatory exposures

While we are very familiar with the political environment in Southeastern Europe, especially its core oil and gas production areas, we closely observe political developments in all the markets in which we operate and before we enter new countries.

Changes in international, EU and national energy and climate policies and regulations will present major challenges for the oil and gas industry in the near future. For example, tighter rules in the European Union Emission Trading Scheme (EU ETS) for the 2013–2020 period might lead to higher production costs, significantly affecting international competition. In addition, uncertainty over the future market price of CO<sub>2</sub> poses a risk to the future cost of greenhouse gas (GHG) emissions allowances and credits.

### Environmental and social risk management

Petrom's risk management also includes social, political and economic risks. All of our operations integrate environmental, social and health impact assessments as the basis of risk management. Invariably, the greatest risks to the environment arise during exploration, development and production as well as from our downstream operations. For every facility and project, risk assessments are routinely carried out with emergency and crisis management plans in place. Community impact, hazard, environmental and climate change-related risks are assessed twice a year, together with all other identified risks.

### Climate change

Climate change risks are also included in the Enterprise Wide Risk Management (EWRM). Risks relating to the EU Emission Trading Scheme (EU ETS) are separately recorded and then aggregated for the Company as a whole. We are keeping a close watch on emerging regulations related to climate change in all of our operating countries.

With our markets already feeling the pinch of energy and climate policies, we actively collect economic data to assess the risk of climate change to our business. Further critical issues arising from climate change include: market price risk assessment concerning unknown future costs of CO<sub>2</sub>; higher insurance premiums for financing; and risks arising from natural disasters. The frequency and intensity of extreme weather events may rise in the future, affecting our production and transportation infrastructure, either directly or indirectly.

Measures to mitigate the impact of identified climate change risks have been evaluated and either planned or implemented. They include: the use of economic instruments such as carbon portfolio management; Group-wide consideration of GHG emissions and climate change-related issues; operational and engineering measures to protect platforms from storm damage; protection from flooding and other elements of nature. On the other hand, we can expect greater efficiency and innovation in production processes and products, along with the arrival of new technologies to deal with the energy challenges of the future.

## Process safety and public affairs

### Process safety

Process Safety Management (PSM) is our approach for proactive identification, analysis, evaluation and prevention of the release of hazardous substances and process accidents that could occur as a result of malfunctions in process technology, procedures or equipment. It applies to the management of hazards associated with the chemical and physical properties of the substances handled in our oil and gas activities.

Our vision is for process safety hazards to be effectively managed in every facility across Petrom. While we have advanced in some areas, previous assessments suggest that there is still work to be done. A PSM implementation plan was elaborated in 2011 and basic governance was established. Since process safety is associated with managing our plants, processes and people, PSM activities in 2011 also included the Major Accident Events (MAE) study, process safety management walk-around training programs, and the implementation of process safety.

### Corporate Public and Regulatory Affairs

The Corporate Public and Regulatory Affairs team supports Petrom divisions in the creation and maintenance of sustainable relations, based on transparency and mutual trust, with decision-makers in the political, administrative and regulatory environment, in Romania, the EU and at international level.

We engage in controlled dialog with decision-makers about our main concerns and we formulate proposals for the improvement of the business and regulatory environment in which we operate.

We offer background information about various policy and legal initiatives, including a detailed mapping of stakeholders, and provide a view on the particular interests of decision-makers, given the environment in which they work. We thus support Petrom's strategic and operational planning, as well as the activities of our business divisions.

## Fair competition

### Fair competition

Our Issuer Compliance Directive provides guidance on the proper handling of inside information and how to prevent market abuse and insider trading. We have a compliance system and the relevant processes in place to support the implementation of the directive.

In addition, the common Petrom and OMV Code of Conduct contains a clear commitment to the principles of free and fair competition. Our aim is to fully adhere to anti-trust legislation as well as fair trading practices. Every person acting on our behalf undergoes extensive training to ensure awareness of and compliance with these rules.

### Advertising standards

Our advertising standards are in line with the recommendations of the International Advertising Association (IAA). Advertising, sponsorship, promotion, communication and event management activities are based on our corporate sponsorship guidelines and standards such as our professional event management guidelines, corporate identity guidelines and in-house standards.

### Directives

Our regulations relating to how sustainability is managed across the Group are contained in the following directives and standards, deriving from the Code of Conduct principles.

**Directives:** Code of Business Ethics; HSSE Policy; Management System; Health, Safety, Security, Environmental, and several Human Resources directives.

**Standards:** HSSE Terms and Definitions; Incident Investigation; HSSE Risk Management; Contractor HSSE Management; Group-wide HSSE Reporting and Consolidation; Environmental Management Accounting; and Health Standards.

In addition, some business segments and sites have established specific complementary guidelines and procedures.

## Policies

### Policies

Our Group-wide principles are set out in the OMV Group's Policy on Health, Safety, Security and the Environment (HSSE) as well as in our commitment to the UN Global Compact.

Detailed environmental standards are defined at a business segment and site level. Some 80% of Petrom's business activities (expressed in million tons oil equivalent processed, produced or transported) were certified according to ISO 14001 by the end of 2011. This corresponds to 100% of crude oil processing at all Petrom refineries, 6% of oil and gas production and 100% of the gas transmission volume sold by Petrom. The HSSE Policy is also our primary tool for managing the quality and safety of our products.

All suppliers are required to adhere to the standards laid out in our Code of Conduct which includes procurement issues.

### Data systems

In common with all modern businesses, we rely on effective data systems Group-wide, such as our safety and environmental incident reporting tool known as CARE.

# Performance in detail

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## Additional Performance Figures

Additional detailed performance breakdown  
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## GRI Index

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## Abbreviations and Glossary

Glossary of terms and abbreviations  
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## E&P operating environment and performance

### E&P at a glance

	2010	2011	2012
Segment sales (RON mn) <sup>1</sup>	9,534	11,743	<b>12,992</b>
EBIT (RON mn) <sup>2</sup>	3,012	5,236	<b>5,467</b>
Capital expenditures (RON mn) <sup>3</sup>	2,774	3,254	<b>3,753</b>
Total Group production (mn boe)	67.08	67.77	<b>66.87</b>
thereof in Romania	63.46	63.41	<b>62.39</b>
Proved reserves as of December 31st (mn boe)	832	812	<b>775</b>
thereof in Romania	805	786	<b>750</b>

1 Include inter-segment sales.

2 Excluding intersegmental profit elimination.

3 Capital expenditures also include increases of Petrom share participations in other companies.

### Production in 2012

	Oil and NGL mn t	Oil and NGL mn bbl	Natural gas mn cbm	Natural gas mn boe	Total mn boe
Romania	3.98	28.66	5,158	33.73	62.39
Kazakhstan	0.49	3.83	112	0.65	4.48
<b>Petrom Group</b>	<b>4.47</b>	<b>32.49</b>	<b>5,270</b>	<b>34.38</b>	<b>66.87</b>

Domestic production decline successfully minimized at only 1.6% as production optimization initiatives counterbalanced the harsh winter conditions of early 2012 as well as a decline in production at key fields.

Production in Kazakhstan increased by 2.8% in 2012 due to the ramp up of production from the Komsomolskoe field.

### Group's portfolio Proved Reserves in 2012

	Oil and NGL mn t	Oil and NGL mn bbl	Natural gas bcf	Natural gas mn boe
Romania	53	382	1,985	368
Kazakhstan	3	21	21	3
<b>Petrom Group</b>	<b>56</b>	<b>404</b>	<b>2,005</b>	<b>371</b>



## G&P operating environment and performance

### G&P at a glance

	2010	2011	2012
Segment sales (RON mn)	3,065	3,627	<b>4,143</b>
EBIT (RON mn)	164	149	<b>360</b>
Capital expenditure (RON mn)	1,211	515	<b>221</b>
Consolidated gas sales (mn cbm) <sup>1</sup>	4,917	5,055	<b>4,841</b>
Consolidated gas sales (TWh) <sup>1</sup>	53.0	54.2	<b>52.2</b>
Total net electrical output (TWh) <sup>2</sup>	–	0.31	<b>1.68</b>

<sup>1</sup> Consolidated gas sales include internal transfers to other segments.

<sup>2</sup> It includes net electrical output generated by the power plants during commissioning phase. The Dorobantu wind park commenced commercial operations on 1st October 2011 and the Brazil power plant – on 1st August 2012.



## R&M operating environment and performance

### R&M at a glance

	2010	2011	2012
Segment sales (RON mn)	15,176	18,957	<b>21,750</b>
EBIT (RON mn)	106	(187)	<b>138</b>
Clean CCS EBIT <sup>1</sup>	(104)	152	<b>31</b>
Capital expenditure (RON mn) <sup>2</sup>	758	980	<b>899</b>
Total refined product sales (kt) <sup>3</sup>	5,472	5,234	<b>5,004</b>
thereof: Marketing sales volumes (kt) <sup>4</sup>	4,157	4,066	<b>3,829</b>
thereof: Gasoline	1,036	949	<b>879</b>
Diesel	2,264	2,293	<b>2,258</b>
Kerosene/Jet fuel	214	222	<b>186</b>
HFO	98	196	<b>132</b>
Number of filling stations	801	793	<b>798</b>

1 Adjusted for exceptional, non-recurring items; clean CCS figures exclude special items and inventory holding effects (current cost of supply -CCS-effects) resulting from R&M.

2 Investments also include increases of Petrom share participations in other companies.

3 Include all products sold by Petrom Group.

4 As of 2010, the figure excludes export sales which are included in total refined product sales.

### Crude oil processed

(kt) <sup>1</sup>	2010	2011	2012
Arpechim <sup>2</sup>	749	–	–
Petrobrazil <sup>3</sup>	3,153	3,567	<b>3,146</b>
Total	3,902	3,567	<b>3,146</b>

1 Including condensate.

2 Permanent closure approved by the Supervisory Board in March 2011.

3 Nominal capacity of 4.5 mn t/y until Q2/12. Starting Q3/12 it was streamlined to 4.2 mn t/y.

### Overall production

Production (kt)	2010	2011	2012
Gasoline	1,183	1,105	<b>946</b>
Diesel	1,178	1,184	<b>1,035</b>
Kerosene/Jet fuel	204	195	<b>144</b>
HFO	473	394	<b>350</b>
LPG total	220	205	<b>162</b>
Bitumen	42	0	<b>0</b>
Petroleum coke	177	216	<b>196</b>

## Health, safety and security

### HSSE training

Training Name	People Trained (Total)	E&P	R&M	G&P	CEO+GS	No of sessions	No of days
HSSE for Administrative People	39	21	11	3	4	3	4.5
HSSE for Staff	61	35	1	14	11	4	12
HSSE for Managers A	150	88	33	16	8	10	20
HSSE for Managers B	129	83	25	15	4	9	18
Think Ahead: CARE	264	52	95	24	93	28	28
Management Walk Around	195	65	82	18	30	19	11
Train the Trainer-CARE preparation	18	8	4	0	6	1	2
Green Status update	16	16	0	0	0	2	16
Practical Risk Management	15	8	0	2	4	1	2
HSSE Leadership	36	23	7	4	1	3	9
Maritime Risk Management	9	0	6	0	3	1	2
Incident Investigation (BSCAT)	36	3	2	5	23	2	4
Process Safety Leadership	22	5	17	0	0	2	2
Process Safety for Managers	30	27	1	0	2	2	4
HSSE Performance Monitoring	14	0	0	0	14	1	2
HSSE Risk Management for Executives	10	5	0	0	5	1	1
HSSE Management System Auditor	10	2	3	1	2	1	3
Fundamental of Process Safety	17	14	1	0	1	1	5
Bow Tie XP	9	3	2	3	0	1	3
<b>Total</b>	<b>1,080</b>	<b>458</b>	<b>290</b>	<b>105</b>	<b>211</b>	<b>92</b>	<b>148.5</b>

## Environmental figures at a glance

### Environmental figures

	Unit	2012	2011	2010
<b>Energy consumption</b>	PJ	<b>42,9</b>	45,4	50,6
<b>Water withdrawal</b>	mn cbm	<b>26</b>	33	40
Thereof groundwater	mn cbm	<b>7.8</b>	11.3	16.1
<b>Emissions</b>				
GHG (direct, Scope 1)	mn t CO <sub>2</sub> equivalent	<b>4,5</b>	4,3	4,7
GHG (indirect, Scope 2) <sup>1</sup>	mn t CO <sub>2</sub> equivalent	<b>0,4</b>	n.r.	n.r.
CO <sub>2</sub>	mn t	<b>3,0</b>	2,8	3,2
CH <sub>4</sub>	t	<b>71.400</b>	70.837	73.299
N <sub>2</sub> O	t	<b>36</b>	130	140
SO <sub>2</sub> <sup>2</sup>	t	<b>1.290</b>	2.197	2.410
NO <sub>x</sub>	t	<b>5.194</b>	7.459	9.339
NM-VOC <sup>3</sup>	t	<b>9.295</b>	2.740	3.639
Particulate emissions	t	<b>151</b>	343	369
<b>Waste water discharge</b>				
Chemical Oxygen Demand	t	<b>764</b>	822	1,256
Hydrocarbons	t	<b>36,1</b>	34,2	39,6
Total nitrogen	t	<b>47</b>	57	134
<b>Waste</b>				
Non-hazardous waste	t	<b>489.430</b>	287.694	213.337
Hazardous waste	t	<b>251.927</b>	263.861	172.119
Waste oil	t	-	-	-
Total waste	t	<b>741.357</b>	551.556	385.455
<b>Spills</b>	number	<b>1.802</b>	1.961	2.205
<b>Flaring and Venting</b>				
Hydrocarbons flared	t	<b>n.r.</b>	n.r.	n.r.
Hydrocarbons vented	t	<b>n.r.</b>	n.r.	n.r.

<sup>1</sup> Scope 2 – Indirect GHG emissions from purchase energy such as electricity and heat

<sup>2</sup> Decrease 2012 mainly due to Petrom Refining because of lower fuel consumption following refinery turnaround.

<sup>3</sup> Increases due to adapted estimation and calculation methodologies in refineries (NM-VOC, 2007), E&P (2008-09) and Petrom E&P (CH<sub>4</sub>, 2010). Further changes in CH<sub>4</sub> may be expected due to ongoing improvements in reporting methodologies in E&P.

## Environmental figures at a glance (continued)

### Energy intake by energy source

Energy source	unit	2010	2011	2012	conversion factor to TJ
Natural gas <sup>1</sup>	cbm	37,172.05	33,734.71	37,405.40	3,605 10 <sup>-5</sup>
Liquid fuels <sup>2</sup>	TJ	5,136.06	3,981.89	3,124.06	1
FCC coke <sup>3</sup>	t	3,709.12	3,108.03	2,536.90	406 10 <sup>-2</sup>
Electricity, heat <sup>4</sup>	TJ	4,796.20	4,293.71	3,678.80	1

1 Total gaseous fuels

2 Total liquid fuels

3 Total solid fuels

4 Total secondary energy

### Water withdrawal by source (in mn cbm)

Source	2010	2011	2012
Groundwater	16.08	11.29	7.84
Surface Water	20.07	16.81	12.94
Water from public supply systems	3.79	4.41	5.52
Water from other sources	n.r.	n.r.	0.00
<b>Total water withdrawal</b>	<b>39.94</b>	<b>32.51</b>	<b>26.29</b>
Thereof Water delivered to third parties		n.r.	1.46
Thereof Water for once-through-use		n.r.	0.80

### Waste Disposal by type in 2012 (in '000 t)\*

Disposal	2010	2011	2012
H Landfill	5.46	34.33	<b>49.01</b>
H Recycling	18.45	24.24	<b>33.52</b>
H Incineration	3.88	93.25	<b>124.53</b>
H Other Disposal	144.32	112.04	<b>44.87</b>
NH Landfill	24.32	100.00	<b>149.02</b>
NH Recycling	107.51	177.68	<b>327.42</b>
NH Incineration	0.01	0.80	<b>0.27</b>
NH Other Disposal	81.49	9.21	<b>12.72</b>

\* 'H' refers to Hazardous waste and 'NH' to Non-Hazardous waste

## Environmental figures at a glance (continued)

### Environmental protection expenditures in 2012 (in EUR mn)\*

Category	2010	2011	2012
Waste	45.75	48.32	<b>29.82</b>
Soil and groundwater	34.23	38.08	<b>59.80</b>
Air	9.59	4.78	<b>8.00</b>
Wastewater	14.00	11.02	<b>10.83</b>
Environment Management	7.09	10.01	<b>6.05</b>
Noise and vibration	0.00	0.00	<b>0.00</b>
Nature protection	0.00	0.00	<b>0.00</b>
<b>Total</b>	<b>110.65</b>	<b>112.22</b>	<b>114.50</b>

\* Environmental related operating costs (incl. end of pipe costs and integrated prevention costs; excl. product oriented prevention measures and depreciation costs)

### Total GHG emissions by business segment\*

Segment	2010	2011	2012
E&P	3.12	2.99	<b>2.89</b>
R&M	1.49	1.26	<b>1.05</b>
G&P	0.13	0.02	<b>0.52</b>
<b>Total</b>	<b>4.74</b>	<b>4.28</b>	<b>4.46</b>

\* In mn t of CO<sub>2</sub> equivalent

### Replacing boilers

Summary of main ongoing and outstanding activities, status of locations is as follows:

Location	Status
<b>Boilers below 20 MW power:</b>	Feasibility study for four locations has been completed and an EPCC (Environmental Protection Certification Company) contract for detail design, procurement, construction/commissioning was awarded.
160 Videle	Operational
ITTC Mislea	Operational
Tuicani	Operational
3-Sud Moreni	Operational
<b>Boilers over 20 MW power:</b>	Following a successful refurbishment/upgrade and test run of the existing ABA type boilers at Scaieni in Q1-2010, we carried out an evaluation and decided that new boilers are not required.
Scaieni (ABA type boiler)	Successfully refurbished and upgraded
Pascov	Project was handed over to Field Redevelopment Moreni

## Training and development

### Training in our business units

Company	Category	No. participant	Investment (EUR)	Total training Hours
OMV Petrom Marketing RO	Experts	49	13,480.73	972
	Management	6	1,588.65	124
	Project Managers	1	122.00	16
	Senior Management	1	1,800.00	60
	<b>Total</b>	57	16,991.38	1,172
OMV PETROM S.A.	Administrators	33	10,524.34	1,889
	Experts	1,005	583,506.63	85,608
	Management	267	182,408.01	17,068
	Project Managers	79	35,542.63	3,836
	Senior Management	63	41,475.44	3,502
	Technicians	130	22,341.86	4,832
	<b>Total</b>	1,577	875,798.91	116,735
OMV Wind Power Park	Experts	2	112.86	12
	Management	2	1,252.56	152
	<b>Total</b>	4	1,365.42	164
PETROM Gas SRL	Administrators	1	389.93	22
	Experts	22	4,887.09	466
	Management	11	2,012.73	114
	Project Managers	1	56.43	6
	Senior Management	4	225.72	24
	<b>Total</b>	39	7,571.90	632
<b>Total</b>		<b>1,677</b>	<b>901,727.61</b>	<b>118,703</b>

## Training in Romania and the Republic of Moldova

### Training in Romania, Petrom and subsidiaries<sup>1</sup>

	Definition	Number of employees <sup>2</sup>	Training costs (EUR) <sup>3</sup>	Net training hours <sup>4</sup>
Senior Management	All trainings attended by SVPs and VPs	68	EUR 43,501.16	3,586
Management	All trainings attended by Head of Department and Department Managers	286	EUR 187,261.95	17,458
<b>Professionals subdivided into:</b>				
Experts	All trainings attended by Experts	1,078	EUR 601,987.31	87,058
Project managers	All trainings attended by Project Managers	81	EUR 35,721.06	3,858
Technicians	All trainings attended by Technicians	130	EUR 22,341.86	4,832
Administrators	All trainings attended by Administrators	34	EUR 10,914.27	1,911
<b>Total</b>		<b>1,677</b>	<b>EUR 901,727.61</b>	<b>118,703</b>

### Training in the Republic of Moldova, OMV Petrom<sup>1</sup>

	Definition	Number of employees <sup>2</sup>	Training costs (EUR) <sup>3</sup>	Net training hours <sup>4</sup>
Senior Management	All trainings attended by SVPs and VPs	2	EUR 3,045.46	335
Management	All trainings attended by Head of Dep. and Dep. Managers	17	EUR 12,855.00	2,740
<b>Professionals subdivided into:</b>				
Experts	All trainings attended by Experts	20	EUR 8,863.67	3,194
Project managers	All trainings attended by Project Managers	1	EUR 2,106.23	204
Technicians	All trainings attended by Technicians	3	EUR 859.72	378
Administrators	All trainings attended by Administrators			
<b>Total</b>		<b>43</b>	<b>EUR 27,730.08</b>	<b>6,851</b>

<sup>1</sup> Covering Petrom and subsidiaries for the period 1st January 2012–31st December 2012.

<sup>2</sup> Including expats who attended trainings in 2012 and excluding contractors.

<sup>3</sup> Total training costs in Euros, net of taxes, excluding travel and accommodation expenses.

<sup>4</sup> Total net training hours, considering 1 Training day as 8 training hours.

## Training in Serbia and Bulgaria

### Training in Serbia, OMV RS<sup>1</sup>

	Definition	Number of employees <sup>2</sup>	Training costs (EUR) <sup>3</sup>	Net training hours <sup>4</sup>
Senior Management	All trainings attended by SVPs and VPs	–	EUR 0.00	–
Management	All trainings attended by Head of Dep. and Dep. Managers	3	EUR 456.66	32
<b>Professionals subdivided into:</b>				
Experts	All trainings attended by Experts	12	EUR 5,391.39	556
Project managers	All trainings attended by Project Managers	–	–	–
Technicians	All trainings attended by Technicians	–	–	–
Administrators	All trainings attended by Administrators	3	EUR 2,162.90	327
<b>Total</b>		<b>18</b>	<b>EUR 8,010.95</b>	<b>915</b>

### Training in Bulgaria, OMV Bulgaria<sup>1</sup>

	Definition	Number of employees <sup>2</sup>	Training costs (EUR) <sup>3</sup>	Net training hours <sup>4</sup>
Senior Management	All trainings attended by SVPs and VPs	–	–	–
Management	All trainings attended by Head of Dep. and Dep. Managers	3	EUR 1,682.00	40
<b>Professionals subdivided into:</b>				
Experts	All trainings attended by Experts	54	EUR 17,003.00	1,853
Project managers	All trainings attended by Project Managers	1	EUR 92.00	8
Technicians	All trainings attended by Technicians	–	–	–
Administrators	All trainings attended by Administrators	134	EUR 26,422.00	4,752
<b>Total</b>		<b>192</b>	<b>EUR 45,199.00</b>	<b>6,653</b>

<sup>1</sup> Covering Petrom and subsidiaries for the period 1st January 2012–31st December 2012.

<sup>2</sup> Including expats who attended trainings in 2012 and excluding contractors.

<sup>3</sup> Total training costs in Euros, net of taxes, excluding travel and accommodation expenses.

<sup>4</sup> Total net training hours, considering 1 Training day as 8 training hours.

# GRI Index

Our reporting boundaries cover data from Petrom operations under management control in our countries of operation (Romania, Republic of Moldova, Serbia, Bulgaria and Kazakhstan) and includes Exploration and Production (E&P), Gas and Power (G&P) and Refining and Marketing (R&M) activities. The data is consolidated at Petrom Group level.

## We report against GRI's 3.1 oil and gas sector supplement (OGSS) guidelines.

This is the first year we are disclosing a full GRI Index at Petrom. And for that, we are following the G3.1 Oil and Gas sector supplement guidelines of the Global Reporting Initiative (GRI).

We are using GRI disclosure as part of our sustainability commitment, in order to be as transparent as possible regarding our operations and activities. We are continuously working on expanding and consolidating our cross-country data collection and monitoring systems to present an accurate picture of our current status of progress and achievements.

## Application level

Our objective is to increase our compliance level with sustainability reporting frameworks. As GRI guidelines will change next year, we do not disclose a specific application level for 2012, and will reflect the forthcoming G4 guidelines as much as possible next year.

## Report boundaries

Our reporting boundaries cover data from Petrom operations under management control in our countries of operation (Romania, Republic of Moldova, Serbia, Bulgaria and Kazakhstan) and includes Exploration and Production (E&P), Gas and Power (G&P) and Refining and Marketing (R&M) activities. The data is consolidated at Petrom Group level.

This report and GRI index covers data and statements for the 2012 calendar year. We also provide additional and past information which allows further assessment of our ongoing performance.

In the case we did not have sufficient reliable data we have not provided answers.



Source: Global Reporting Initiative—Sustainability Reporting Guidelines, Version 3.1.

## GRI Index (continued)

### Commentary:

#### 2.9

There haven't been any significant changes.

#### 2.10

We have won several awards in 2012, including, amongst others:

- ▶ Biz Magazine's award for the Greenest company in Romania
- ▶ We won silver at the Effie Awards for our "Doctor you are a hero" campaign
- ▶ We won a silver award for excellence in the CSR and stakeholder dialogue category for Andrei's School project, delivered by Forum for International Communications

#### 3.2

2011

#### 3.3

We have an annual reporting cycle.

#### 3.8

In this report, "the Company", "Petrom", "Petrom Group" and "the Group" are sometimes used for convenience where references are made to OMV Petrom S.A. and its subsidiaries in general.

Figures may not add up due to rounding differences.

Market share in Marketing includes retail and commercial sales and excludes sales to oil companies.

#### 3.11

There are no significant changes. And this is the first year that we are following GRI guidelines.

## Standard Disclosures: Profile

	Description	Reported	Reference
<b>1.</b>	<b>Strategy and Analysis</b>		
1.1	Statement from the most senior decision-maker of the organization	●	4-6
1.2	Description of key impacts, risks, and opportunities	●	23, 26, 42, 43, 59, 63, 73, 85, 95
<b>2.</b>	<b>Organizational Profile</b>		
2.1	Name of the organization	●	124
2.2	Primary brands, products, and/or services	●	10; AR 12-14
2.3	Operational structure of the organization	●	8-10; AR 36, 107, 149-151
2.4	Location of organization's headquarters	●	124
2.5	Number of countries where the organization operates	●	2, 7; AR 144
2.6	Nature of ownership and legal form	●	8; AR 17, 101
2.7	Markets served	○	7-8
2.8	Scale of the reporting organization	●	7, 10, 103-105; AR 17
2.9	Significant changes during the reporting period regarding size, structure or ownership	●○	55
2.10	Awards received in the reporting period	○●	81
<b>3.</b>	<b>Report Parameters</b>		
	<b>Report profile</b>		
3.1	Reporting period for information provided	●	2
3.2	Date of most recent previous report	○	
3.3	Reporting cycle	○	
3.4	Contact point for questions regarding the report or its contents	●	124
	<b>Report scope and boundary</b>		
3.5	Process for defining report content	●	25, 47, 113
3.6	Boundary of the report	●	2, 113
3.7	Limitations on the scope or boundary of the report	▲	
3.8	Basis for reporting on joint ventures, subsidiaries, etc.	○	
3.9	Data measurement techniques and the bases of calculations	○	30, 46, 57, 66, 76, 93 101
3.10	Restatements of information	▲	
3.11	Significant changes from previous reporting periods	○	
	<b>GRI content index</b>		
3.12	GRI Content Index	●	114-121

### KEY

● fully ○ see commentary ○ partly □ not material ▲ not applicable ◆ not reported AR = annual report 2012

## GRI Index (continued)

### Commentary:

#### 3.13

Petrom's sustainability report is not externally assured. Content common to the Annual Report and Sustainability Report is however assured, as the Annual Report has been externally assured.

#### 4.5, 4.7, 4.10, 4.11, 4.12 and 4.13

We will report on this topic in our next reporting cycle.

		Description	Reported	Reference
		<b>Assurance</b>		
3.13		External assurance	○	AR 92-93
		<b>4. Governance, Commitments, and Engagement</b>		
		<b>Governance</b>		
4.1		Governance structure of the organization	●	26; AR 4-5
4.2		Indicate whether the Chair of the highest governance body is also an executive officer	▲	
4.3		For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members	▲	
4.4		Mechanisms for shareholders and employees to provide recommendations	○	67, 77; AR 18, 19, 48, 66
4.5		Linkage between compensation for members of the highest governance body, senior managers, and executives, and the organization's performance	◆ ○	
4.6		Processes and mechanisms to avoid conflicts of interest	●	87, 91
4.7		Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics	◆ ○	
4.8		Internally developed statements of mission or values, codes of conduct, and principles	●	12, 46, 57, 61, 86, 87, 90-93, 95, 100-101
4.9		Procedures for overseeing the organization's sustainability management	○	39, 91
4.10		Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	◆ ○	
		<b>Commitments to external initiatives</b>		
4.11		Explanation of whether and how the precautionary approach or principle is addressed by the organization	○	30, 44-45, 59, 97-98
4.12		Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	○	34, 46, 49, 90-92, 100-101
4.13		Memberships in associations and/or national/international advocacy organizations	○	57, 75, 85
		<b>Stakeholder engagement</b>		
4.14		List of stakeholder groups engaged by the organization	●	25, 61, 74-75
4.15		Basis for identification and selection of stakeholders with whom to engage	○	25, 76, 80, 85, 99
4.16		Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	●	13, 25, 36, 47, 55, 61, 67, 74-77, 79-80, 84-85, 99; AR 44,
4.17	Key	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded	●	79

### KEY

● fully ○ see commentary ○ partly □ not material ▲ not applicable ◆ not reported AR = annual report 2012

## GRI Index (continued)

### Commentary:

#### EC4

Petrom does not receive any financial assistance from government. Any funding received from European development banking institutions and others is reported in this document.

#### EN2

Insignificant percentage given the reliance on materials from primary extraction.

## Standard Disclosures: Performance Indicators

	Description	Reported	Reference
<b>EC</b>	<b>Economic</b>		
	<b>Economic performance</b>		
EC1	Direct economic value generated and distributed	○	7, 80, 103-105; AR 3-4 of the PDF, 57, 94, 140
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	○	19, 25, 45, 59, 98
EC3	Coverage of the organization's defined benefit plan obligations	◆	
EC4	Significant financial assistance received from government	●	
	<b>Market presence, including local content</b>		
EC5	Additional Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation	◆	
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation	●	93
EC7	Procedures for local hiring and proportion of senior management hired from the local community	●	22, 66
	<b>Indirect economic impacts</b>		
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit	○	22, 53, 58, 76, 80-81, 84
EC9	Core to OGSS Understanding and describing significant indirect economic impacts	●	76, 78-79, 81, 97-98
<b>EN</b>	<b>Environment</b>		
	<b>Materials</b>		
EN1	Materials used by weight or volume	◆	
EN2	Percentage of materials used that are recycled input materials	□●	
	<b>Energy</b>		
EN3	Direct energy consumption by primary energy source	○	107
EN4	Indirect energy consumption by primary source	○	50 energy intensity is reported on consolidated level
EN5	Additional Energy saved due to conservation and efficiency improvements	○	18, 49-51
EN6	Additional Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	●	8, 13, 16-18, 27, 49-51, 57-59; AR 32
EN7	Additional Initiatives to reduce indirect energy consumption and reductions achieved	◆	
<b>KEY</b>	● fully ● see commentary ○ partly □ not material ▲ not applicable ◆ not reported AR = annual report 2012		

## GRI Index (continued)

### Commentary:

#### EN8

Water withdrawal reported, no detailed split.

#### EN11 and EN12

For new projects, biodiversity is addressed in environmental impact assessments and permitting processes, but the use of biodiversity action plans has not yet been implemented in any of our operations.

#### EN19

Class I and II ozone depleting substances are not applicable to our portfolio.

#### EN27

The Company's main products, oil, gas, and electricity, are delivered without packaging materials.

Description		Reported	Reference
<b>Water</b>			
EN8	Total water withdrawal by source.	○ ●	44, 52, 107-108
EN9	Core to OGSS Water sources significantly affected by withdrawal of water	○	52-53
EN10	Additional Percentage and total volume of water recycled and reused	◆	
<b>Ecosystem services, including biodiversity</b>			
EN11	Location and size of land owned, leased, or managed in protected areas	○ ●	
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas	○ ●	
EN13	Additional Habitats protected or restored	○	54
EN14	Core to OGSS Strategies, current actions, and future plans for managing impacts on biodiversity.	○	45, 56
EN15	Additional Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations	◆	
<b>Emissions, effluents, and waste</b>			
EN16	Total direct and indirect greenhouse gas emissions by weight	●	50, 107
EN17	Other relevant indirect greenhouse gas emissions by weight	□	
EN18	Core to OGSS Initiatives to reduce greenhouse gas emissions and reductions achieved	●	13, 18, 44, 49-51, 57-58, 107, 109
EN19	Emissions of ozone-depleting substances by weight	□ ●	
EN20	NO, SO, and other significant air emissions by type and weight	●	57
EN21	Total water discharge by quality and destination	○	52, 107
EN22	Total weight of waste by type and disposal method	●	53, 107-108
EN23	Total number and volume of significant spills	○	56, 107
EN24	Additional Weight of transported, imported, exported, or treated hazardous waste	◆	
EN25	Additional Identity, size and biodiversity value of water bodies and habitats significantly affected by discharges of water and runoff	◆	
<b>Products and services</b>			
EN26	Initiatives to mitigate environmental impacts of products and services	○	19, 57, 98
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	□ ●	
<b>Compliance</b>			
EN28	Fines for non-compliance with environmental regulations	●	48
<b>Transport</b>			
EN29	Additional Significant environmental impacts of transport	◆	
<b>Overall</b>			
EN30	Additional Total environmental protection expenditures and investments by type	●	48, 109

**KEY** ● fully ○ see commentary ○ partly □ not material ▲ not applicable ◆ not reported AR = annual report 2012



## GRI Index (continued)

### Commentary:

#### LA14

Our commitment to providing equal opportunities for all employee groups in all recruitment processes, company procedures and employment contracts is contained in the corporate Antidiscrimination Directive.

This principle applies throughout the entire employment period from hiring to termination.

The principle of equal remuneration for men and women for equal work is anchored in the Petrom Antidiscrimination Directive.

The level of compensation is based on the employee's function and management level as well as skills and professional experience.

#### LA15

Petrom's overall retention rate is 92%; 91.81% for women and 92.38% for men.

		Description	Reported	Reference
<b>LA</b>		<b>Labor Practices and Decent Work</b>		
		<b>Employment</b>		
LA1		Total workforce by employment type, employment contract, and region	○	7; AR 'At a glance', 53, 150
LA2		Total number and rate of new employee hires and employee turnover by age group, gender, and region	○	65, 70
LA3	Additional	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	○	69
LA15		Return to work and retention rates after parental leave, by gender	●	
		<b>Labor/management relations</b>		
LA4		Percentage of employees covered by collective bargaining agreements.	○	62, 66
LA5		Minimum notice period(s) regarding significant operational changes	○	66
		<b>Occupational health and safety</b>		
LA6	Additional	Percentage of total workforce represented in health and safety committees	◆	
LA7		Rates of injury, occupational diseases, lost days, and absenteeism, and number of work related fatalities by region and by gender	●	5, 29-30; AR 8, 42, 47, 49
LA8		Education, training, counseling, prevention, and risk-control programs in place to assist workforce and community members regarding serious diseases.	●	29, 32, 37-38, 43, 106
LA9	Additional	Health and safety topics covered in formal agreements with trade unions.	○	35
		<b>Training and education</b>		
LA10		Average hours of training per year per employee by gender, and by employee category.	○	5, 65, 110-112
LA11	Additional	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	○	21, 22, 27, 65, 67-68, 71-72
LA12	Additional	Percentage of employees receiving regular performance and career development reviews, by gender	◆	
		<b>Diversity and equal opportunity</b>		
LA13		Composition of governance bodies and breakdown of employees in terms of diversity	○	65
		<b>Equal remuneration for women and men</b>		
LA14		Ratio of basic salary of men to women by employee category	●	
<b>KEY</b>		● fully ● see commentary ○ partly □ not material ▲ not applicable ◆ not reported AR = annual report 2012		

## GRI Index (continued)

### Commentary:

#### HR4

General approach to Human Rights is managed in report.

#### HR6 and HR7

We prohibit forced labor and unlawful child labor in all our supplier contracts.

#### HR9

Petrom doesn't have operations in countries or territories where indigenous peoples have been recognized to be present.

We support the rights of indigenous peoples as defined by the UN and the International Labour Organization.

#### SO1, SO9 and SO10

Read more in our standalone community relations report.

		Description	Reported	Reference
<b>HR</b>		<b>Human rights</b>		
		<b>Investment and procurement practices</b>		
HR1		Percentage and total number of significant investment agreements that include human rights clauses	●	61; AR 47
HR2		Percentage of significant suppliers and contractors that have undergone screening on human rights	●	60-62, 86, 90, 93, 95
HR3		Total hours of employee training on policies and procedures concerning relevant human rights issues	○	62, 86, 88-89
		<b>Non-discrimination</b>		
HR4		Total number of incidents of discrimination and corrective actions taken	▲ ○	
		<b>Freedom of association and collective bargaining</b>		
HR5		Operations and significant suppliers identified that may violate the right to exercise freedom of association and collective bargaining	○	62, 66, 90, 93; AR 70
		<b>Child labor</b>		
HR6		Operations and significant suppliers identified as having significant risk for incidents of child labor, and measures taken to tackle it	●	90
		<b>Forced and compulsory labor</b>		
HR7		Operations and significant suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures taken to tackle it	●	90
		<b>Security practices</b>		
HR8	Additional	Percentage of security personnel trained on policies or procedures concerning human rights	○	62; AR 47
		<b>Indigenous rights</b>		
HR9	Additional	Total number of incidents of violations involving rights of indigenous people and actions taken	▲ ○	
		<b>Assessment</b>		
HR10		Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments	○	61, 90, 92, 97
		<b>Remediation</b>		
HR11		Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms	○	94
<b>SO</b>		<b>Society</b>		
		<b>Local community</b>		
SO1		Percentage of operations with implemented local community engagement, impact assessments, and development programs	○ ●	22, 55, 74, 76, 78, 80-85
SO9		Operations with significant potential or actual negative impacts on local communities	○ ●	55, 76, 80, 84
SO10		Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities	○ ●	55, 76, 80
		<b>Corruption</b>		
SO2		Percentage and total number of business units analyzed for risks related to corruption	○	91

**KEY** ● fully ○ see commentary ○ partly □ not material ▲ not applicable ◆ not reported AR = annual report 2012

## GRI Index (continued)

### Commentary:

#### PR4

We had no incidents relating to non-compliance regarding regulations and voluntary codes.

#### PR7

We had no fines or incidents of non-compliance concerning the provision and use of products and services.

		Description	Reported	Reference
SO3		Percentage of employees trained in organization's anti-corruption policies and procedures	●	86,88-89, 91
SO4		Actions taken in response to incidents of corruption	●	87, 91, 92, 94
<b>Public policy</b>				
SO5		Public policy positions and participation in public policy development and lobbying	○	24, 75, 78, 91, 94, 99
SO6	Additional	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	▲	
<b>Anti-competitive behavior</b>				
SO7	Additional	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	●	86-89, 92, 100
<b>Compliance</b>				
SO8		Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations	●	48; AR 135
<b>PR Product Responsibility</b>				
<b>Customer health and safety</b>				
PR1		Life cycle stages in which health and safety impacts of products and services are assessed and percentage of significant products and services categories subject to such procedures	○	57, 101
PR2	Additional	Total number of incidents of non-compliance with regulations and voluntary codes	○	48
<b>Product and service labeling</b>				
PR3		Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	●	57
PR4	Additional	Total number of incidents of non-compliance with regulations and voluntary codes	●	
PR5	Additional	Practices related to customer satisfaction	○	57
<b>Marketing communications</b>				
PR6		Programs for adherence to laws related to advertising	●	100
PR7	Additional	Fines and non-compliance with regulations concerning the provision and use of products and services	●	
<b>Customer privacy</b>				
PR8	Additional	Total number of breaches of customer privacy and losses of customer data	◆	
<b>Compliance</b>				
PR9		Fines for noncompliance with laws and regulations concerning the provision and use of products and services	●	48
<b>KEY</b>				
● fully   ● see commentary   ○ partly   □ not material   ▲ not applicable   ◆ not reported   AR = annual report 2012				

## GRI Index – Additional sector specific indicators

### Commentary:

#### OG2

Our investments in renewable energy took place prior to 2012 in our Dorobantu wind park.

#### OG4

For any new projects, biodiversity risks are addressed as part of our environmental impact assessments and permit processes.

#### OG5

Reporting will be set up in the long term.

#### OG6

More detailed report will be developed in long term.

#### OG8

Only sulphur content in relevant to Petrom's activities, and is addressed on page 57

#### OG9

Petrom doesn't have operations in countries or territories where Indigenous peoples have been recognized to be present.

We support the rights of Indigenous peoples as defined by the UN and the International Labour Organization.

#### OG10

A risk analysis about community is reported.

#### OG12

There were no cases when our operations which led to involuntary resettlements.

#### OG14

Petrom does not produce biofuels. OMV Group's biofuels production and purchase is disclosed in OMV's Sustainability and Annual Reports.

### Additional sector specific indicators

	Description	Reported	Reference
<b>EC</b>	<b>Economic</b>		
	<b>Reserves</b>		
OG1	Core to OGSS Volume and type of estimated proved reserves and production	●	8, 10, 103; AR 4, 28, 33
<b>EN</b>	<b>Environment</b>		
	<b>Energy</b>		
OG2	Core to OGSS Total amount invested in renewable energy	○	
OG3	Core to OGSS Total amount of renewable energy generated by source	●	8, 49, 51, 104
	<b>Ecosystem services, including biodiversity</b>		
OG4	Core to OGSS Number and percentage of significant operating sites in which biodiversity risk has been assessed and monitored	○	
	<b>Emissions, effluents, and waste</b>		
OG5	Core to OGSS Volume of formation or produced water	◆ ○	
OG6	Core to OGSS Volume of flared and vented hydrocarbon	◆ ○	
OG7	Core to OGSS Amount of drilling waste and strategies for treatment and disposal.	○	54
	<b>Products and services</b>		
OG8	Core to OGSS Benzene, lead and sulfur content in fuels	○ ●	
	<b>Indigenous rights</b>		
OG9	Core to OGSS Operations where indigenous communities are present or affected	▲ ○	
<b>SO</b>	<b>Society</b>		
	<b>Local community</b>		
OG10	Core to OGSS Number and description of significant disputes with local communities and indigenous peoples	○ ●	80, 94
OG11	Core to OGSS Number of sites that have been decommissioned and sites that are in the process of being decommissioned	●	55
	<b>Involuntary resettlement</b>		
OG12	Core to OGSS Operations where involuntary resettlement took place	○	
	<b>Asset integrity and process safety</b>		
OG13	Core to OGSS Number of process safety events, by business activity	○	31-32, 99, 106
	<b>Fossil fuels substitutes</b>		
OG14	Core to OGSS Volume of biofuels produced and purchased meeting sustainability criteria	○	

**KEY** ● fully ○ see commentary ○ partly □ not material ▲ not applicable ◆ not reported AR = annual report 2012

# Abbreviations and Glossary

<b>ALARP</b> As Low as Reasonable Practicable	<b>H<sub>2</sub></b> Hydrogen
<b>bn</b> billion	<b>HAZID</b> Hazard Identification
<b>BSC</b> Balanced Scorecard	<b>HAZOP</b> Hazard and Operability Analysis
<b>BSTDB</b> Black Sea Trade and Development Bank	<b>HMD</b> Health Management Department
<b>Cbm</b> Cubic meters	<b>HiPo</b> High Potential Incident
<b>CBO</b> Community Based Organization	<b>HR</b> Human Resources
<b>CEE</b> Central and Eastern Europe	<b>HSSE</b> Health, Safety, Security and Environment
<b>CHP</b> Combined Heat and Power/ Cogeneration	<b>HW</b> Hazardous waste
<b>CLP</b> Regulation on classification, labelling and packaging of substances and mixtures	<b>IAA</b> International Advertising Association
<b>CNG</b> Compressed natural gas	<b>IEA</b> International Energy Agency
<b>CO<sub>2</sub></b> Carbon dioxide	<b>IGDP</b> Integrated Graduate Development Program
<b>CoC</b> Code of Conduct	<b>IPIECA</b> International Petroleum Industry Environmental Conservation Association
<b>CR&amp;SA</b> Community relations and social affairs	<b>IVMS</b> In-vehicle monitoring system
<b>CSR</b> Corporate Social Responsibility	<b>k boe/d</b> thousand barrel oil equivalent, thousand boe per day
<b>E&amp;P</b> Exploration and Production business segment	<b>KPI</b> Key Performance Indicator
<b>EBITD</b> Earnings before interest, tax and depreciation	<b>kt</b> Kilotons
<b>EBRD</b> European Bank for Reconstruction and Development	<b>LPG</b> Liquefied petroleum gas
<b>EEA</b> European Economic Area	<b>LTIR</b> Lost-Time Injury Rate; number of injuries per one million working hours
<b>EMA</b> Environmental Management Accounting	<b>MAE</b> Major Accidents Event
<b>ESIA</b> Environmental and Social Impact Assessment	<b>MW</b> Megawatt
<b>ETBE</b> Ethyl tertiary butyl ether	<b>MWh</b> Megawatt hours
<b>EU ETS</b> European Union Emission Trading Scheme	<b>NADF</b> Non aqueous drilling fluids
<b>EWRM</b> Enterprise Wide Risk Management	<b>NGO</b> Non Governmental Organization
<b>FAME</b> Fatty acid methyl ester	<b>NHW</b> Non hazardous waste
<b>G&amp;P</b> Gas and Power business segment	<b>NO<sub>x</sub></b> Nitrogen oxides
<b>G2P</b> Gas to Power	<b>OGP</b> International Association of Oil and Gas Producers
<b>GHG</b> Greenhouse gas	<b>OGSS</b> GRI 's Oil and Gas Sector Supplement
<b>GRI</b> Global Reporting Initiative	<b>PDS</b> Performance and Development System
	<b>PJ</b> Petajoule: 1 PJ equals 1015 joules

## Abbreviations and Glossary (continued)

**PPE** Personal Protection Equipment

**ppm** Parts per million

**Ppm** parts per million

**PSM** Process Safety Management

**Q1** First quarter of calendar year

**R&M** Refining and Marketing  
business segment

**REACH** Registration, Evaluation,  
Authorization of chemicals

**Scope 1 Direct emissions;**  
category of GHG accounting as defined  
by the Greenhouse Gas Protocol

**Scope 2 Indirect GHG emissions;**  
from purchase energy such as  
electricity and heat

**SEE** Southeastern Europe

**SEN** National Energy System

**SHDB** Stakeholder Data Base

**sqm** Square meters

**Th scbm** Thousands standard cubic meter

**TJ** Terajoule: 1 TJ equals 10<sup>12</sup> joules

**TWh** Terawatt hour

**UNGC** United Nations Global Compact



# Contact form

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