

2011

SUSTAINABLE DEVELOPMENT
PETROM: FACTS AND FIGURES



PETROM

Member of OMV Group

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Sustainability profile

Sustainability approach

In 2011, Petrom continued the integration of sustainability aspects into the business development strategy. This document provides a brief description on how we moved forward on social and environmental topics as well as our performance in these matters for 2011. The disclosed data cover Petrom Group, including the Republic of Moldova, Bulgaria and Serbia. The report does not cover Kazakhstan.

We implement sustainable business practices by striving to apply industry best practice and act responsibly.

Functional strategies ensure our business moves towards 2015 and beyond in an economically, environmentally and socially balanced way:

- ▶ **Health, safety, security, and environment (HSSE):** HSSE is a natural and integrated part of our activities. We apply best industry practices, act responsibly, and are accountable for our actions.
- ▶ **Community relations and social affairs:** We manage our business responsibly, live a culture of integrity, and seek to gain and maintain our license to operate.
- ▶ **Human Resources (HR):** In all our HR activities, our aim is to position Petrom as an employer of choice on a truly international level.

In 2011, the functional HSSE Strategy was updated for 2016, taking into consideration the increasing expectations of stakeholders, lessons learned from major accidents in our industry, our present performance and future challenges.

In 2012, we want to maintain our position of being the most committed Romanian company as regards issues of communities and society at large by integrating the values of the new OMV Group Sustainability Strategy – Resourcefulness into all our activities. Since we operate in a resource-intensive industry, Resourcefulness describes the Group's way of achieving profitable growth in a sustainable and responsible way. Through careful and responsible management of our human, natural and financial resources we aim to generate benefits for people and the environment while securing long-term business success.

Code of conduct

As part of the OMV Group, Petrom is committed to act according to the principles of the "OMV Code of Conduct", which are in line with those of the United Nations Global Compact. This forms a fundamental commitment to making efforts directed towards compliance with high standards in business ethics and the applicable legal requirements wherever we operate.

The code of conduct provides rules and clear guidance in the key areas relating to employees, human rights, environmental management, social responsibility, and governance.

The code of conduct is the compass that helps the company live its values. Our values and the code of conduct are guides for our corporate culture and they are applied in any activity conducted within the company.

Driving values

Petrom's sustainable development is driven by three values: Professionalism, Pioneering and Partnership:

- ▶ **Professionalism** – Professional excellence for lasting success. We learn, we perform, we succeed.
- ▶ **Pioneering** – Spirit of change for continuous development. We explore, we move, we grow.
- ▶ **Partnership** – Responsible relationships for mutual benefit. We respect, we connect, we care.

Living the driving values

Petrom's values represent the foundation of our day-to-day activity and define our professional conduct, both as individuals and as a team. In 2011, we continued to emphasize and communicate these values as being the fundamental principles and essential points of reference in the company's activity underlying every project that we have implemented in this sense.

Driving values were the basis on which we have built our new head office, Petrom City, and continue to be the main ingredient of all our initiatives that bring the new headquarters to life. One of these initiatives is the "Knowledge Café" events during which our colleagues exchange ideas and share

their professional experiences, financial results presentations dedicated to employees, dance, photography, painting & music workshops for employees, as well as open discussions with famous Romanian key opinion leaders.

Petrom's employees are a valuable resource for our company, and each of them has his own, well-established role. Fulfilment of our business responsibilities in a professional way was demonstrated by the results of over 800 employees (33% more than in 2010) who joined the competition "The best in us Oilmen" organized in 2011.



The best in us Oilmen - 2011

Petrom in dialogue with its stakeholders

Stakeholder dialogue as a tool of Petrom management

Fully aware of societal changes and the way they are reflected in its performance, Petrom promotes the establishment of good relationships with all relevant stakeholders (e.g. authorities, investors, capital markets, customers, suppliers, business partners, local communities, NGOs, employees or their representatives) as a means of managing the direct or indirect impact of these changes.

Stakeholder engagement is essential for our sustainable development and brings mutual benefits. It helps us to learn from our stakeholders, identify and manage risks, build trust and strong relationships, and to identify business improvement methods. In addition, this helps the company to acknowledge, understand and respond to the expectations of its stakeholders.

We have developed and implemented systematic rules meant to achieve an efficient management of Petrom stakeholders. Hence, the Petrom

corporate standard "Management of Stakeholder Engagement" sets out the framework for a documented approach of all aspects to be considered in the dialogue with our stakeholders. The stakeholder database, developed in 2010, supports the process of identification and effective management of the relationship with all interested parties and, at the same time, provides information to make substantiated management decisions, including situations when a new activity is started. In 2011, Stakeholder Guides have been issued for an enhanced management of data concerning stakeholders and relevant interactions with them. Moreover, internal communication on stakeholder guides was intensified in 2011 (newsletters, presentations, promotional workshops) related to added value brought by this tool when used in day-to-day business activities.

Dialogue with external stakeholders

Corporate stakeholder forum

Our stakeholder engagement takes various forms, including forums with key stakeholders, expert committees, and discussions, working groups and organizing common projects (partnerships). In 2011, Petrom organized the third edition of its Stakeholder Dialogue Forum. The event aimed to encourage debate about the Romanian energy industry and its impact on the national economy, as well as the role of Petrom as a player in the Romanian energy market. The event was attended by representatives of authorities, industry players, academia, professional associations, Petrom and OMV experts

A study was released on the occasion of this event, outlining the progress of the Romanian energy industry to date, of the national and European strategy in this matter and of the role of the energy market players in securing economic growth in Romania.

The 2011 Stakeholder Dialogue Forum was structured based on an innovative concept as three panels under the generic title of "Energy Industry, a Growth Driver for Romania":

- ▶ Gas sector – The hidden trump card of the Romanian economy?
- ▶ Exploration, production and refining – Crude oil: a resource for firing the economy's growth engines?

► Power sector – How to power up the Romanian electricity market?

The format of the event enhanced the dialogue between stakeholders and enabled the sharing of knowledge while adding value and finding solutions to debated issues, as unanimously acknowledged by all participants.

Local Stakeholder Dialogue

In 2011, we continued to regularly engage in dialogue with our stakeholders and we developed a long-term strategy aiming at involving the relevant actors in the communities where Petrom operates. The stakeholder engagement strategy involves all Petrom divisions (Exploration & Production, Refining & Marketing, Gas, Power & Chemicals) and consists in training of local teams, implementing the strategy at operational level and developing best practice guidelines to be integrated in the organization's business practice.

As a first step to enhance local stakeholder dialogue and to prevent the possible issues that might affect our business, in 2011, Petrom developed a risk map evaluating the risk level of the business in relation with those communities in which Petrom performs its activity. Examples of the indicators taken into account include: the number of reported incidents and their severity level, registered petitions and complaints, negative messages in the media related to company's activity, etc. This instrument will periodically monitor the risk level and will prioritize the company's investments and involvement in a certain area.

Following the closure of the Doljchim facility, the company's management took over the responsibility for minimizing the potential social risks in the area and decided to get actively involved in the community's long-term development. Therefore, the company will support the creation of a resource community center in Isalnita, which will enable local dialogue and interaction between all relevant actors with a view to identifying sustainable development opportunities of the community with Petrom support.

Dialogue with internal stakeholders

Top management in dialogue with the employees
Petrom operates in a large geographical area within

Romania. Dialogue with each of our employees generates internal unity, reduces distance and makes activity more efficient. In this respect, we have continued with the Online Chat project, which ensures direct communication between the company's top management and about 15,000 employees who have intranet access, both in the headquarters and in the rest of Petrom's locations. Furthermore, we developed an internal blog, which facilitates communication within the organization on a wide variety of topics: business projects, awards, CSR issues, and many more. An average of 15 articles on the mentioned topics are monthly published internally and around 8,000 employees per month read, vote and comment on the respective subjects by means of the internal blog.

Because face-to-face communication is one of the most efficient type of interaction, a series of roadshows in Petrom locations across the country as well as informal meetings with employees in Petrom's head office, have been organized in 2011 with the Executive Board members. Thus, 200 employees (2010: 130 employees) directly communicated with Petrom's management last year.

Dialogue with Trade Unions

Mutual and factual respect of dialogue partners, good faith and transparency shown in Employer-Trade Union relationships, combined with effective communication were the main levers for maintaining the social equilibrium within the company during 2011.

Labour Legislation in Romania brought important changes to the organization of Trade Unions at the level of both Labour Code and legislation governing the Social Dialogue. Having employees as the core of our activities, we consider the dialogue with Trade Unions one of our main concerns, focusing our efforts to identify the optimal solution for both the employees and the company, reflecting changes in legislation.

In 2011, the HR Department participated in negotiations between the company's representatives and Trade Unions regarding the adjustments of the Work Conditions Annexes to the Collective Labour Agreement updating the respective documents.

Environmental Objectives

Planned for 2011 (and after)	What we did in 2011
Strive for minimum environmental impact	
<ul style="list-style-type: none"> ▶ Improve environmental risk assessment methodology ▶ Review marine oil spill response and arrangements for tanker charter operations and terminal operations ▶ Continue updating onshore oil spill response plans and teams 	<ul style="list-style-type: none"> ▶ Analyze current environmental risk assessment methodologies ▶ Reviewed all relevant services contracts and existing assurance for tanker operations and terminal operations ▶ Revised and adapted oil spill response plans and teams based on organizational changes
Decrease carbon intensity of activities where Petrom is the operator	
<ul style="list-style-type: none"> ▶ Identify and implement activities to further reduce direct GHG emissions ▶ Start commercial operation of Brazi gas power plant and Dorobantu wind park 	<ul style="list-style-type: none"> ▶ Achieved reduction of 100,000 t CO₂ equivalent in R&M since 2008 ▶ Dorobantu wind park started commercial operation
Ensure efficient waste management	
<ul style="list-style-type: none"> ▶ Assess waste inventory and evaluate waste flows 	<ul style="list-style-type: none"> ▶ Developed waste management project to gain reliable data and benchmark against international best practices

What we will do in 2012 (and after)
Identify environmental risks and costs
<ul style="list-style-type: none"> ▶ Develop a generic framework for environmental risk assessment
Optimize processes to make efficient use of natural resources and minimize waste and emissions to air, water and land
<ul style="list-style-type: none"> ▶ Use energy efficiently and reduce carbon intensity of Petrom activities and portfolio ▶ Strengthen waste and water management ▶ Improve oil spill response
Manage greenhouse gas emissions economically
<ul style="list-style-type: none"> ▶ Review and update the carbon strategy ▶ Elaborate a road map for GHG and energy related projects and start implementation ▶ Report on progress towards strategic targets

Environmental Protection

Environmental management

We responsibly address issues involving the environmental impact along the entire value chain, from upstream and downstream production to product quality requirements. High on our agenda is the way in which activities we undertake to help secure energy supply in our markets is reconciled with the challenges of climate protection and carbon management. We strive to manage energy and natural resources efficiently and to reduce emissions and discharges into the environment. Our environmental management directive and standards, targets and performance measurements constitute a Group-wide framework for ongoing improvement. Environmental issues are taken into account in decision-making processes, both at corporate and operational level.

Policy and Guidelines

Environmental management at Petrom is based on a precautionary approach aiming to reduce our environmental impact. Company requirements for environmental management processes are defined in the Environmental Management Directive. This links the high-level principles set out in Petrom's Policy on Health, Safety, Security and Environment (HSSE) and in OMV's Group's commitment to the UN Global Compact for implementation of these regulations at operational level.

To ensure the integration of environmental management processes in our core business, the environmental directive is linked to other business processes such as investments, strategy development, planning, budgeting and purchasing. Detailed environmental standards are defined at the level of business segments and sites according to the specifics of the respective business activities.

Certification against ISO 14001 and ISO 9001 requirements was maintained for all activities in the Petrom Refining business division and the Petrom Gas business division, Petrom Gaz Distributie SRL as well as for maintenance activity in the Petrom E&P business division.

Monitoring and Development

At corporate level, the monitoring of environmental KPIs is embedded in standardized reporting processes on an annual and monthly basis. Annual targets are set in the corporate Balanced Scorecard (BSC) and deployed to the business segments. Starting in 2010, CO₂ emissions reduction and energy efficiency targets have been included in the goal-setting process at individual level by means of performance development and management by objectives (MbO) systems.

Cost estimates and GHG emission projections are included in Group-wide planning assumptions. The corporate directive on investment controlling requires that an analysis of GHG emissions be undertaken for each project and that emissions be reduced as far as reasonably possible. Cost and revenue estimates are factored into economic analysis and incorporated in every investment decision.

Environmental Compliance

Legal compliance monitoring and audits are performed on a systematic basis to ensure that all necessary environmental permits are in place and that measures required in permits and inspection reports developed by the authorities are correctly implemented in due time.

Fully functional, integrated management systems implemented in the refineries support the legal compliance process.

Notwithstanding the improvement in our environmental management and control over environmental impact, we still encounter isolated environmental non-compliance situations. Thus, in 2011, Petrom faced monetary fines totaling RON 1.84 mn (2010: RON 2.1 mn) for non-compliance related to environmental incidents such as spills, exceeding values of legal limits for various discharges into the environment, cases of non-conformity related to waste management, and flaring.

Environmental Expenditures and Investments

Petrom continues to invest in environmental protection using its own financial resources, as well as the support of financial institutions. For instance, the loan of EUR 300 mn from the European Bank for Reconstruction and

Development (EBRD) in March 2009, in order to support the environmental performance of Petrom's operations and investments was used to implement various projects within the E&P and R&M divisions. Projects mainly involved decontamination, replacement of old pipes, modernization of boilers, modernization of wastewater treatment systems, and installation of infrastructure for treating contaminated soil and storage.

In addition to environmental benefits, the projects will continue to bring other benefits to local communities, by creating new jobs, building roads with public access, etc., thus contributing to the economic and social development of the projects' local areas.

As part of OMV Group, Petrom has followed International Federation of Accounting (IFAC) guidelines for environmental management accounting (EMA) for reporting the environmental expenditures and investments, including fines and revenues.

Environmental protection costs in 2011 were RON 861 mn at Petrom group level (in 2010: RON 837 mn). Total expenditures amounted to RON 615 mn, which included: RON 472 mn spent on end-of-pipe activities, while RON 139 mn was spent on integrated prevention measures; also, product-oriented expenditures comprised RON 58 mn, as result of dedicated efforts at the Petrobrazî refinery.

End-of-pipe expenditures comprised expenses, with fees and taxes, for environment-related activities, expenses related to remediation activities, waste management projects, external services and maintenance of environment-related installations. Integrated prevention measures accounted for expenses with internal dedicated personnel involved in environment-related projects, also expenses related to research & development activities and depreciation of state-of-the-art environment & production related installations.

Environmental investments for assets put into operation in the reporting year totaled RON 245 mn (2010: RON 238 mn), of which RON 55 mn was allocated for integrated pollution prevention projects.

Most of the environmental investments in 2011 focused on compliance measures required by regulatory authorities in the field of environmental protection, as is the case of majority E&P parks revamping of skids; however, significant investment efforts towards environmental performance were made, especially in the Petrobrazî refinery (revamp of desulfurization and sulfur recovery plant, refurbishment of separators of wastewater plant).

Provisions for environmental costs in relation to decommissioning, and restoration activities are reviewed in a standardized process twice a year, based on a detailed inventory. The cross-functional process involves line management, HSSE experts, and controlling staff. More information on environmental provisions can be found in Petrom Group's Annual Report 2011.

Energy and carbon management

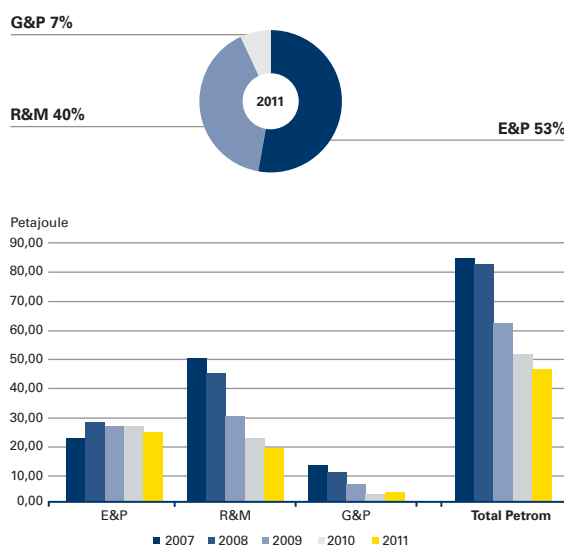
Nowadays, the security of energy supply and mitigation of the impact of greenhouse gas (GHG) emissions are major challenges for the oil and gas sector, as the energy demand continues to increase. To reduce the carbon intensity of Petrom's portfolio, we will continue to expand our gas business activities and promote the use of natural gas for power generation. Moreover, it is no less essential that we monitor and control our own GHG emissions.

Energy Management

The oil and gas business is an energy intensive sector and energy expenses form a significant part of operational costs. Improved energy efficiency is therefore a priority for Petrom, since it is also directly linked to the reduction of GHG emissions. Thus, our carbon strategy and GHG emissions reduction are key elements of our energy management.

Total energy consumption of Petrom was 45.4 petajoules (PJ) in 2011, compared to 50.6 PJ in 2010, which highlights the results of our proactive energy management initiatives.

Total Energy Consumption per business division



Both Petrom refineries, Arpechim and Petrobrazî, have implemented certified Energy Management Systems according to EN 16001:2009 or ISO 50001:2011. In addition, in 2011, Petrom E&P was certified according to SR EN 16001:2009 for the activities of oil & gas production and related support services. Systems and processes have therefore been installed to establish energy objectives, monitor energy performance and continuously improve energy efficiency. Petrom is committed to contribute to OMV's GHG Emissions and Reduction Strategy by implementing projects to decrease the carbon intensity of its activities. For example, in October 2011 we started the commercial operation of our wind park Dorobantu in Romania, thus contributing to environmental-friendly production of power. Dorobantu is a 45 MW wind park which accounts for 5% of nationwide wind energy capacity. In 2011, 31,600 MWh were delivered to the national grid and we are working to expand the wind park's capacity by 9 MW in 2012.

Greenhouse Gas Accounting

Direct Emissions

The emissions of carbon dioxide (CO₂), methane (CH₄), and nitrous oxide (N₂O) directly related to our operations totaled 4.28 mn t CO₂ equivalent in 2011 (2010: 4.73mn t CO₂ equivalent). The other GHGs are of minor relevance and have therefore not been included in Petrom's GHG figures.

We expect that the projects planned for emissions reduction and facilities upgrade in Petrom E&P will result in a significant decrease of GHG emissions by 2015 as compared to the current baseline. The E&P Division is in the process of replacing old boilers with modern ones to improve energy efficiency and reduce emissions. Thus, fuel gas consumption will decrease, leading to lower CO₂ emissions.

Generally, all measures taken to improve energy efficiency directly contribute to the reduction of GHG emissions.

Thus, Petrom E&P Division achieved reductions of 19,000 t CO₂ equivalent in 2011, due to its modernization programs.

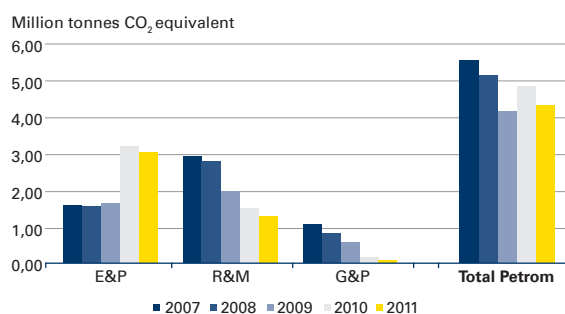
The Petrobrazî refinery implemented optimization

and energy efficiency projects resulting in 100,000 t CO₂ equivalent savings in 2011, with reduction potential of about another 200,000 t CO₂ equivalent expected in 2015.

A sizeable increase in reported emissions is evident in E&P in 2010, due to a revision of the calculation methodology for GHG emissions. Thus, the reporting process started to include also the emissions from venting and fugitive emissions.

this scheme. Around 39% of the direct GHG emissions of Petrom (1.65 mn t) were CO₂ emissions from EU ETS installations. As a result of emission reductions and plant shutdowns, Petrom recorded a surplus of 2.79 mn certificates as of the end of 2011.

Total GHG emissions by business division



Emissions Trading

Petrom is subject to the EU Emissions Trading Scheme (ETS) and at the end of 2011, 17 of its operating installations operated under

Sustainable resource management

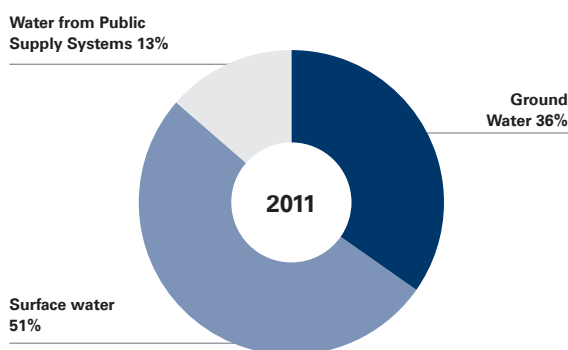
Water Management

Fresh water management represents a sustainable development concern in the global context of water scarcity and economic framework. Sustainable and reliable fresh water availability is critical to both society at large and our industry. We are aware that for our business we need sustainable water resources where we operate. Therefore, we strive to use methods and practices that ensure efficient water management. Petrom uses water from various sources for steam generation, cooling, and industrial processes.

In 2011, total water consumption throughout Petrom Group operations was 32.51 mn cubic meters (2010: 39.94 mn cubic meters). Thanks to our efforts to optimize processes and improve water management, overall water consumption was reduced by 19%, whilst ground water consumption was reduced by 30% compared to 2010.

A total of 16.17 mn cubic meters of wastewater was discharged after appropriate treatment in 2011.

Water Withdrawal by Source



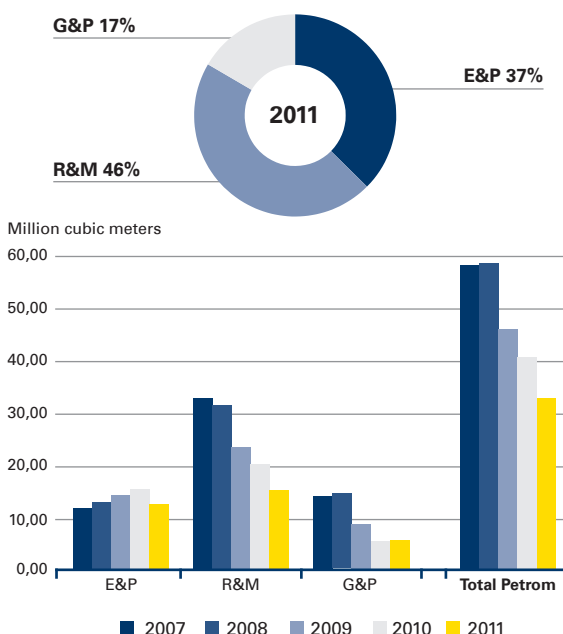
Petrom's concerns on water consumption were addressed through various initiatives in 2011. For example, a crude oil production site at the Black Sea, the so-called Asset X in Petrom E&P, achieved a remarkable success following the implementation of a water management plan. Outperforming the target of a 5% reduction in fresh water consumption from natural resources, the site under discussion achieved a reduction of 9% in just one year.

The mechanisms used to achieve this reduction were: preventive maintenance of water and heat networks, rehabilitation of condensate recovery systems and the installation of a new plant for condensate recovery in the crude oil unit of the Midia Terminal. Additionally, the site used desalted water for offshore technological consumption.

With the aim of applying a systematic approach of freshwater consumption and waste water management, Petrom took the first step of assessing E&P data baseline and current practices, and implemented a pilot scale project consisting of a water management plan for one of its assets. Petrom aims to implement water management plans in all E&P, R&M and G&P operations in 2012.

Due to restructuring and optimization activities, total water consumption at Petrom Refining decreased by 60% since 2005 and wastewater management systems have also been improved. The volume of discharged wastewater fell from 22.7 mn cubic meters per year in 2006 to 12.6 mn cubic meters in 2011.

Water Consumption per business division



At the Petrobrazi refinery, the rehabilitation of sewerage systems will minimize the amount of treated waste water by segregating waste water streams based on their level of contamination. Waste water will be collected safely, and any leakage into the ground will be avoided. In the context of sewerage system rehabilitation, the repair works for external sewerage were finalized in 2011. For internal sewerage, repair works and installation of new lines were about 80% completed.

The revamp of the wastewater treatment plant with a planned investment value of approx. EUR 10 mn will result in a better quality of discharged waste water and a reduced amount of sludge waste. The project encompasses an efficiency increase in the mechanical stage, optimization of the de-nitrification stage, modernization of the dosing unit for chemical substances, and stream monitoring. The project design for the waste water treatment plant modernization was finalized in 2011.

Large amounts of formation waters have to be managed in Exploration and Production (E&P) operations amounting to 42 mn cubic meters in 2011. Over 95% of produced water is re-injected into reservoir, after appropriate treatment. The remaining quantities are treated and finally discharged in surface water bodies, according to the environmental permit.

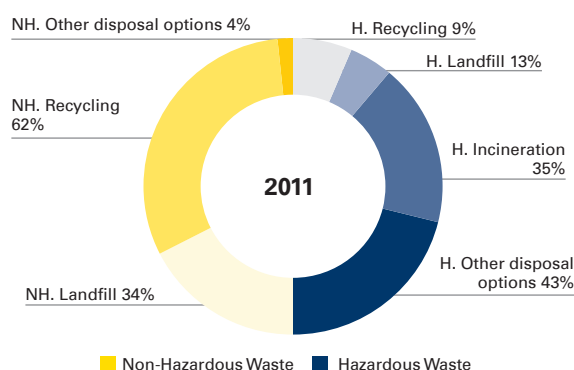
In 2011, one concern was raised with regard to a water resource being potentially affected by Petrom E&P operations. The media released information about the quality of drinking water in Pordeanu, Timis County, near the Hungarian border, where odorous mud and sulfur containing flammable gases were discovered. The analysis of the water sample revealed that the local water source was not polluted with oil, reservoir water or associated gas. Instead, it was discovered that the groundwater in the area contains natural gas, as is common in many areas of Western Romania. Petrom was not notified about any other concerns as regards to water resources being quantitatively affected by direct extraction of water.

Waste Management

As with any oil company, Petrom's activities generate solid and liquid wastes, including oily sludge, waste chemicals, spent catalysts, and construction debris. Petrom has to deal with the waste generated prior to privatization (e.g. sludge pits, soil pollution), in addition to the waste from current operations. The total generated waste in 2011 increased by around 40% compared with 2010, to 551,555.6 t, due to remediation and demolition projects. Likewise, the cleaning and remediation of the sludge pits increased the hazardous waste quantity by 91,743 t in 2011 compared with 2010, thus reaching a total amount of 263,861.4 t of hazardous waste

In 2011, we focused on applying a harmonized approach to improve the effectiveness and efficiency of our waste management. We identified waste management processes, waste flows, generated quantities and cost for waste disposal. Thus, a reliable data baseline against international best practices was established. Within this framework we audited three main waste contractors to ensure the waste generated by Petrom is appropriately managed to its final disposal.

Waste disposal paths



E&P Waste Disposal

Continuing last year's activities, the E&P division of Petrom is in the process of cleaning 44 sludge pits which contain about 600,000 cubic meters of sludge, out of which 42 have

already been completed. The water, oil and solids are separated, and then the water is reinjected into the residual and technological wells. The resulted oily product is reintroduced into the production process and the residual solids are treated by means of a thermal desorption system before their final disposal. As part of the implementation of Petrom's program to create the waste infrastructure needed for the clean-up of contaminated soil as well as abandonment of around 26,000 oil wells and 1,100 production facilities, Petrom E&P built 4 bio-remediation plants and 2 landfills in 2011.



Work construction for a Bioremediation plant and a Landfill – Ticleni production area, 2011

Petrom Refineries Waste Disposal

In 2010, Petrom installed state-of-the-art waste treatment facilities near the Arpechim and Petrobrazî refineries in order to treat the waste from the refineries' internal and external sludge lagoons. These facilities enable land remediation to be integrated with waste and water management. The techniques used are: thermal treatment, incineration and bio-remediation. By the end of 2011, one of the Petrobrazî refinery's external sludge lagoons was completely emptied. Works for the other one are ongoing and the waste removed was treated.



Before - Sludge lagoon – „Gara Brazi” site in remediation, 21st September, 2010



After - Sludge lagoon - „Gara Brazi” site emptied, 23rd September, 2011

At Arpechim, works for emptying and treatment of hazardous waste are in progress for 3 lagoons. Both projects at Petrobrazî and Arpechim are on schedule.

Triazine and acrylonitrile waste generated by Arpechim's past activities had accumulated in two triazine waste storage basins and in one acrylonitrile waste storage site. Petrom started site remediation and waste management operations in 2010 and completed them in 2011, at a total cost of about EUR 1 mn. Between 2010 and 2011, around 4,000 t of waste was removed from the two triazine storage basins and 500 t from the acrylonitrile storage site. Waste was disposed of by means of high-temperature incineration. Here, Petrom was seeking to minimize both waste quantities and the risk to the workforce, local communities and the environment. Moreover, site conditions were improved so as to bring them into line with international refinery standards and national legislation.



Before - Acrylonitrile Storage Site, February 2011



After - Acrylonitrile Storage Site, November 2011

Decommissioning of Doljchim Plant

We take particular care over the safe decommissioning of sites in accordance with industry best practices. Environmental aspects such as decontamination and waste disposal are rigorously managed. Petrom's chemical plant Doljchim has been under a decommissioning process since 2009. From 2009 to 2010, a total of 11 installations were decommissioned and demolished. An additional 22 installations were shut down in 2011. The completion of Doljchim's decommissioning is scheduled for 2012, when the remaining 8 installations will be demolished. The high-risk activities involved, such as the handling of hazardous wastes, require careful planning and compliance with strict HSSE

standards.

As part of our annual emergency training program, we performed 26 fire drills and three internal SEVESO exercises in Doljchim plant in order to test the internal emergency plan. In 2011, HSSE training programs were provided for our employees and contractors in Doljchim on the health and safety risks of the demolition process, security risks, industry best practices, lessons learnt from internal and external safety and security incidents as well as legal and internal requirements. A specialized company for safety supervision supported the teams on site during demolition works in 2011.



Work demolishing – Doljchim, 2011

Drilling Mud

Exploration and Production (E&P) seeks to avoid the use of hazardous substances whenever less hazardous alternatives are available. In drilling operations, we use water-based drilling fluids wherever technically feasible: around 90% of the drilling mud used by E&P is water-based. If this is not possible for technical reasons, as in the case of extended-reach wells, we use non-aqueous drilling fluids (NADF), selecting the option based on the minimum potential effect on the environment and human health. The use of diesel-based drilling fluids has been completely phased out in Petrom's operations. In accordance with our waste minimization and management plans, the resultant drilling mud is reused. Cuttings are treated in order to reduce toxicity and disposed of according to the applicable national regulations and best available technologies.

In E&P operations, drilling mud and cuttings account for the major part of the total waste

quantities generated by this division.

Spills and Leakages

In 2011, Petrom recorded six significant hydrocarbon spills (>1,000 liters; level 3, 4, and 5 on a scale of 1 to 5) and 1,955 minor releases (2010: 6 and 2,199, respectively). The amount of hydrocarbons spilled was 460,697 liters. (2010: 126,415 liters).

This increase was due to unauthorized, criminal access to oil pipelines, more than 80% caused by two spills.

As part of the Oil Facilities Program, Petrom's E&P Division performs upgrades to reduce leakages at gathering stations, metering points and processing parks. Replacement of the old and obsolete oil & gas transport and storage system with new modern equipment (production manifolds) was finalized in 2011, while the replacement with new metering points is in progress and will be finalized in 2012.

Petrom's E&P Division is in the process of constructing and re-lining its priority oil and gas pipelines to restore system integrity. In 2011, Petrom E&P replaced and modernized around 220 km of pipelines. A Pipeline Integrity Management team was set up to further enhance the implementation of the ongoing management of pipeline integrity, pipeline spill management and abandonment as well as risk-based inspections of surface facilities. This will lead to a high quality production transport system, increase energy efficiency and mitigate the environmental impact by preventing spills in related areas. This program includes many small-to medium-sized local pipeline projects as well as one offshore project.

Product Responsibility

Petrom produces gasoline and diesel fuels and other products including bitumen, oils, gas and heating oil. **We strive to provide high-quality products that meet our customers' expectations. Health and safety aspects are an integral part of managing product quality 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 and international and national regulations and standards.

Product Safety - Material Safety Data Sheets

The quality and safety of our products are the result of standardized processes, quality testing across the supply chain, and a highly developed traceability system. We make detailed information available to our partners and customers concerning our products and the materials used to produce them. All products that are manufactured, marketed or distributed by Petrom comply with the applicable 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 to be taken for safe product handling and usage.

REACH and CLP

The implementation of the EU Regulation on Registration, Evaluation and Authorisation of Chemicals (REACH) meant that our refineries successfully registered around 60 substances by the end of 2010. Activities continued throughout 2011 with participation in SIEFs and REACH consortia (CONCAWE, LOA, FERC, etc.) with a view to maintaining registration dossiers and updating shared sections. REACH remains a daily business process for Petrom refineries.

The EU Regulation on Classification, Labelling and Packaging of substances and mixtures (CLP) requires manufacturers and importers of such products in or into the EEA (European Economic Area) to ensure the re-classification and relabelling of substances and mixtures. By using internationally agreed classification criteria and labelling 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, thus complementing REACH.

Notification of the classification and labelling (C&L) of substances and mixtures to ECHA (European Chemicals Agency) is submitted either within REACH or as a separate dossier for those exempted from registration.

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 sulfur-free (sulfur content <10 ppm).

In 2011, Petrom blended 67,561 t FAME (fatty-acid methyl ester) into diesel and 38,509 t bioethanol/ETBE (ethyl tertiary butyl ether) into gasoline fuels. Petrom supports the use of environmental-friendly transportation fuel, namely compressed natural gas (CNG), which leads to about 20% lower CO₂ emissions, 80% reduction of carbon monoxide and virtually no particulate emissions.

Across the Petrom Group network of approx. 792 filling stations, we offer gas as fuel (either LPG or CNG) at 227 filling stations (42 filling stations in Romania, 91 in Bulgaria, 53 in Serbia and 35 in the Republic of Moldova), a coverage rate of 29%. As of the end of 2011, CNG is sold at 6 OMV filling stations in Bulgaria out of 93 sites in total.

In 2011, Petrom received a statement of objections from the Romanian Competition Council concerning an alleged breach of antitrust regulations with respect to the withdrawal of the retail product Eco Premium from the Romanian fuels market. Subsequently, Petrom and OMV Petrom Marketing SRL (100% subsidiary of Petrom) were informed by the Competition Council about the outcome of the antitrust investigation, resulting in a fine of RON 366,530,965 on Petrom and an additional RON 137,288,031 on OMV Petrom Marketing SRL. Both companies strongly believe that the fines imposed are not justified and will challenge the Competition Council's decision in the courts.

Employees Objectives

Planned for 2011 (and after)	What we did in 2011
Diversity	
▶ Start implementation of the diversity strategy action plan	▶ An increase of both gender and nationality diversity at senior management level has been achieved
Realization of HR's new role	
▶ Implement the new HR organization; analyze and redefine all HR processes	New HR Organization ▶ New HR organization has been implemented ▶ All HR processes have been analyzed and redefined
Human Capital Management (HCM)	
▶ Conduct HCM survey company-wide	▶ HCM survey conducted throughout the company ▶ With a target population of 18,000 employees, participation rate 68 %
Job Rotations	
▶ Continue to increase the number of job rotations between business segments	▶ Number of job rotations between business segments increased to 77

What we will do in 2012 (and after)	
Diversity	▶ Continue program ▶ Increase number of female managers
Job Rotations	▶ Further increase job rotations by 20 %
E&P Integrated Graduate Development Program	▶ Recruit 99 graduates for E&P in Petrom
Employees' Sustainability Engagement	▶ Integrate sustainability projects into individual target planning and skill development programs

Employees



In order to increase effectiveness and meet both business and employees' needs, the HR Department reorganized its activities and responsibilities, as part of the corporate reshaping. The new structure in place since January 1, 2011, provides synergies of processes and proactively supports the business through an integrated business approach. With this act of cohesion, HR department aims to change the perspective, reach the core of company values and to simplify the structures and decision-making processes, especially across business segments, bring more efficiency, reduce unnecessary complexity and streamline the activities.

One of the key elements of the new structure is represented by the HR Business Partners concept designation for E&P, R&M, G&P and Corporate/Global Solutions acting as division support and challengers. The HR Business Partners are assigned within the corporate HR team and participate in all major projects with HR impact, representing a link between the divisional business and HR community by assuring a regular meeting with the Board Member and its Senior Management team. Considering the above changes, in 2011, Petrom continued its progress in developing and implementing a performance-oriented culture and having initiatives in areas like: strengthening positive communication, making people objectives as important as business objectives, developing a consistent

performance management system, designing talent management process and programs. The objective of these initiatives is to develop a unitary organizational culture based on transparency and performance.

Petrom's HR Department continued to support the organization with training activities for employees, increasing the focus on the correlation between Performance Development tools and the pool of available training courses. Various training courses and development programs initiated in recent years continued to run, at corporate or divisional level, with an increased focus on: quality of delivery, participation and subject relevance for the business.

A special interest was allocated for the E&P Academies, as part of the OMV Group training programs for E&P young engineers. In 2011, Petrom held part of the classes and the „Award ceremony for Well Academy 2008-2011 class“. Starting with 2012, the E&P Academies and additional specialized courses will be unified under the OMV Group program called „Integrated Graduate Development“.

In 2011, Petrom spent EUR 7.2 mn for training activities, in which external trainers were involved. Training courses covered various areas of interest (e.g. foreign languages, management, IT, technical knowledge, as well as customized and technical courses), resulting in an average of 2.2 training days per employee, compared with 1.5 in 2010.



Continuing our efforts in acquiring information regarding the employees' views, we reinitiated the employees global survey "Have your say, Commit to change, Make things better" HCM , a platform designed for the employees to actively contribute in giving a shape to their own work environment, by assessing and strengthening key dimensions of human cooperation. The survey was also meant for quantifying strategic aspects of cooperation, engagement and performance, having as final purpose the continuous improvement of employees' engagement as a key for long-term business success.

In 2011, this survey was rolled out during 5-23 September with a target population of 18,000 employees (9,000 employees with online access and 9,000 hard copy questionnaires for employees with no internet access). The achieved response rate at Petrom level was 68%, significantly exceeding the initial target of 50%.

Survey's results have been summarized in the HCM Scorecard with major focus on the „Engagement Index“, which quantifies the employees' engagement, showing how motivated, enabled and energized employees are in delivering their best performance. The Petrom "Engagement Index" reached 90% and represents a good overall result, above industry average (Global Oil & Chemicals industry), but leaving room for improvement.

The survey revealed that there are topics with major influence over the "Engagement Index", such as Leadership (clarity of decisions, belief in company goals/objective, encouragement to give best, interest in employee well-being, implementation of changes), Empowerment & Involvement (having authority, tools and resources to do the job assigned, ability to challenge and innovate, personal energy levels, physical working conditions) and Sustainability & HSSE (social, environmental responsibility, health, safety and security subjects).

Petrom continued in 2011 to develop the Career Transition Program, conceived to help the

former employees dismissed as a result of re-organization process, by providing support to re-enter the labor market. The cost of the program is borne entirely by Petrom and the employees themselves have the initiative of joining the program. In 2011, the Transition Centers provided support services to over 1,000 former employees, out of which 155 persons have attended the qualification or re-qualification training courses financially supported by Petrom.

Health Objectives

Planned for 2011 (and after)		What we did in 2011
Develop health risk register		
▶ Once additional medical staff has been trained, all remaining employees workplaces will be risk assessed		▶ A database was developed, the final workplaces were assessed and initial conclusions drawn
▶ All clinics to be risk ranked and audited, starting with those at highest risk; action plan		▶ All clinics were audited and local action plans developed
Implement and monitor Petrom Health Standard		
▶ Continue implementation of the Health Standard and status monitoring		▶ All clinics and procedures were audited and gap analyses were carried out
Health promotion activities		
▶ Specific focus on cardiac prevention and back pain		▶ Health promotion activities for employees were carried out with high participation rates
Continue emergency and preventive medicine training		
▶ Continued emergency and preventive medicine training		▶ Emergency drills and special medical assistance programs were implemented
		▶ Intensified training of medical staff and first aid responders
Harmonize and improve medical infrastructure		
▶ Ongoing harmonization of regulations and refurbishment of clinics		▶ Ongoing harmonization of regulations and refurbishment of clinics
What we will do in 2012 (and after)		
Continue to develop health risk register		
▶ Review lesson learned for continuous improvement in health risk assesement		
Continue with the implementation and monitoring of Petrom Health Standard		
▶ Follow-up on action plans from the audits to ensure continuous improvement		
▶ Carry out spot audits to ensure high standards		
Health promotion activities		
▶ Develop material for two major health promotion campaigns on ergonomics and healthy eating		
Continue emergency and preventive medicine training		
▶ Follow up on the implementation of recommendations made during the Medical Emergency Resilience Audit		
Share knowledge		
▶ Develop a database for medical issues		

Health Management

Health is a universal value, so access to healthcare must be available to all employees. Thus, all our people benefit from our high occupational health (OH) standards and wide-ranging health initiatives. Since sustainable success depends on a healthy, motivated workforce, health management makes a fundamental contribution to our company's performance.

Our Approach

The health of our employees is a primary asset and resource. In our HSSE Policy, we have committed ourselves to promoting our employees' physical and mental well-being. We want to ensure that our employees are healthy and fit so that they can carry out the work assigned to them. Our objectives include the roll-out of high health standards harmonized across the company and the systematic assessment and reduction of health risks. Our mission is to promote good health by offering up-to-date medical treatment, preventive health care and psychological counseling. The Health Management Department (HMD) team is composed of medical doctors with additional expertise on occupational, international and public health, emergency medicine and health management which allow us to act as a centre of competence. With their regular contributions on health topics and practices, HMD and local medical experts support line management in taking ultimate responsibility for occupational health.

Health audit 2011

Adherence to Petrom's health standards and work procedures were audited by an internal audit team as a Balanced Scorecard target. For this purpose, an audit plan and audit questionnaires were drawn up envisaging local medical facilities providing assistance to all Petrom's locations, as well as related health management system, in all Petrom's operating countries: Romania, Bulgaria, Serbia, and Republic of Moldova.

The audit revealed that Petrom's corporate health regulations and internal work procedures have largely been implemented and that the main medical activities are being performed

adequately, based on sound competence. The high-quality services provided often exceeded the local legal requirements and, in addition to standard medical care, employees had access to physical therapy and a wide range of preventive measures.

Newly built, modern OH clinics offering a broad range of services were made available during 2011: one clinic in the new headquarters in Bucharest for about 3,000 employees and one clinic in the headquarters of Asset IV Videle for about 1,500 employees.

Health Risk Assessments (HRA)

By the end of 2011, all workplaces throughout Petrom had been assessed using a standardized approach. Health hazards were identified, their risk to our employees' health was evaluated and appropriate control and recovery measures were determined. A specific database was set up to collect and analyze the data, creating a basis on which to identify trends and focus on areas for improvement. Initial results indicate that mitigation measures in place work well and reduce the probability level of these health hazards to ALARP (As Low As Reasonably Practical). Although technical safety and prevention measures are important and need to be applied and constantly re-evaluated according to the highest standard possible, personal awareness of health hazards remains a key area of focus. Health risk assessment is a continuous process and will be updated periodically to reflect changing working conditions.

Medical Emergency Resilience

In 2011, we focused on the assessment of all medical emergency resilience activities, from first-aid training to evacuation, generating recommendations for the improvement of medical emergency care.

Findings and recommendations included:

- ▶ maintaining adequate numbers of trained first aid responders,
- ▶ maintaining the provision of first aid materials,
- ▶ development of local medical emergency evacuation plans
- ▶ performance of medical emergency simulations

- training for medical staff in emergency medicine.

As a result, in 2011, over 1,500 first aid responders were trained and 130 medical emergency exercises were conducted in collaboration with all internal and external emergency resilience groups.



Medical Emergency Exercise

A round-the-clock psychological counseling hotline for emergencies is available to Petrom employees in case specific accidents happen and psychological support is needed.

Health Promotion Initiatives

Specific health surveillance and health checks provide the basis for developing health promotion activities. In 2011, a specialized preventive screening program for spine and joint disorders was offered by Petrom in Romania. Vaccination campaigns against tick-borne encephalitis, flu, hepatitis, tetanus adapted to specific epidemiological situations, were run at Petrom.

Voluntary health checks on lifestyle-related health risks such as cholesterol, blood sugar levels, nutrition, smoking and drinking habits were offered to our employees.

In 2011, a total of 20,000 employees took part in voluntary health checks at Petrom, empowering them to mitigate and control these risks proactively. Our local health teams ran specific health prevention programs such as eye health checks ergonomic training; anti-smoking campaigns and promoting physical activity to over 4,000 participants. Incentives and contests with prizes, such as bicycles, were offered to the employees in order to increase their adherence to these campaigns.



Awarded employees during anti - smoking campaign

Healthy living projects

Two major projects were developed in Petrom, in spring and autumn of 2011.

The spring campaign on healthy living focused on the dangers of smoking and provided support for those wishing to give up. Over 1,200 employees participated in this project. Employees also had the opportunity to have the level of carbon monoxide in their exhaled air measured, providing a good correlation with the individual level of smoking and potential health risks deriving from tobacco consumption.

In the autumn campaign, the focus was on promoting physical activity. Over 3,000 employees have enrolled in this campaign and received pedometers. This high number of participants was the result of active involvement of our medical staff, including face-to-face meetings with employees at the workplaces, lotteries, the provision of relevant information for employees on the intranet and new printed information booklets.

Medical support

Medical Support for expats

Over 600 medical examinations of expats and their family members have been performed in 2011.

Maecenas Fund for own employees

In 2011, over 75,000 euros has been allocated through the Maecenas Fund in order to help 7 of our employees obtain treatment outside Romania (not offered by the National Insurance House) for severe medical conditions.

Safety Objectives

Planned for 2011 (and after)	What we did in 2011
Continue to improve safety performance and standards	
<ul style="list-style-type: none"> ▶ Knowledge sharing to ensure proper follow-up of incidents and dissemination of lessons learned ▶ Properly investigate high-potential incidents (HiPos) establish actions and close out ▶ Contractor management: Realize “contractor forum” with high risk contractors in Petrom 	<ul style="list-style-type: none"> ▶ HSSE alerts developed and disseminated company-wide for lessons learned ▶ Systematic reporting of potential incidents (HiPos) implemented and HiPo Review Board set up ▶ Incident investigation training programs delivered to senior managers and safety experts ▶ Land Transportation contractors forum was organized
What we will do in 2012 (and after)	
Continue to improve safety performance and standards	
<ul style="list-style-type: none"> ▶ Improve the HSSE performance of contractors by close monitoring and interaction: all new high/medium risk contracts with KPIs and targets ▶ Roll-out and training on Golden Rules, a guidance for safe working based on a simple set of eight rules ▶ Extend Stepping-Handling-Lifting training initiative at the other business units 	

Safety Management

Creating a safe work environment for our employees and contractors is one of Petrom's top priorities. We work hard to ensure safe operations and prevent accidents based on the standards laid down in our corporate directives. We continue to train and empower people to work safely, and we apply hazard identification and risk management practices to reduce incidents and losses.

Our Approach

Workplaces and processes must be safe and secure, as we consider that all accidents are preventable. Petrom safety regulations, reporting, management tools and training courses contribute to improving safety performance. We are particularly concerned about transportation safety, process safety and contractor management. Safety is a line management responsibility, supported by expert advice. Leading and lagging safety indicators are monitored on a monthly basis and provide essential information for substantiated management decisions.

Safety Awareness and Training

Safety training accounted for most of the 202,000 HSSE training hours delivered in 2011 to Petrom's employees.

As a consequence of the 58 work-related accidents that occurred in the period 2009-2010, Petrom initiated an important training campaign dedicated to "Stepping. Lifting and manual handling. Working at heights." The objective of this training is to communicate the best practices to the employees involved in the mentioned activities on a daily basis and to decrease the number of work-related accidents. The training method applied by Petrom includes a theoretical part and practical exercises, using three mobile platforms ("simulators") that imitate real working conditions. First results show that the number of incidents decreased significantly in the months after the training courses, in comparison with the same period of time in 2010. Over 6,400 E&P employees have been trained in 2011, and a further roll out to other business segments is planned.

50 senior managers including Executive Board

members participated during 2011 in leadership training courses with a specific focus on HSSE. Senior managers were also trained on incident investigation, in order to fulfil their roles as Incident leaders and approvers for the actions close-out process.

On November 4th 2011, over 1,000 Petrom employees from all Business Divisions around Romania participated at the first ever OMV Global Safety Day, an event that is intended to highlight the importance of safety culture for each and every employee and to enable the discussions on safety matters in an interactive environment. The participants were shown the short film „If Only...“ describing three actual safety cases that occurred within the OMV Group. The film highlights the importance of a safety-oriented attitude, the consequences of not following certain simple rules and the impact of such incidents.

To make HSSE an integral part of the company's culture, a harmonized approach is included in a corporate program with a focus on management. A variety of training courses such as general introduction to HSSE, information security, HSSE for managers and management walk-around, have been delivered in 2011 to 316 participants. Technical specific training courses, such as on our reporting tools, were also organized for around 330 of our employees.

By recording and investigating incidents and near misses, we can make sure that we learn from previous experiences to prevent recurrences. Proactively collecting reports, assessments and findings about near misses and hazards helps us reduce incident rates and the likelihood of an incident occurring in the first place. In 2011, we continuously communicated information on incidents and high potential incidents (HiPo), including root causes, lessons learned and photos (HSSE Alerts) to promote experience exchange and to contribute to behavioral improvement.

Key figures for the reporting year related to safety management are summarized below:

- Around 200,000 records (incidents, near misses, investigations, findings, hazards,

assessments, and measures) and reports were introduced into the "Think: Ahead CARE" reporting and management tool

- ▶ Over 80,000 findings and hazards were reported and followed up
- ▶ Around 73,000 measures were assigned and 88% were completed within the scheduled time frame
- ▶ 23 HSSE Alerts were communicated via email, published on the intranet and on bulletin boards.

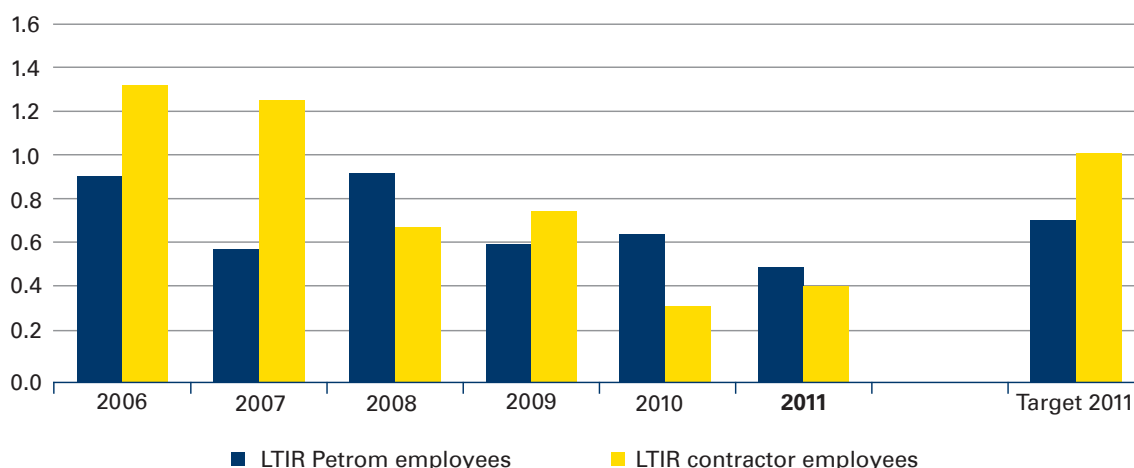
Workplace Safety

In 2011, Petrom achieved zero fatalities of its own employees and a LTIR of 0.47 injuries per million hours worked, compared to 0.64 in 2010.

Unfortunately, we had 1 work-related contractor fatality in the E&P Business Division during 2011, so we strive to continue implementing rigorous safety practices. The LTIR for contractors in 2011 was 0.39 injuries per million hours worked compared to 0.32 injuries per million hours worked in 2010.

Despite the decrease in total injuries and frequency rates in 2011, total days lost because of injuries have risen throughout this period. The severity rate (LTIS) for own employees of 28.09 and for contractors 13.22 days per million hours worked increased compared to 2010 – respectively 24.79 and 10.76 days per million hours worked.

Petrom Group LTIR¹



¹ LTIR = average injury frequency with one or more lost workday related to the working time performed.

Safety in Petrobrazî refinery

During 2011, the "Safe into the future" program was implemented in the Petrobrazî refinery, with the purpose of strengthening the sustainable and proactive safety culture and decreasing operational risks. The program addresses all employees, it is coordinated by management, and comprises 15 projects, out of which 10 were implemented in 2011, according to the initial plan. These projects led to the achievement of over 5 million working hours without any accidents, as at the end of the reporting year, and fulfilled their specific objectives:

- ▶ Coaching sessions for employees, including

managers

- ▶ Implementation of the electronic working permit
- ▶ A long term training concept, including both safety and professional training courses for all personnel categories
- ▶ Update of Operational Manuals and Work Instruction in accordance with the changes which occurred in the refinery during last year's implementation of the pre-start up review standard, consisting of a checklist of measures, which have to be verified each time an installation is put into operation after a shutdown period

- ▶ Development of a quantitative risk assessment study, including risk mitigation plan
- ▶ Review of ex-zone maps (explosion risks mapped zones) and personnel training on this topic
- ▶ Assessment of noise level and noise exposure for all work places and development of noise maps for all plants
- ▶ Setting up the Contractor Audit Program, to assess contractor's compliance with and legal requirements and Petrom standards.

Contractor HSSE Management

Contractors perform an increasing amount of work on behalf of Petrom, therefore we have a high responsibility to ensure our contractors work in compliance with our standards and under safe conditions.

In alignment and cooperation with the Procurement department, the Safety team revised and consolidated the contractors' management process, resulting in the new Contractor HSSE Management standard. Though many practices were in place, there was a need to formalize the whole process and to focus on the operational part of contractors' management. In addition, the assessment of our contractors from the associated risk point of view (at high, medium or low risk) has been conducted, determining the appropriate level of management supervision for the contractor. The concept of a Contract Holder has been formalized with the requirements to have regular meetings with the contractor, to ensure the contractor's compliance to our management system, to monitor the contractor's performance based on Key Performance Indicators (KPIs) and to act as a clear single point of contact within Petrom. In 2012, the new Contractor HSSE Management will be rolled out and our employees and contractors will be trained to improve the performance of both parties, resulting in effective and safe work.

Road Safety

After having signed the European Road Safety Charter in 2010, OMV Group, and thus Petrom, committed to the UN Decade of Action for Road Safety 2011 – 2020, by using in-vehicle monitoring technology and by providing its drivers with theoretical and practical training in

how to prevent car crashes.



Safety Driving training – roll over simulation and safety belt convincer

Petrom continued its road safety initiatives. Thus:

- ▶ 2,463 drivers underwent a two-day driving skills course that emphasized road safety for light vehicles.
- ▶ 1,602 E&P employees were trained in 2011 on heavy vehicles. A specially-designed truck with built-in simulators and an inside training classroom were used for training courses organized at 12 different selected locations.

The Road Transportation Contractors' Safety Forum was organized in 2011 and brought together about 80 participants from Petrom (including the CEO and other members of the Executive Board) and contractors for the road transportation services.



Road Transportation Contractors Safety Forum - 2011

In 2011, Petrom also finalized the implementation of an in-vehicle monitoring system (IVMS) in order to decrease the road accident rate and operating costs, to improve driver behavior and to increase the security of our assets. The objective is to monitor all high risk journeys using this technology in the upcoming years.

Security Objectives

Planned for 2011 (and after)		What we did in 2011
Enhance security management		
▶ “Zero tolerance to theft” campaign		▶ Awareness campaign was developed
▶ Create confidential contact line		▶ The confidential line was created, consisting of a free phone number
What we will do in 2012 (and after)		
Enhance security and resilience management		
▶ Advice and training to security managers		
▶ Conduct crisis and resilience exercises		
Continue the campaign “Zero tolerance to theft”		
▶ Extending the campaign to Republic of Moldova, Bulgaria and Serbia		
▶ Identify local communities where the zero tolerance campaign may be delivered through educational projects		
▶ Develop Petrom’s thefts database		

Security and Resilience

Security Awareness Campaign

In recent years, OMV Petrom's assets were affected by a significant number of thefts carried out by both employees and third parties. The consequences of these events range from loss of human lives and severe injuries, to production and financial losses.

In 2011, we have recorded a 70% increase in the number of reported security incidents compared with 2010, mainly as a consequence of the reorganization of the HSSE – Security and Resilience Department, which got deeply involved in raising awareness on security, by sending out information into the field (e.g. newsletters, blog articles, internal magazine articles, and other internal communication materials) and by organizing more than 13 roadshows on theft prevention.

Given the number of thefts, and their associated impact, the Petrom Executive Board has decided to adopt a firm attitude towards theft and thieves. Thus, there will be zero tolerance for these acts. Disciplinary termination of the individual labor agreement for employees involved and police notification sustained by penal complaints represent measures applied for these types of acts.

The concept "Zero tolerance to theft" was clearly pointed out during Petrom's campaigns organized all over the country. Increasing awareness of Petrom's employees' responsibility to protect the company's goods and assets was one of the main subjects of these campaigns.



"Zero tolerance to theft" campaign

about thefts or theft attempts from Petrom, as well as non-compliance with security-related regulations.

All the information is kept fully confidential and the conversations are recorded in order to make sure that the phone operator has correctly understood the reported facts. The phone line can be accessed both from Petrom locations and from outside the company. The service is continuously available.

Security & Resilience (S&R) and Sustainability: HSSE WORKSHOP:

In order to increase the internal visibility of the S&R function, in September 2011 a workshop was organized with the main goal of improving cooperation between the S&R function and the other Sustainability: HSSE functions.

This helped ensure understanding of the S&R function's mission, roles, responsibilities and its organization at corporate and asset levels.

Confidential Line

One of the tools created in 2011 to support the anti-theft approach is the Confidential Line, consisting of a free phone number: 0800822270, that enables any person within Petrom group, contractor or third parties to provide information

Human Rights & Business Ethics Objectives

Planned for 2011 (and after)		What we did in 2011
Human rights training and awareness		
▶ Human rights e-learning tool		▶ Human rights e-learning tool: version developed and rolled out
▶ Set up human rights training programs		▶ Human rights training program conducted for security personnel
Inclusion of human rights elements in all supplier audits		
▶ 95% of supplier audits to include human rights elements and HSSE criteria		▶ 95% of supplier audits included human rights elements and HSSE criteria
Business Ethics		
▶ Business ethics training		▶ Training program involving more than 800 employees
▶ Business ethics support tool		▶ Electronic register of gifts is available
What we will do in 2012 (and after)		
▶ Human Rights self-checks		
▶ Human Rights training of supply chain auditors		
▶ Human Rights classroom training for employees and contractors in addition to e-learning tool		
▶ Business ethics awareness campaigns		

Human Rights

Human rights are considered an essential element of the social pillar within the sustainable development efforts of Petrom. Through its Human Rights Policy, Petrom management expresses their involvement in and commitment to a comprehensive approach toward human rights.

Although the responsibility for ensuring human rights observance is primarily incumbent on governments, Petrom feels it has the responsibility to observe the implementation and promotion of human rights in its sphere of influence, and not to become an accomplice in violations of human rights and, implicitly, of the international legislation in force.

Considering the different interests and needs of various groups and players, Petrom sees observance of human rights as a way to balance the interests and needs of all relevant stakeholders, by showing respect towards their cultural values and practices.

Petrom has regulated its responsibilities in the area of human rights through the Human Rights Matrix document. This is complemented by other regulations developed and implemented to fulfil our responsibilities in the area of human rights.

In this context, it is of utmost importance that the increase in awareness, ability development and human rights knowledge process be an integral part of the training programs for all our employees.

An e-learning tool was created in 2011 covering Human Rights matters. This tool is available at the corporate Intranet site, and can be accessed by all Petrom employees, representing a useful method for acquiring knowledge on key Human Rights related subjects as comprised in the Human Rights Matrix and Human Rights Policy adopted by Petrom.

The “Train-the-Trainers” workshop for Petrom Security Personnel, focused on “Security arrangements seen from a human rights perspective”, was organized in 2011. This

workshop was attended by 24 participants, i.e. senior managers from private security companies contracted by Petrom as well as security managers from Petrom. The workshop goals were:

- ▶ Strengthening the human rights approach of Petrom security personnel as well as security contractors
- ▶ Enhancing awareness/knowledge of the security approach in line with human rights
- ▶ Strengthening the capacity to deliver interesting and practical training courses on human rights
- ▶ Improving the capacity to include this approach within the current training programs

An additional workshop on human rights was organized in 2011, for 18 people representing various corporate functions and business divisions, with the following objectives:

- ▶ Getting to know Petrom’s human rights approach (the Human Rights Policy, the Human Rights Matrix and Directive)
- ▶ Understanding the content of human rights and their relevance in the current business context of Petrom

In 2012, we will start a continuous communication campaign aimed at acquainting Petrom’s employees on Human Rights aspects and the way our company applies them.

Business Ethics

Gaining and maintaining the trust of the communities in which we operate is based on honesty and integrity. Consistent with the principles of the Code of Conduct, Petrom promotes business ethics as an integral part of our organizational culture and as an essential component of corporate values. We are aware that each of us represents the whole company and, consequently, is accountable for the integrity and fairness of his or her actions. In this respect, we promote a transparent behavior of our business.

Petrom's corporate directive "Business Ethics" sets forth rules for all employees with respect to existing or potential conflicts of interest, offering or receiving gifts, facilitation payments, and third-party assessment.

As a distinct element reflecting a qualitative change in the business ethics approach we mention management's decision to promote its commitment to the "Zero tolerance for bribery and corruption" policy. The decision has been communicated to all employees by internal newsletter.

In order to raise awareness and provide clear and comprehensive understanding of this regulation, in 2011, we continued the training program involving more than 800 employees. To better tailor the training program we conducted a business ethics survey that included over 3,000 employees. The training program was part of a comprehensive awareness campaign

organized at both central and local level using all communication means available to Petrom. As result of this campaign, an increase of organization maturity in the perception of business ethics matter is evident, reflected by strongly intensified communication between the employees and the compliance function. The document "Conflict of Interest Statement" was signed by around 900 high level managers, thus demonstrating their commitment to ethically treat the potential conflict of interest cases.

From an operational perspective, in 2011 we made available an additional business ethics support tool, the Electronic Register of gifts, which allows consistent reporting of gifts received by Petrom's employees.

With the aim of strengthening the business ethics culture in Petrom, we plan to continue the awareness campaign in 2012 and to undertake various educational actions and ethics-related training courses.

Community Involvement Objectives

Planned for 2011 (and after)	What we did in 2011
Develop programs addressing strategic areas for Romania (environment, education, health) and position Petrom as role model in community involvement	
<ul style="list-style-type: none"> ▶ Support local community development through Andrei's Country projects' competition ▶ Continue planting activities in communities affected by deforestation or landslides with volunteers' involvement ▶ Continue Andrei's School project - promote civic initiative in Romanian schools and finance community projects ▶ Continue 'Access to life' project ▶ Support Romanian civil society ▶ Promote volunteering among company's employees and engage relevant local NGOs 	<ul style="list-style-type: none"> ▶ 250 projects submitted in the competition. 23 projects financed with a total amount of EUR 115,000. ▶ Over 100,000 trees were planted on 21 hectares by over 2,300 volunteers. ▶ Over 9,500 pupils and 900 teachers involved. EUR 55,000 granted for 11 community projects. ▶ Over 9.5 million Romanians benefit from quality emergency medical services (implementation of emergency telemedicine network); sponsorship of 3 ambulances to SMURD. ▶ Implementation of internal campaign promoting the 2% provision in the Fiscal Code ▶ Internal volunteering program implemented – 14 local NGOs involved, over 150 employees engaged as volunteers; over 20 volunteering activities.
Local initiatives for strong communities	
<ul style="list-style-type: none"> ▶ Support education in local Petrom communities ▶ Preventive campaigns for healthy communities ▶ Filling stations – contact points for promoting company's social involvement messages 	<ul style="list-style-type: none"> ▶ EUR 287,150 allocated for the refurbishment of 20 learning units. 19 educational units endowed with computers. Leadership courses organized for 400 students in 10 Petrom communities. ▶ Free ophthalmologic and dental medical checks organized in Schela for over 750 children and 50 adults. 1,344 persons from 31 communities from Dobrogea tested for Hepatitis B and C and HIV. ▶ Eco-camp organized for 100 children of filling stations' employees and volunteering initiatives initiated by employees

What we will do in 2012 (and after)

Maintain top position in social involvement in Romanian business community by addressing relevant issues of the communities and society at large

Capacity building for local communities with a view to facilitating entrepreneurial opportunities

Community involvement

In 2011, Petrom allocated about EUR 4.2 mn for programs supporting the sustainable development of the communities where the company operates and addressing strategic areas concerning Romanian society at large (environment, education and healthcare). At a national level, Petrom maintained its leadership position in social involvement in the Romanian business community and developed programs which addressed strategic areas for sustainable development, becoming a trustworthy partner of the Romanian society.

Main projects for the communities

TaraluiAndrei.ro – Civic initiative, care for the environment and respect for the community we live in are values that we promote through the most important community involvement platform of Petrom – TaraluiAndrei.ro. Monthly, Petrom offers EUR 5,000 grants for 2 solutions related to the problems of Romanian local communities, as part of „YourTown“ (open to the general public) and „Petrom Town“ (open to Petrom employees) competitions. In 2011, over 250 organizations proposed projects for improving various areas in their communities such as environmental protection, healthcare and social causes. In 2011, Petrom financed 23 projects through Andrei's Country, spending a total of EUR 115,000.

In the context of “The International Year of the Forests”, Petrom doubled the number of the tree-planting activities in Andrei's Country, organized annually in spring and autumn. Thus, in 2011, 2,300 volunteers planted 103,000 trees, on 21 hectares in Buzau, Valcea, Bacau, Teleorman, Bihor, Prahova and Dolj Counties. All reforested areas were affected either by landslide or in course of desertification and they have been selected by consulting with local authorities and identifying communities' needs.

In the spirit of our spring tradition, we invited all pupils from elementary schools in Romania to learn about civic involvement in “Andrei's School”- a competition in eco-civic themes. Led by over 900 teachers, 9,554 pupils formed teams, identified various problems of their

communities, proposed solutions for addressing the issues and started to implement them through volunteering activities. At the top of the identified issues was the lack of green spaces (30%), schools' refurbishment and endowment (28%), the lack of promotion of cultural traditions (11%), personal development (8%) and addressing underprivileged social categories (5%). All 362 registered projects in the competition were voted online and evaluated by a jury of specialists (representatives of the non-governmental sector, environmental activists, journalists, etc.). Petrom awarded the first 11 winning teams with EUR 55,000 that will be used for the implementation of the selected projects.

Moreover, the first 400 winning pupils continued school with “Andrei's Country Summer Camp” (in Cheia resort, Prahova County) where they learned about nature and its resources and about how to act responsibly with the vital elements – Air, Water, Fire and Earth.



Andrei's Country Summer Camp - 2011

Access to life – Out of respect for the lives of Romanians and for the company's employee's needs, Petrom started in 2010 and continued in 2011 the “Access to life” platform, which comprises a series of initiatives meant to enable access to quality emergency services for the company's key communities, sharing of know-how and experience between doctors, enhancing the quality of the medical act, promoting and rewarding excellence in the medical field. Through a partnership with the Ministry of Health, Petrom allocated over EUR 450,000 in

the technical equipment necessary to extend the national emergency telemedicine network in Romania with additional 16 medical points (to Floreasca Emergency Hospital in Bucharest). By telemedicine, the doctors in the field receive help in real time from the specialists of Floreasca Emergency Hospital in Bucharest, translated into shortening the time of intervention, establishing a correct diagnosis and, above all, saving human lives. Starting in 2009, the national telemedicine network was extended to 56 hospitals in 19 counties and 9.5 million Romanians have access today to quality emergency medical services. This was possible due to the significant contribution and involvement of Petrom.

As part of the program supporting emergency healthcare, Petrom also sponsored SMURD service, the widest public network for emergency intervention, with 3 ambulances.

In partnership with the PROTV channel, we initiated the campaign "Doctor, you are a hero!" in 2011, promoting medical staff in Romania and excellence in healthcare. Romanians from all over the country submitted over 1,600 stories of doctors and Petrom awarded the 3 finalists with scholarships consisting of a total EUR 23,000.



Access to life project – Hand over of the 3 ambulances to SMURD service

Campaign for the promotion of the 2% provision in the Fiscal Code – Starting with 2008, Petrom has run an annual internal campaign to promote the 2% Provision in the Fiscal Code among company's employees with the aim to support civil society in Romania. The 2% Provision in the

Fiscal Code (Art. 84 from law 571 / 2003) allows the transfer of two percent of income tax to a non-governmental organization (NGO). In 2011, besides the internal communication campaign, we promoted the direct interaction of the employees with non-governmental organizations and facilitated the transfer process. Over 30 non-governmental organizations active in areas such as environment, health, education or social issues presented their programs during a fair organized in Petrom City Headquarters. This way, employees could take a documented decision on the destination of 2% from their income tax. In parallel, a mobile caravan visited other 10 headquarters around the country to offer employees all necessary information on this subject. Following the campaign, over 1,500 employees contributed 2% of their income tax to the development of civil society in Romania.

Volunteering at Petrom – Human resources are a vital component for the sustainable development of a company. This is why volunteering is at the core of Petrom's community involvement programs. Besides timely opportunities for volunteering as part of the programs run by the company, in 2011, declared the European Year of Volunteering, we organized during October 1st – November 12th the first „Volunteering Championship“. This provided Petrom employees with over 20 involvement opportunities hosted by 14 NGOs in 8 counties around Romania (Bacău, Bihor, Constanța, Dolj, Dâmbovița, Gorj, Prahova and Bucharest). Over 150 Petrom colleagues voluntarily got involved and helped solve the social or environmental issues of the communities they live in. At the end of the program, over 90% of the participants decided they will continue this experience by helping the NGOs that hosted them.

To learn the lesson of civic involvement from the best of us, at the end of every year, starting with 2008, in the Annual Meeting of Petrom Management, we reward the most dedicated volunteers through the „Volunteer of the year“ award. In 2011, we awarded team spirit in the category "Petrom Volunteering Champions" which recognizes the best team of volunteers

in the company. Thus, taking into account the number of the volunteering activities the team performed together and the way the team members emphasized their cooperation, we presented the award to a group of 15 people.



"Volunteer of the year" award - 2011

You can be Santa Claus! – Starting with 2008, Petrom developed "You can be Santa Claus!" project through which company's employees had the opportunity to bring joy to the socially disadvantaged children in Romania. In 2011, 441 children coming from families with a difficult social and material status in 8 counties around Romania (Bacau, Buzau, Constanta, Dambovita, Dolj, Prahova, Salaj and Teleorman) wrote letters to Santa Claus asking for simple things which could make them happy and Petrom employees offered them the gifts they wished for. The selection of the above mentioned 441 children was realized with the help of the local teams in Petrom communities and of the NGO Foundation of Community Support in Bacau.



Christmas gifts for children

Local initiatives for strong communities

In 2011, Petrom in partnership with local authorities, suppliers, non-governmental organizations and local volunteers, continued to implement local projects in the communities where the company operates.

Besides the punctual support offered for satisfying the basic needs for a decent life (e.g.: access to drinking water), Petrom contributed to the development of the educational and medical infrastructure and initiated awareness, planting or cleaning campaigns in the areas with biggest needs, at the same time, responding to pressing issues and maintaining a coherent and integrated approach both locally and nationally by investing in strategic domains for community involvement – Environment, Education and Health.

In the educational area, Petrom spent EUR 287,150 on the refurbishment, creation of playgrounds or endowment of over 20 learning units in 8 counties (Arges, Olt, Teleorman, Dambovita, Bacau, Vrancea, Galati and Buzau). 5,847 students and teachers benefited of this support. Thus, informative workshops on issues such as safety, juvenile delinquency, school abandonment and eco-civic behavior have been organized in several local communities.

Together with the Foundation "Ateliere fara frontiere" Petrom sponsored 659 computers, 16 printers and 2 faxes to 19 education units and 2 non-governmental organizations in 19 communities in which the company operates. Over 2,000 students benefit from a modern IT infrastructure.

In partnership with Leaders Foundation, we continued the educational program "Authentic leadership" launched in 2010 aimed at developing the communication, team work and leadership abilities among high school students. The program was implemented with our financial support of 13,000 Euros in 11 high schools located in 10 Petrom communities. 400 students attended the dedicated workshops. Also in 2011, Petrom allocated over EUR 78,000

for the refurbishment of two medical units (health center in Blejesti -Teleorman and „Pediatrics Hospital in Moreni“ – Dambovita) and for building an emergency medical point in Oprisenesti (Braila).

As part of the „Life has priority“ initiative, CERC Schela (Community based resource center founded by Petrom in 2009), over 750 children and 50 adults from Schela and Negrea villages (Galati) benefitted in 2011 of free ophthalmologic and dental medical checks.

Petrom contributed in financing EUR 6,000 toward the activity of “Baylor Black Sea” Foundation, aimed at raising awareness and prevention capacity of Hepatitis B and C and HIV. As part of “the mobile laboratory around Dobrogea” project, 1,344 persons from 31 communities were tested, 93 of them being diagnosed positively.

CSR projects developed in Petrom filling stations communicated the social responsibility message of the company to our customers and other stakeholders. In 2011, a camp on eco-civic themes was organized in Cheia resort (Prahova) for 100 children of Petrom employees working in the filling stations. The project is in its third year of implementation and in 2011 was supported by the company with over EUR 60,000. Besides this common project, the employees from the filling stations voluntarily shared with the community their civic values by organizing two volunteering

initiatives. Thus, on May 29th, representatives of 4 filling stations (employees and the area manager) developed a cleaning activity in Valea Sohodului (Gorj), covering an area of 9 km². In Bucharest, filling station employees spoke to the pupils in School 84 about climate change, the negative impact of greenhouse gases and practical methods through which they can protect the environment.

Recognition

In 2011, Petrom was rewarded for its involvement in community through the following distinctions:

- ▶ Petrom was designated by the online community as being the most involved Romanian company in social responsibility programs (Social responsibility Balance 2011, organized by Responsabilitatesociala.ro)
- ▶ “Silver Award” in the “Internal Communication” category for “Campaign for the promotion of the 2% provision” at PR Award 2011 (competition organized by the NGO Forum for International Communications recognizing excellence in communications of the business community in Romania)
- ▶ “Silver Award” in the “Social responsibility and stakeholder dialogue” category for “Access to life” platform at PR Award 2011
- ▶ Excellence award for “Andrei’s School” program at “Awards for Education Gala” organized by the “Dinu Patriciu” Foundation for “the contribution to the development of the Romanian educational system”

Sustainability indicators

	2010	2011
Financial and operating		
Total hydrocarbons produced (thousand boe per day)	184	186
Total refining input (mn t)	4.15	3.79
Chemicals sales (kt)	109	1
Sales revenues (RON mn)	18,616	22,614
Contributions of OMV Petrom S.A. and its major subsidiaries to Romanian State Budget (RON mn)	7,607	8,381
Dividends paid to shareholders for previous financial year (RON mn)	0	1,003
Wages and salaries (RON mn)	1,836	1,800
Safety ¹		
Fatalities - employees	3	0
Lost workday injury (LWDI) - employees	29	19
Fatality rate (FAR) - employees	6.01	0
Lost time injury rate (LTIR) - employees	0.64	0.47
Lost time injury severity (LTIS) - employees	24.79	28.09
Total reportable injuries rate (TRIR) - employees	0.90	0.74
Fatal commuting accident - employees	0	0
Commuting accident with lost working days - employees	2	5
Fatalities - contractor employees	0	1
Lost workday injury (LWDI) - contractor employees	16	21
Fatality rate (FAR) - contractor employees	0.00	1.73
Lost time injury rate (LTIR) - contractor employees	0.32	0.39
Lost time injury severity (LTIS) - contractor employees	10.76	13.22
Total reportable injuries rate (TRIR) - contractor employees	0.55	0.59
Fatal commuting accident - contractor employees	0	1
Commuting accident with lost working days - contractor employees	2	1
Environment ¹		
Energy consumption (PJ)	50.6	45.44
Water consumption (mn cbm)	39.94	32.51
Groundwater consumption (mn cbm)	16.07	11.29
GHG (direct, scope 1) (mn t CO ₂ equivalent)	4.73	4.28
CO ₂ (mn t)	3.15	2.75
CH ₄ (t)	73,299	70,837
SO ₂ (t)	2,409.5	2,196.9
NO ₂ (t)	140.4	129.5
NO _x (t)	9,338.6	7,459.1
Non-methane-volatile organic compounds (NM-VOC) (t)	3,639.1	2,739.6
Particulate emissions (t)	368.9	343.4
Waste water emissions		
Chemical oxygen demand (COD) (t)	1,256	822
Hydrocarbons (t)	39.62	34.24
Total nitrogen (t)	134.4	57.0
Spills (number)	2,205	1,961
Waste		
Non-hazardous production waste (t)	213,336.9	287,694.2
Hazardous production waste (t)	172,118.5	263,861.4
Total production waste (t)	385,455.4	551,555.6
Employees ²		
Number of employees as of December 31	24,662	22,912
Number of employees in leadership	1,428	1,310
Women in leadership (%)	30	28
People from outside Romania in leadership (%)	1.3	6.7
Dismissals for non-compliance and unethical behavior	20	31
Contribution to communities (RON mn)	18.14	17.80

¹ Safety and environment related indicators are audited by Ernst & Young and exclude Kazakhstan

² Employees are defined as individuals who have a contract of employment with Petrom Group (excluding expatriates)

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