

# HERE AND NOW

THE ENERGY FOR A BETTER LIFE

SUSTAINABILITY REPORT 2017



Making the business profitable is our primary focus.  
 Making it profitable and **Sustainable** is our goal  
 for the **Future**, defined **Now** and **Here**.

## OUR 5 PILLARS OF SUSTAINABILITY



## ABOUT THE REPORT

The OMV Petrom Group Sustainability Report 2017 is the first one to comply with the provisions of **Directive 2014/95/EU**, which refers to the presentation of non-financial and diversity information by certain enterprises and large groups, transposed into national law through **MPF Orders No. 1938 / 2016 and No. 2844/2016**. These orders require OMV Petrom to publish non-financial information at Company and group levels. Thus, the reported information was determined by means of a materiality assessment that took into account the views of the company's key stakeholders, and which is focused on those topics – **environmental, social, employees, respect for human rights, combating corruption and bribery** – that are necessary for understanding the development, performance and market positions of both OMV Petrom S.A. and OMV Petrom Group, as well as the impact of their activities. The risks of the adverse impacts that are presented in the report are linked either to the company's activities or to its supply chain. Furthermore, this report presents and references in the Annual Report 2017, all the legally required information: **a description of the business model; a description of the policies pursued by OMV Petrom in relation to the reported topics and the results; the main risks related to the reported topics and the non-financial performance indicators** specific for OMV Petrom activities.

This report has been prepared in accordance with the **GRI Standards : Core option** and GRI G4 Oil and Gas sector supplement, our commitment to communicate openly to all our stakeholders which are the impacts of our activities on the economy, society and environment and the actions taken to better respond to their expectations. The content of the report reflects our performance on a selection of topics resulted from the materiality analysis carried out at Group level in 2018 and is consistent with the GRI principles for defining report content and quality and the requirements of Directive 2014/95/EU.

The GRI Content Index is an instrument we created in order to map the GRI Standards requirements with the provisions of MPF Order No. 2844/2016. Additionally, in the report, a specific graphic element is used, where necessary, to indicate the information requested by MPF Order No. 2844/2016. All the information disclosed in the report reflects the overall sustainability context in which OMV Petrom operates. This approach follows industry best practice examples and is aligned with IPIECA oil and gas industry guidance on voluntary sustainability reporting and OMV Group Sustainability 2017.

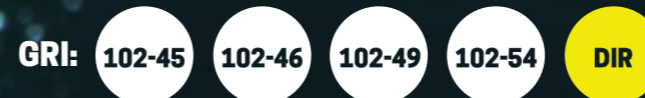
In drafting the report, OMV Petrom has benefited from the support of an external consultant, INNOVA Project Consulting and Graffiti PR for the graphic realization.

*Note: In this report, the terms "the Company", "OMV Petrom", "OMV Petrom Group" and "the Group" are used for convenience where references are made to OMV Petrom S.A. and its subsidiaries in general. (see OMV Petrom Annual Report 2017 pag. 183 - 184)  
 The information presented in this report refers to consolidated results of OMV Petrom Group, excepting the situation is presented different.*

**Reporting period:** January 1st, 2017 – December 31st, 2017  
**Reporting cycle:** Annual. The last Sustainability Report was published in 2017, reporting the results of OMV Petrom SA Sustainability performance of 2016.  
**Date of publication:** June 30th, 2018

**Assurance:** The content of the report has not been audited by a third party through an assurance process. The existence of this report was verified by the Company auditor, Ernst & Young Assurance Services SRL (EY Romania), in conformity with art. 48 of MPF Order No. 2844/2016.  
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**Referent person in charge of Sustainability:** Mona Nicolici, Head of Sustainability.



# HERE for the PRESENT

# and for the FUTURE

## NOW | INDUSTRY AND CONTEXT

For the past years, we have been operating in a dynamic and everchanging environment. We have dealt with constant challenges which have tested our capacity of maintaining an agile business approach, which we have taken on with the responsibility of being one of Romania's biggest companies.

This is the perspective from which we have pursued our objective of providing energy for a better life. Energy to develop the Romanian economy and the Romanian people – from our employees to our communities, small entrepreneurs to large corporations, from families to villages and cities throughout the country.

## HERE | OMV PETROM - THE COMPANY AND BUSINESS PERFORMANCE

2017 represented a year with excellent performance for OMV Petrom, registering a Clean CCS Operating Result of RON 3,273 mn. Upstream and Downstream contributed almost equally to the result, by capitalizing on our integrated business model and the constant interest in innovation, digitalization and the implementation of new technologies.

We have also made notable progress towards achieving our Strategy 2021+ objectives. We have continued to improve competitiveness across all business segments, taking steps in developing growth options and towards regional expansion.

## FUTURE | SUSTAINABILITY VISION

OMV Petrom has a long established tradition as a responsible company. We are committed to creating long-term value while supporting the UN Sustainable Development Goals. Health, Safety, Security and Environmental protection are given top priority in all activities. We implement proactive risk management and aim to reduce our environment impact while managing resources efficiently.

In the last 10 years we have invested EUR 49 million in vocational education, entrepreneurship, environment, infrastructure and volunteering projects, supporting over 100 disadvantaged communities in Romania through our social responsibility platform – Andrei's Country.

I am proud to have played a part in transforming OMV Petrom into a highly profitable, dynamic and responsible company. I welcome Christina Verchere, an exceptional professional joining OMV Petrom, wishing her all the best in successfully steering this great company into the future.

Mariana Gheorghe

## NOW | OUR CHALLENGES

The current global context is more competitive than ever and the energy sector is no exception. Only companies that can adapt will win. For companies in the energy sector, this translates into a significant need and opportunity to rethink the way we operate by being more agile and more efficient in how we work.

Prior to joining the company, I have appreciated that OMV Petrom has established itself as a high achiever in this sense, through years of strategic thinking and strenuous efforts in Romania, as well as the region.

## HERE | CONTINUING THE SUCCESS

OMV Petrom is a robust and internationally competitive company, with a solid legacy for empowering pioneering spirit and performance, as well as team spirit, accountability and passion. These are the aspects that I wish to further promote and share with all our stakeholders in the future.

Looking ahead, for the 2018-2025 period, we will continue to invest in innovation, technology and digitalization – key elements which will prove to be game changers in the way we will conduct business in the future.

## FUTURE | SPREAD SUSTAINABILITY IN BUSINESS AND SOCIETY

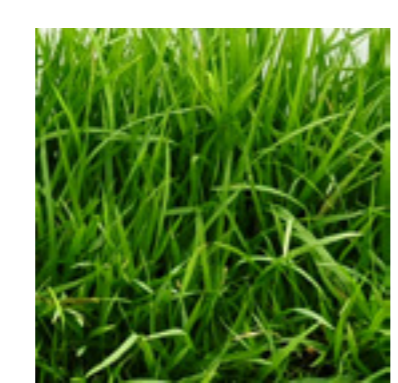
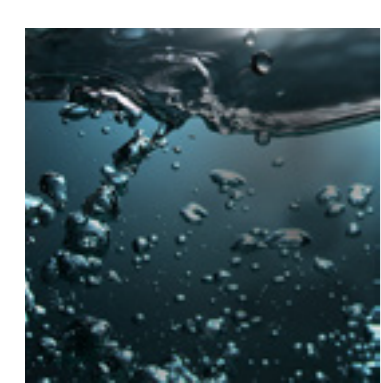
For the upcoming years, we will strive to expand the positive impact and commitment OMV Petrom has taken to act here and now with the future in sight - being an active member in the communities in which we work.

OMV Petrom's Executive Board is fully committed to sustainability, as reflected through our group strategy. In line with it, we will pursue long-term value-creation for our stakeholders, keeping sustainability as an integral part of the DNA of our company.

As the new CEO of OMV Petrom, I am fully engaged with the vision ahead, being committed to work in a sustainable and a responsible manner.

Christina Verchere

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			Business Model and Value Chain	Sustainability Strategy	Health, Safety, Security and Environment	Membership	
			OMV Petrom Group	How we managed sustainability	<ul style="list-style-type: none"> <li>• Health</li> <li>• Safety</li> <li>• Security and Resilience</li> <li>• Environmental Management</li> <li>• Hydrocarbon spills</li> <li>• Water Management</li> </ul>	Abbreviations and Definitions	
			At a Glance	Our public commitments	Carbon Efficiency		
			Corporate Governance	Engaging with our stakeholders	<ul style="list-style-type: none"> <li>• Greenhouse Gases and other air emissions</li> <li>• Energy Efficiency</li> </ul>		
				Defining our priorities	Employees		
					<ul style="list-style-type: none"> <li>• Employment and Skill Development</li> </ul>		
					Business principles and social responsibility		
					<ul style="list-style-type: none"> <li>• Risk Management</li> <li>• Business Ethics and Compliance</li> <li>• Community Relations and Development</li> <li>• Product Responsibility</li> <li>• Human Rights</li> <li>• Supply Chain Management</li> </ul>		
					Innovation		
					<ul style="list-style-type: none"> <li>• Innovation and Technologies</li> </ul>		



# ABOUT THE GROUP

Burcioaia Gas Treatment Plant,  
Vrancea County

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# Upstream



Oil & Gas Exploration



Oil & Gas Production



Oil & Gas Treatment

# Downstream Oil



Refining



Storage



Transportation & Distribution



Sales Activities

# BUSINESS MODEL



# VALUE CHAIN

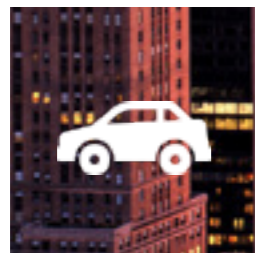
# Downstream Gas



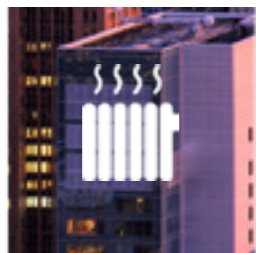
Power Production



Sales Activities



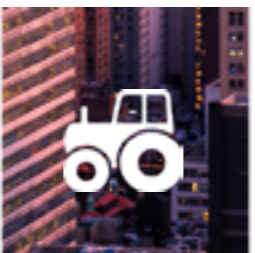
Mobility



Heating



Constructions



Agriculture



Chemicals



Plastics



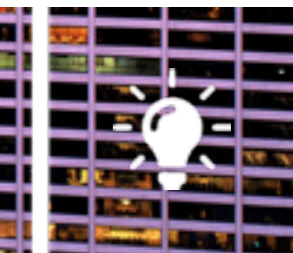
Steel



Pharma



Hospitality



Lighting

# AT A GLANCE

## ECONOMIC

**Capital Expenditures**  
(RON mn)

**2017:**  
**2,969**

2016: 2,575  
2015: 3,895

**Cash flow from operating activities**  
(RON mn)

**2017:**  
**5,954**

2016: 4,454  
2015: 5,283

**Total hydrocarbon**  
(mn boe)

**2017:**  
**61.18**

2016: 63.74  
2015: 65.19

**Profit before taxes**  
(RON mn)

**2017:**  
**2,904**

2016: 1,265  
2015: -726

## ENVIRONMENT

**Energy Consumption**  
(PJ)

**2017:**  
**43.34**

2016: 45.80  
2015: 45.80

**GHG (direct, scope 1)**  
(mnt CO2eq)

**2017:**  
**4.0**

2016: 4.4  
2015: 4.4

**Water withdrawal**  
(mncbm)

**2017:**  
**16.75**

2016: 17.59  
2015: 18.23

**Hydrocarbons vented**  
(T)

**2017:**  
**31,348**

2016: 48,233  
2015: 55,660

**GHG (indirect, scope 2)**  
(mnt CO2eq)

**2017:**  
**0.057**

2016: 0.058  
2015: 0.061

## SOCIAL

**People trained in personal and professional development**

**2017:**  
**3,233**

2016: 5,324  
2015: 2,480

**OMV Petrom Volunteers involved in CSR projects**

**2017:**  
**3,200**

2016: 2,000  
2015: 1,800

**Contribution in communities**  
(EUR mn)

**2017:**  
**2.8**

2016: 4.00  
2015: 4.50

## OMV PETROM GROUP

**OMV Petrom is the largest integrated oil and gas group in Southeastern Europe and the leading industrial company in Romania**

**The Company is organized into three operationally integrated business segments - Upstream, Downstream Oil, and Downstream Gas.**

In the Upstream segment, OMV Petrom is present in Romania and Kazakhstan, with a portfolio of 566 mn boe proved (1P) reserves and hydrocarbon production of around 61 mn boe in 2017 (of which 3.8 mn tons of crude oil and natural gas liquids and 5.2 bn cubic meters of natural gas)

The Downstream Oil portfolio comprises the Petrobrazi refinery which has a refining capacity of 4.5 mn tons per year and can process OMV Petrom's entire Romanian equity crude oil. It also includes a network of 786 filling stations located in Romania, Moldova, Bulgaria, and Serbia. These filling stations are operated using two brands: Petrom and OMV. The Downstream Oil segment generated 5.1 mn tons in refined product sales in 2017, of which 2.7 mn tons were retail sales. The Downstream Gas segment is the Company's sole gas marketing channel, accounting for a sales volume of 51.4 TWh in 2017 (of which 45.3 TWh to third parties).

The Downstream Gas portfolio comprised in 2017 the 860 MW gas-fired power plant Brazi and the 45 MW wind park Dorobantu, which cumulatively generated 2.7 TWh of electricity. At the end of 2017, the wind park Dorobantu sale was finalized in line with the company's strategy of focusing on core activities.

Since its privatization, OMV Petrom has consolidated its position in the oil and gas market following a comprehensive modernization and efficiency enhancement program, backed by investments of more than EUR 13.5 bn over the past 13 years. During this period, OMV Petrom has provided a stable base for Romania's economy as a reliable energy supplier, a major employer, and a significant contributor to the State budget.

In terms of responsibilities, creating value for the customers by increasing their satisfaction and experience has been one of our prime objectives. At the same time, we consider that OMV Petrom is accountable to its employees and the environment must be a priority. To this end, OMV Petrom has worked hard to lower the lost time injury rate and to consistently reduce its greenhouse gas emissions and freshwater withdrawal intensity. All of these for now, for a better life and for the future of energy.

GRI:

102-1

102-2

102-4

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# ECONOMIC PERFORMANCE

(RON mn)	Unit	2017	2016	2015
Profit/(loss) before tax	RON mn	<b>2,904</b>	1,265	-726
Sales <sup>1</sup>	RON mn	<b>19,435</b>	16,647	18,493
Direct economic value generated (DEVG) <sup>2</sup>	RON mn	<b>19,825</b>	17,224	19,076
Economic Value Distributed (EVD) <sup>3</sup>	RON mn	<b>18,170</b>	16,188	20,908
Economic Value Retained	RON mn	<b>1,655</b>	1,036	-1,833

## FINANCIAL ASSISTANCE RECEIVED FROM GOVERNMENT

Tax Relief	RON mn	<b>14</b>	13	17
Tax Credits	RON mn	<b>26</b>	24	28
Investment grants (*)	RON mn	<b>81</b>	203	1

## RESERVES

Total proved reserves as of December 31 <sup>st</sup>	mn boe	<b>566</b>	606	647
Total hydrocarbon production	mn boe	<b>61.18</b>	63.74	65.19
- of which crude oil and NGL production	mn bbl	<b>27.33</b>	29.15	30.43
- of which natural gas production	bcm	<b>5.18</b>	5.29	5.32

<sup>1</sup> Sales excluding petroleum excise tax; restated to reflect the new Income Statement structure

<sup>2</sup> DEVG = net sales, financial revenues (income from at-equity accounted investments and interest income), other operating income and gains from disposal of fixed assets.

<sup>3</sup> EVD = value distributed to stakeholders (suppliers, governments, capital providers, employees, shareholders, society).

\* SOPIEC – Axis II, Title: Increasing the research and development capacity of the Institute of Research and Technological Design Câmpina – OMV Petrom SA.

\* Financing contract for the investment in the Combined Cycle Power Plant located at Brazi.



OMV Petrom is part of the OMV Group, which is also an integrated, international oil and gas player. OMV Aktiengesellschaft, the holding company of the OMV Group and one of Austria's largest listed industrial companies, holds a 51.01% share in OMV Petrom. The Romanian State holds 20.64% of OMV Petrom shares, Fondul Proprietatea\* holds 9.99%, while 18.35% represents the free float traded as shares on the Bucharest Stock Exchange (BSE) and as GDRs on the London Stock Exchange (LSE).

**\* In September 2017, Fondul Proprietatea sold a 2.57% stake in OMV Petrom S.A., which led to a decrease in Fondul Proprietatea's stake and to a similar increase in OMV Petrom's free float.**



# CORPORATE GOVERNANCE

The company's two-tier governance system, consisting of a Supervisory Board and an Executive Board, allows us to carefully examine all material economic, social and environmental aspects that influence our success and the relationship with our stakeholders. The Company adhered to the Corporate Governance Code issued by the Bucharest Stock Exchange in 2010 and continues to apply its principles, ever since then. OMV Petrom complies with almost all of the provisions set forth in the Corporate Governance Code issued by the Bucharest Stock Exchange that entered into force on January 4, 2016.

## Supervisory Board

It is appointed for a 4-year mandate by the GMS, consists of nine non-executive members in 2017, and is in charge of monitoring, supervising and controlling the activity of the Executive Board. Yearly and at least on the occasion of each (re)appointment of the Supervisory Board members, we conduct an independence evaluation based on the independence criteria provided by the Corporate Governance Code, consisting in an individual personal assessment done by the relevant Supervisory Board member, followed by an external assessment.

The Company also has in place a Supervisory Board Self-Evaluation Guideline, providing the purpose, criteria and frequency of such an evaluation of the Supervisory Board. The aim of such evaluation process is to assess and, if necessary, to improve the efficiency and the effectiveness of the Supervisory Board work.

## Executive Board

The Executive Board, appointed for a 4-year mandate by the Supervisory Board, and composed of 5 members in 2017, manages the daily operations of the Company. The Executive Board reports to the Supervisory Board on a regular basis on all relevant issues concerning the course of business, strategy implementation, risk profile and risk management of the Company. In 2017, the Executive Board met in person 56 times and passed resolutions by circulation on 3 other occasions, in order to approve all matters requiring its approval in accordance with the Articles of Association and the Company's internal regulations.

More information about our corporate governance system can be found in the 2017 Annual Report at p. 72-95

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Craftsmen's Camp from  
Andrei's Country

# SUSTAINABILITY STRATEGY

## Sustainability in OMV Petrom

OMV Petrom has become a flexible, efficient and powerful company that is committed to maintaining and consolidating its position of leading integrated company in the region. At the same time, we aim to generate sustainable value and define the road to long-term success.

Sustainability remains an important enabler for the implementation of OMV Petrom Strategy 2021+.

We focus on conducting our business responsibly, efficiently and in an innovative way. We are committed to creating long-term value for the company and our stakeholders, while respecting the environment, supporting the communities in which we operate, and striving to support the UN sustainable development goals.

OMV Petrom aims to embed Sustainability in business and continues recalibrating its Sustainability Strategy, which is consistent with the ever-evolving business development strategy. Therefore, in 2017, a participatory process was carried out at OMV Group for the revision of this strategy.



## Where we concentrate our efforts

Following the outcome of the sustainability strategy review process, five focus areas were defined:



# HOW WE MANAGED SUSTAINABILITY

## OMV Petrom Steering Committee

Implementation of the sustainability strategy is managed and overseen by a robust governance mechanism and a dedicated committee, OMV Petrom Steering Committee, established in 2014. This Committee reports to the Executive Board of OMV Petrom, is led by the company's CEO, and consists of representatives from across the business, as well as key stream leads from Corporate Functions, such as topic owners for strategic sustainability matters. Its main task is to maximize sustainability performance according to the company's corporate

strategy and to develop synergies throughout business units and corporate functions. In 2017, committee meeting topics were related to sustainability reporting and rating indicators, as well as the materiality process for the identification of material topics.

The Committee also acts as a content alignment and approval factor for sustainability projects and is the main body ensuring an overall sustainability planning which is approved by the Executive Board at the beginning of the year.

## Sustainability Department

At corporate level, the Sustainability Department acts as a coordination function for sustainability projects, providing counsel and reporting sustainability-related topics for internal and external stakeholders. Also, the main corporate functions HSSE, Strategy and Investors Relations, Human Resources, Corporate Affairs, Compliance and Procurement, each directly reporting to the Executive Board, are responsible for defining and implementing the sustainability initiatives together with the business divisions.

# OUR PUBLIC COMMITMENTS

OMV Petrom is a signatory to the United Nations (UN) Global Compact through Global Compact Network Romania and is fully committed to the UN Guiding Principles on Business and Human Rights. Also, we continue supporting all Sustainable Development Goals (SDGs) defined in 2015 and prioritized for OMV Petrom in 2016. Our Company Sustainable Strategy and KPIs are defined considering the commitment to SDGs. The information disclosed in the Report for each material topic is correlated with the SDGs relevant for OMV Petrom, expressing our support for their achievement. OMV Petrom recognizes that climate action is one of the most important Global Goals.

Moreover, as part of our environmental strategy, we have joined the World Bank's initiative: "zero routine flaring by 2030".

## Top 5 priority SDGs for OMV Petrom:



## SUSTAINABLE DEVELOPMENT GOALS



# ENGAGING WITH OUR STAKEHOLDERS

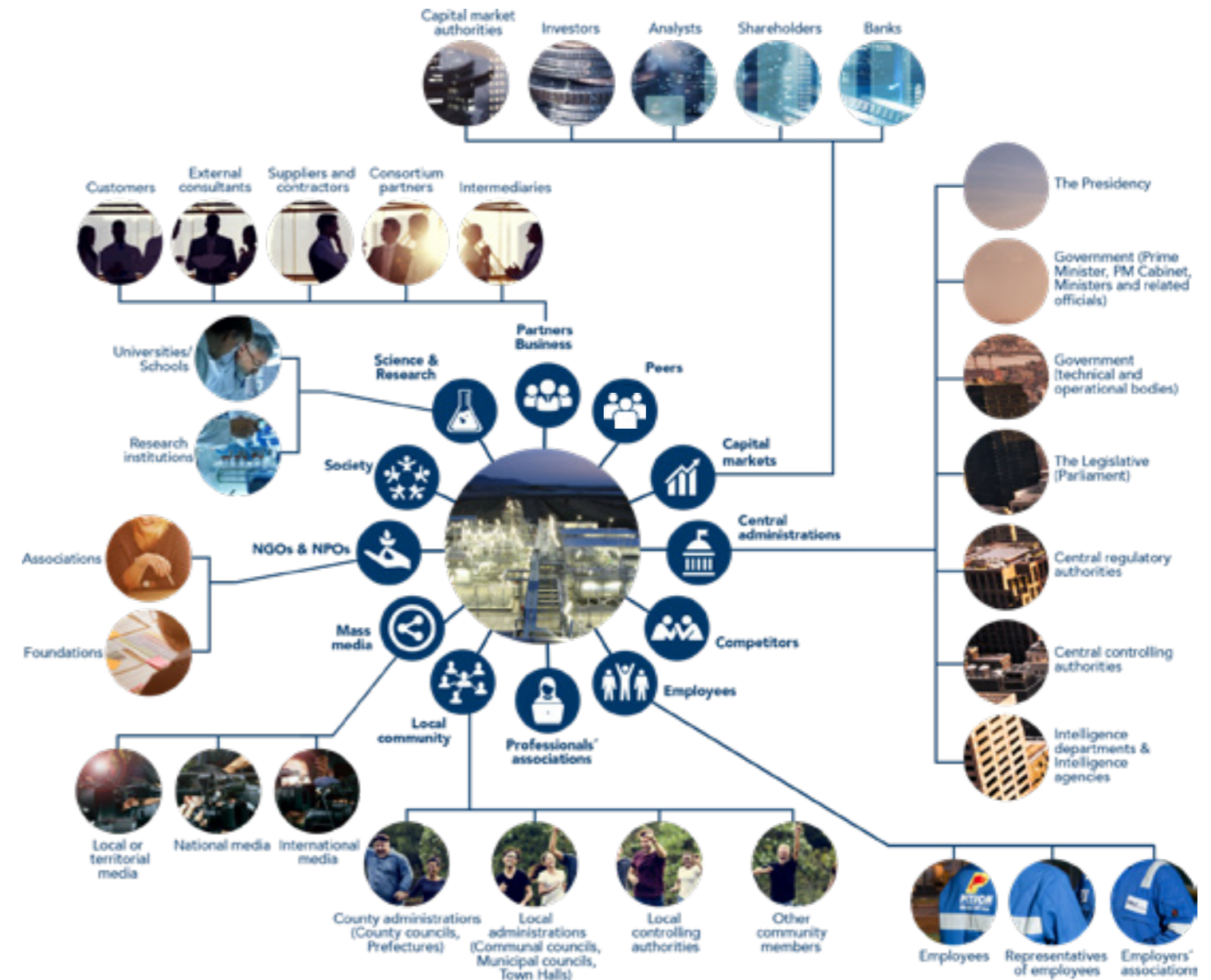
Constant dialogue and active stakeholder engagement is an integrated part of our Sustainability commitment. We aim to develop our business and elaborate action plans that integrate fit-for-purpose solutions to assess and address stakeholder needs at all of our operation sites. Thus, we engage with our stakeholders in a range of win-win situations, always respecting international sustainability frameworks, guidelines and standards, such as:

GRI Standards, the AA1000 Principles Standard and the AA1000 Stakeholder Engagement Standard.

In 2017, as part of the Materiality Assessment process, we held a workshop with employees from all business units and corporate departments in order to identify and prioritize the stakeholders, and to update the 2016 OMV Petrom Stakeholder Map.



# OMV Petrom Stakeholder Map



# DEFINING OUR PRIORITIES

As an important component of our alignment process to the provisions of EU Directive 95/2014, transposed at national level through MPF Order no. 1938/2016 and MPF Order no. 2844/2016, we decided to conduct, for the first time in OMV Petrom, a stand-alone Materiality Assessment. In this context, after the identification and prioritization of our stakeholders, we have implemented a process following these steps:

## Relevant sustainability topics identification:

Conducting a benchmarking analysis, based on specific standards and frameworks (GRI Standards, GRI G4 Oil and Gas sector supplements, IPIECA, Sustainability Accounting Standards Board – SASB, ROBECOSAM Sustainability Yearbook 2017) and peer sustainability reports, for identifying a list of potential relevant sustainability topics for OMV Petrom. The list was then analyzed with internal stakeholders, covering all business segments in order to establish the risks and

opportunities associated with the specific sustainability topics along the OMV Petrom value chain.

## Relevant sustainability topics prioritization:

The list of relevant sustainability topics was prioritized by applying a questionnaire to 322 key internal and external stakeholders, after which 12 internal experts from key functions and 12 external oil&gas experts provided further insight regarding the risks and impacts of OMV Petrom activities on society, economy and environment.

**Materiality Matrix:** In order to establish the non-financial information necessary for understanding the development, performance, position and impact of OMV Petrom's activity, a materiality matrix containing the most important sustainability prioritized topics was created. The topics with the highest priority according to the influence on stakeholders and the significance of economic, environmental and social impacts are:



## OMV PETROM GROUP IMPACTS ON ECONOMY, ENVIRONMENT AND SOCIETY

- |  |                                     |
|--|-------------------------------------|
| 1 Local communities                                      | 8 Hydrocarbon spills                |
| 2 Health, Safety and security                            | 9 Water Management                  |
| 3 Business ethics and anticorruption                     | 10 Employment and skill development |
| 4 GHG and other air emissions                            | 11 Human rights                     |
| 5 Environmental compliance and environmental expenditure | 12 Innovation and technologies      |
| 6 Supply chain management                                | 13 Energy efficiency                |
| 7 Risk management  |                                     |

Following the outcome of the sustainability strategy review process at OMV Group level and the OMV Petrom materiality analysis, the topics with high priority were classified in the below mentioned five focus areas and will be disclosed within the Report:

- |   |                             |  |
|---|-----------------------------|--|
| Health, Safety, Security and Environment (HSSE) | Carbon Efficiency Employees | Business Principles and Social Responsibility Innovation |
|---|-----------------------------|--|

# MATERIAL FOCUS AREAS



Health, Safety, Security and Environment	29
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Business Principle and Social Responsibility	65
Innovation	85

# HEALTH

Our vision is to promote health as an essential value, protected through individual responsibility, but powered by OMV Petrom as a responsible employer

On October 24th 2017, OMV Petrom launched its new HSSE strategy 2021+ which continues to have the same vision at its core:  
**ZERO HARM – NO LOSSES!**



**HSSE**

**FOCUS  
AREAS**

**TARGETS  
ESTABLISHED**

**ACCOMPLISHED  
IN 2017**

- Increase the awareness on health as an asset within the organization through the **Health:ON!** Platform
- Develop and implement a concept of an awareness campaign on stress resilience
- Enhance the individual and work-related health risk assessment (screenings, screenings calendar, Health Monitor)

- Increase in the number of **Passport for Health** campaign participants (compared to last year): 1,800 employees have submitted valid passports
- **“Win Health: ON!”** contest held in Petrobrazi with over 120 participants from all BDs
- Delivery of stress resilience modules to blue collar team leaders, to HQ management and to white collar employees
- Preventive screenings calendar and Health Monitor launched
- Over 29,000 screenings performed by PetroMed





Guaranteeing our employees a working environment that protects their physical and mental well-being is an essential part of our HSSE Policy. In order to reduce health risks, we have implemented, throughout the group, high healthcare standards and health promotion campaigns, and we have also started conducting assessments systematically.

## Health Management Department

A dedicated Health Management Department, within the Corporate HSSE Department, is responsible for developing the Health Strategy and the integration of health services, as well as for managing all health issues. At group level, each year, different health initiatives are implemented in order to provide our employees with sustainable health services by maintaining a comprehensive and integrated health offer, adjusted to our employees' and business needs.

## Health:ON! platform

The Health:ON! platform, launched in 2014, is an online platform that integrates all health programs offered by OMV Petrom. All our employees have free access to the platform, on which they can join the company's health programs. The Health:ON! platform has a key role in supporting our vision – to build a stronger health culture on all company levels and to promote a change in the attitude of our employees: from consumer to co-producer of health and well-being, focusing on maintaining and promoting personal health.

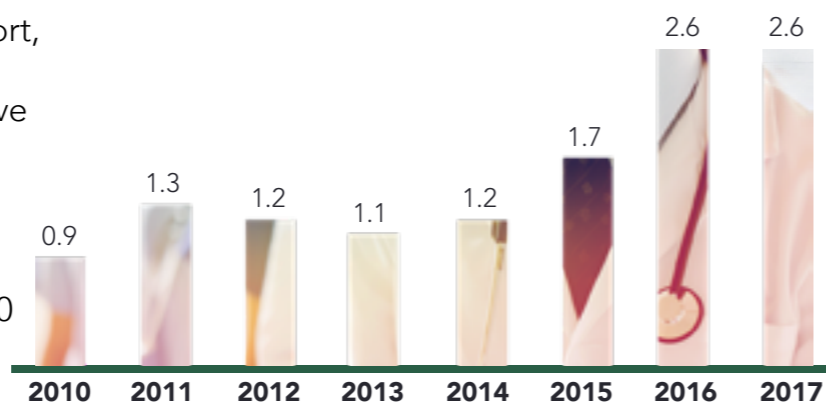


## PetroMed

We have an in-house provider – PetroMed, responsible for the delivery of operative Health

Services, through a network of 24 workplace clinics. The PetroMed services consist mainly of legally required occupational health examinations, general medicine consultations, medical emergency support, as well as preventive medicine consultations. Over the past years, we have increased the number of preventive medicine consultations, providing our employees with specific screenings (e.g. cardiovascular, hepatic, diabetes) and vaccination campaigns. In 2017 over 1,600 employees were investigated for early detection of heart failure.

**Preventing consultation ratio  
(number of consultation/employee/year)**

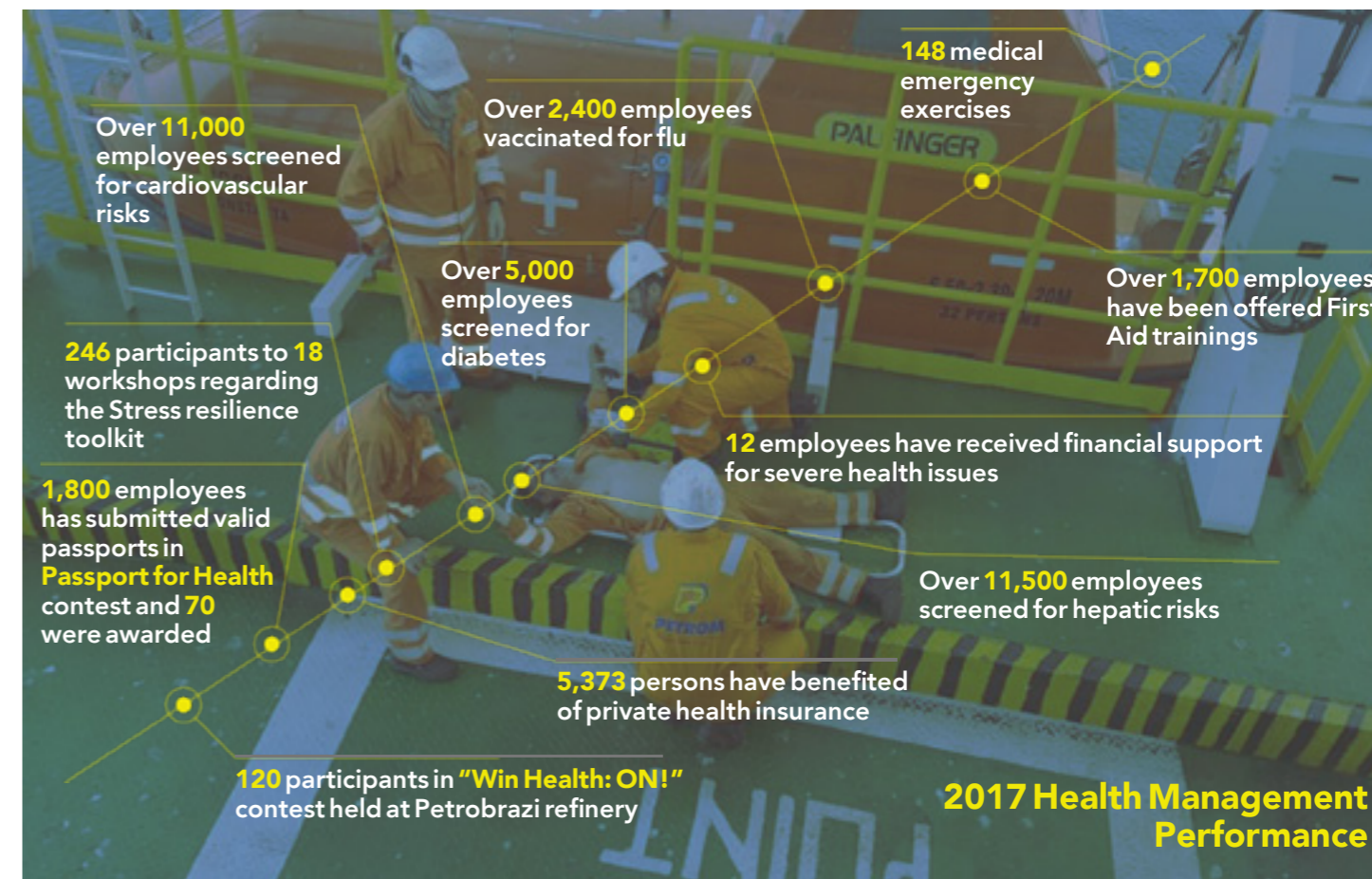


## Health Benefits

In addition to PetroMed services, other significant health benefits offered to our employees are: health promotion and awareness campaigns, private health insurance for employees and their families, discounted medical subscriptions at the main private medical networks, financial support offered through a Maecenas grant to employees or family members with severe health issues.

## Health Surveys

In order to continuously improve our Health Offer, we are rolling out Health Surveys every two years to measure our employees' health literacy and their perception of the company's health offer. Moreover, PetroMed conducts an annual assessment of customer satisfaction of health services.



## Collaboration with external stakeholders

In 2017, as representatives in the Foreign Investors Council (FIC) Healthcare taskforce, we have contributed to the finalization of the Healthcare Chapter of the FIC White Book 2017. Furthermore, we attended, together with governmental and presidential representatives (Ministry of Health, Senate, Chamber of Deputies, Presidency) and other main public, private and NGO stakeholders of the Romanian Healthcare System, the "Healthcare as an investment, from cost to social efficiency" workshop, held within the Aspen Institute Healthcare Program.

## WHAT WE WILL DO IN 2018

- Increase the awareness within the organization on health as an asset via the Health:On! platform (i.e. Passport for Health campaign)
- Roll out Screenings in PetroMed according to risk inclusion criteria: cardiovascular, hepatic, diabetes, thyroid dysfunction, prostatic cancer
- Ensure sustainable health services and benefits provided to the employees: efficient renewal and implementation of the Private health insurance program
- Updated PetroMed clinics audit program, according to the new version of the Health Standard

# SAFETY

Build on sustainable safety for people and plants. Embrace transformation through a robust safety culture



**TARGETS ESTABLISHED**

- Enhance **safety culture** through specific OMV Petrom initiatives and plans, aiming to achieve a higher safety maturity level
- Enhance the formal system for **identification and management of Major Accidents Hazards** and minimum performance criteria for critical risk controls
- Review, simplify and modernize the **internal safety regulations**: develop a new Contractor HSSE management regulation
- Provide resources for **safety awareness campaigns**, with focus on encouraging the bottom-up dialogue and reporting, as well as promoting the concepts of **“Take Safety at home”** and **“Accidents can be prevented”**

**ACCOMPLISHED IN 2017**

- **Safety culture** promotion and improvement through dedicated campaigns: **“Ask! Your safety is important!”**, **“Would you intervene?”**, which covered more than 12,500 operational staff members and contractors, as well as through tailored trainings in Upstream, follow-up visits and SCAN Diagnostics for OMV Petrom employees and high-risk contractors
- Verified the implementation status of four selected **OMV Petrom safety regulations**: Pre-Startup Safety Review, Personnel Transportation, Hazardous Substances Management, Contractor HSSE Management



## Management approach to safety

In line with our **“Zero Harm – No Losses”** vision, our safety management system enables us to comply with regulations and, where laws and regulations do not exist, the system provides a framework for ensuring high safety standards in all our activities. Along our entire value chain, our safety regulations provide the foundation for managing the safety risks which are identified, collected, evaluated and monitored, together with the appropriate mitigation measures, through the OMV Petrom Enterprise Wide Risk Management (EWRM) process.

### Safety Performance Indicators

	2017	2016	2015
<b>OMV PETROM EMPLOYEES</b>			
Fatalities	0	1	1
Lost workday injuries	4	6	6
Lost work days	242	490	548
Lost-Time Injury Rate (LTIR) per one mn hours worked	0.15	0.25	0.23
Total Recordable Injury Rate (TRIR) per one mn hours worked	0.61	0.6	0.5
<b>CONTRACTORS</b>			
Fatalities	0	0	0
Lost workday injuries	8	10	7
Lost work days	410	400	589
Lost-Time Injury Rate (LTIR) per one mn hours worked	0.19	0.19	0.13
Total Recordable Injury Rate (TRIR) per one mn hours worked	0.39	0.33	0.31
<b>COMBINED (OMV PETROM EMPLOYEES AND CONTRACTORS)</b>			
Lost-Time Injury Rate (LTIR) per one mn hours worked	0.17	0.21	0.16
Total Recordable Injury Rate (TRIR) per one mn hours worked	0.48	0.43	0.38

## Reporting, Investigation and Classification of Incidents

A new Reporting, Investigation and Classification of Incidents standard was issued in 2017. This new version integrates the lessons learned from monitoring the actions defined to prevent the occurrence of severe incidents or incidents with high potential, as well as the results of the audits performed by external experts in 2016.

In Upstream, the investigation process has been improved by involving more technical experts, in an effort to better understand and address the root causes of technically complex incidents. Interdisciplinary teams have identified the right leading safety KPIs to prevent incidents. As an example, two of these KPIs are related to blowout prevention and focus on the drilling personnel preparedness for well control situations and the drilling well barrier status. The KPIs will be monitored and steered starting with 2018.



## Safety Internal Evaluation

In 2017, we conducted an internal evaluation with the objective to perform a gap analysis between the requirements of the internal standards of Hazardous Substances Management, Pre-Start-up Safety Review, Personnel Transportation and Contractor HSSE Management and their current application and to identify improvements for these standards.

The evaluation was performed through 20 interviews with personnel from HQ and 7 audits in Upstream and Downstream operations to check the effective implementation of the regulations. Where necessary, the improvements of the audited standards are addressed through a review process, as for example the reshape of the entire Contractor HSSE management package that will be performed in 2018 and which is part of the 2021+ OMV Petrom HSSE Strategy.

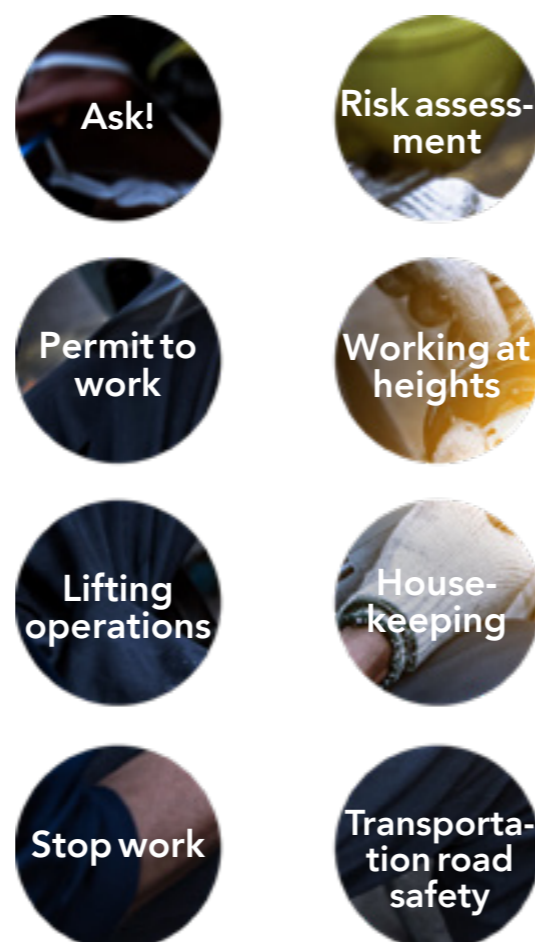
## Occupational Safety Initiatives

“Safer together”, the Safety Culture program, which started in 2014, is designed to support us to proactively think on our actions and decisions in order to create a safer working environment. Following the results of the previous two years’ implementation, new actions were deployed in 2017, such as the 7 follow-up visits and management action plan reviews performed in Upstream Onshore Assets, the inclusion of Asset 10 offshore organization and CEO/CFO functions in the program, as well as the evaluation and field observations at 30 filling stations of the OMV Petrom Marketing (OPM) business unit. A total of 415 supervisors and blue collars were trained via the Upstream multipliers network. In two selected sites, one from each division, a new safety culture assessment was performed by a third party, called “Rapid Diagnostic”, which included a Safety Perception Survey applied to all levels of top management and interviews with the local management of Upstream and Downstream divisions.

## Safety Culture Campaigns

The promotion of this safety culture program was supported by the “positive intervention” campaign “Would you Intervene?” which was developed in Downstream with the slogan “watch out – speak up” and rolled out throughout the entire company with the campaign “Ask! Your safety is important”. These campaigns had the common objective to support our employees when in doubt about safety behaviour. A launch workshop was held at OMV Petrom HQ with 120 participants, with the involvement of all Executive Board members, their direct reports and level 2 management. The event was transmitted live in operations. The “Ask! Your safety is important” campaign was continued in Upstream operations through 308 local workshops involving 4,300 operational staff and it was conducted by line management. In Downstream Oil, 120 similar workshops were held, involving 950 OMV Petrom employees and 7,140 contractor employees.

### The Golden Rules



The new “Home Office” work instruction have been developed, approved and published on the REAL platform (dedicated for OMV Petrom regulations), and can be accessed by all business divisions.

In 2017, a new management walk-around approach was implemented in Upstream and Downstream, stressing the importance of paying greater attention to behaviour and dialogue. In Upstream, audits and spot checks of high risk activities were conducted, especially activities that had caused severe incidents in the past, in order to identify the main strengths, as well as the weaknesses to be addressed in solid action programs.

In Downstream, we focused on creating a constructive dialogue with the working teams about the hazards related to their activities and to review the biggest risks in the individual business units. Furthermore, in 2017, the positive intervention campaign allowed us to hold trainings for OMV Petrom employees and contractors.

In Downstream Business Unit Refining the comprehensive Safety Improvement Program “7 Safety Actions”, launched the previous year, continued in 2017, and most of the activities will be kept on as part of the regular HSSE plans.

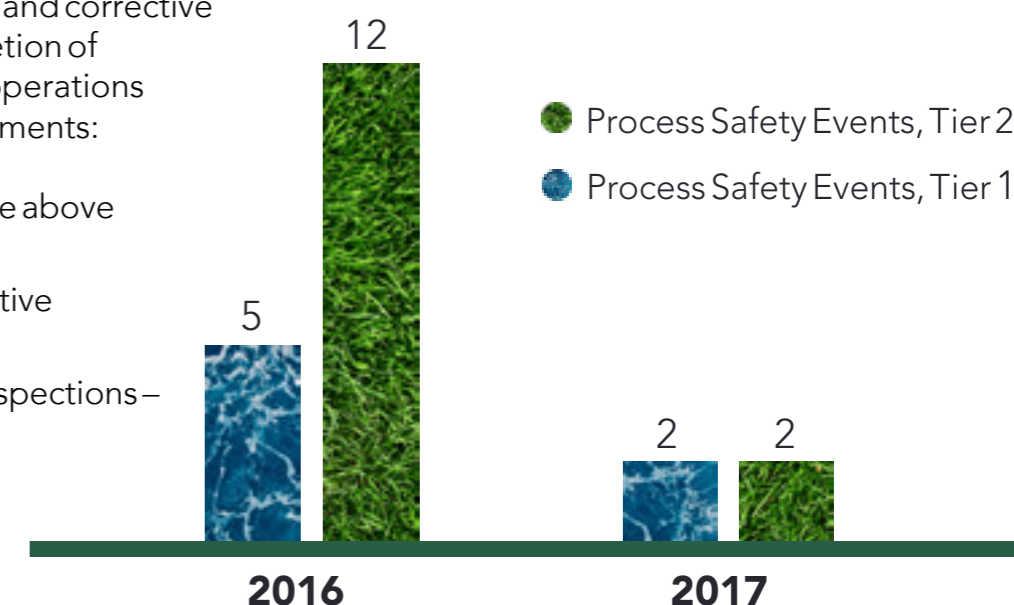
Within the Company, for each divisional work point, there is a Health and Safety Committee that consists of the employer or its legal representative, employees with health and safety roles, workers' representatives with specific responsibilities in the field of health and safety and the Doctor of Labor Medicine. The Committee works to identify improvements for employees' health and safety.

## Process Safety and Integrity

In Upstream, the focus was on monitoring the maintenance of critical safety elements, the ratio between preventive and corrective maintenance and the completion of regulatory inspections. Our operations achieved significant improvements:

- completed work orders were above 99,91%,
- ratio of preventive to corrective maintenance is over 75%
- completion of regulatory inspections – almost 99,5%.

### Process Safety Events



As part of the technical assurance program, a number of Operational Integrity Assessments and technical assurance reviews were conducted to ensure that our facility integrity programs are effective. The Barrier Model risk assessment tool was also rolled out to all of the assets in 2017, providing a standardized risk assessment tool to our field locations. Over 300 people were trained in using this risk assessment tool, which will provide the basis for our standardized Integrity Portfolio.

The process safety KPI's to monitor performance such as the number of overdue critical safety maintenance events and the number of process safety Tier 1 and Tier 2 events have also been fully implemented. By using both leading and lagging indicators for process safety, we can monitor our process safety performance.

For improving the personnel awareness on Process Safety, computer-based training modules were again provided, which ensured accessible training on topics such as hydrogen sulphide awareness, risk assessments and pipeline pigging.

In Downstream, the monitoring of an alternative set of predictive leading process safety KPIs continued in 2017. Lessons learnt from accidents are communicated to business. The 12 CCPS (Chemical Centre of PS) Beacon and 2 materials regarding the lessons learnt from major accidents were developed and provided to business.

In 2017, OMV Petrom continued to enhance the pipeline GIS system which is the basis for our Pipeline Integrity Management program. The amount of pipeline data within the system continues to grow and additional pipeline information will continue to be added to the system. The Pipeline Integrity Management system provides dynamic risk profiles along the pipeline route that aids in risk prioritization and risk reduction.

The HAZOP (Hazard and Operability) program continued in 2017 with 40 additional HAZOPs being completed, which resulted in a total of 163 facilities completed and 40 more to be completed in 2018. In line with this project was a review and update of all the required technical documentation.



## Contractor's Safety

Our partners' safety culture is as important as ours, especially when their activity interferes with our activity on a daily basis. In 2017, we planned and achieved safety culture evaluations and launched workshops at 7 of the main high-risk maintenance contractors that deliver services to Upstream and Downstream divisions. In order to collaborate only with those contractors that meet our safety standards, we have implemented a standardized process for the pre-qualification of contractors, which consists of a generic HSSE risk assessment aiming to associate the contract with a level of risk and with a pre-qualification form

(i.e. high, medium or low risk Contractors). In Upstream, we have implemented a tool for tracking the basic information update of the contracts including the HSSE performance of contractors. This information is to be provided by each audit leader that conducts a HSSE Management System audit. We have included the contractors' sites in our HSSE audit program.

In Downstream, the enhanced activities in the contractors' management were also supported by regular service quality meetings, as well as by joint safety walk-arounds with senior management of the contracting companies.

## Road Safety

Considering our high exposure to traffic hazards and country-specific challenges, in 2017 we carried out a Road Safety campaign for seatbelt use in commuting busses (10,000 stickers and more than 300 spot-checks). Upon the identification of the need for safety training refreshment at personnel transportation contractors, we conducted 1 safety performance review workshop with the top management of these contractors and with the contract holders from OMV Petrom (CREM Fleet Management).

## WHAT WE WILL DO IN 2018

- Continue to enhance the Safety Culture Program through specific OMV Petrom initiatives and plans
- Continue awareness campaigns under safety culture topics focusing on encouraging: Bottom-up dialogue and reporting, "Take Safety home", "Accidents can be prevented"
- Continue the legal compliance evaluation at operational level, in order to achieve a better performance and to identify opportunities to apply the best practices in the industry
- Review, simplify and modernize HSSE requirements, starting with the Contractors' management regulation
- Enhance the formal system for the identification and management of Major Accidents Hazards and minimum performance criteria for critical risk controls
- Cross divisional workshop to share the Process Safety experience, lessons learned and best practices among OMV Petrom business divisions with our internal stakeholders
- Continue the HAZOP and technical documentation project with 40 other newly-selected facilities
- Continue the Operational Integrity Assessment program and Electrical Integrity Assessment project in order to identify and assess the high risk electrical equipment

# SECURITY AND RESILIENCE

Protecting people, assets, operations and reputation against emerging malicious and/or intentional threats



**TARGETS ESTABLISHED**

- Obtaining the Quality Management System certification according to ISO 9001:2015 requirements
- Embedding new technologies into Security Operations

**ACCOMPLISHED IN 2017**

- Quality Management System Certification was obtained
- 120 locations from Upstream were identified as suitable for installing technical systems, as the basis for an increased guarding effectiveness by remote control and for the quick response of security patrols



## Management approach

Throughout OMV Petrom, security and resilience activities are overseen by the Security and Resilience Department, responsible for designing and implementing processes, regulations and tools to protect people, assets, information and reputation from malicious and/or intentional threats across the entire company. The department consists of the Security Team, which ensures the integration of the best security practices at OMV Petrom, and the Resilience Team, which enables the effective recovery of operations and the preservation of the OMV Petrom brand value in case of a significant incident.

We periodically conduct **Security Risk Assessments (SRA)** that allow us to identify and manage security issues. This assessment helps identify and classify risks per location and allows the Security Team to evaluate the current mitigation measures in place and to make the necessary adjustments. In 2017, 14 HQ & field staff members were certified as Risk Assessors and enrolled in the National Police Registry. The Risk Assessors will cover over 3,000 countrywide and cross-divisional objectives.

In 2017, the OMV Petrom Group Security & Resilience organization obtained the Quality Management System Certification, in accordance with **ISO 9001:2015 requirements**. The certification audit, conducted by Lloyd's Register Quality Assurance, was concluded without any nonconformities or improvement recommendations.



**CERTIFICATE OF APPROVAL**

This is to certify that the Quality Management System of:

**OMV PETROM S.A. –  
Security & Resilience Department  
22 Coralilor St., Petrom City, 1 District, Bucharest  
Romania**

has been approved by Lloyd's Register Quality Assurance to the following Quality Management System Standards:

**ISO 9001:2015 EN ISO 9001:2015  
SR EN ISO 9001:2015**

The Quality Management System is applicable to:

**Provision of Security and Resilience services for OMV  
Petrom Corporate and Business Divisions.**

Approval Certificate No: BUC6048382      Original Approval: 20 February 2017  
Current Certificate: 20 February 2017  
Certificate Expiry: 19 February 2020



To ensure the smooth implementation of the technical security measures identified following the security risk assessments, an Integrated Security Systems framework was developed to consolidate purchasing and maintenance practices for security systems in OMV Petrom. In the Upstream division, this resulted in an innovative project that embedded new technologies (including drones, intrusion detection, access control and CCTV) into security operations, requiring an investment of EUR 1.56 million.

Furthermore, in 2017, vulnerability assessments were performed in Upstream operational processes, ranked as top priorities by Asset Managers. As such, 3 teams reviewed the processes, conducted on-site interviews and operational tests, and proposed mitigation measures for the identified shortcomings.



Security contractor activities are monitored on a regular basis and plans are reviewed and updated monthly. Each Security contractor is also subject to a regular audit by the Security team and any non-conformities that are identified are subject to positive action over an appropriate timeframe.

The Resilience team plans and facilitates annual exercises with the objective to identify areas of development, and issues reports at the end of each exercise listing the actions needed to ensure continuous improvement.



In addition to the annual Crisis Management Exercise developed for the major offshore accident scenario, in 2017 OMV Petrom hosted a joint offshore exercise that gathered all the military forces of the National System of Defence in case of a terrorist attack. It was the first exercise at such a large scale in Romania, and proved to be a good opportunity to draw up recommendations for improvement.

## WHAT WE WILL DO IN 2018

- Increase employees' security and resilience awareness level, through dedicated campaigns targeting the operational management community and staff, and by conveying internal communication messages (i.e. earthquake and fire safety)
- Identify opportunities for implementing innovative software and technologies, in order to increase resilience and security efficiency, and enhance the services and products in place for ensuring the appropriate response in the rapidly-changing threat environment
- Continuously improve the organizational resilience aiming to build capacity to respond to, and recover from situations that go beyond operational disruptions

# ENVIRONMENTAL MANAGEMENT

Our objective is to minimize our environmental footprint throughout the entire lifecycle



**TARGETS ESTABLISHED**

- Monitor the Environmental Risk Assessments in operation
- Systematically monitor and report on water and waste performance
- Embed biodiversity values into our business

**ACCOMPLISHED IN 2017**

- Reviewed the Environmental Risk Assessment Registers and followed up on implementing measures for risk reduction
- Developed Reports on Water and Waste Management
- Carried out Biodiversity Screening Study at OMV Petrom level



## Environmental Management System

Throughout OMV Petrom, we have implemented an Environmental Management System that allows us to minimize our environmental impact along our entire value chain, particularly in the areas of oil spills, waste, energy efficiency, GHG emissions and water management. Our operations are required to maintain an environmental management system in accordance with ISO 14001. Moreover, we constantly monitor and report our environmental performance through specific KPIs.

In 2017, the following business operations held certification in accordance with ISO 14001:

- OMV Petrom S.A., Maintenance and Logistics activity in Upstream, as well as Maintenance, Gas Pipeline Management system;
- OMV Petrom S.A., Refining Business Unit;
- OMV Petrom Marketing S.R.L. in OMV - branded Filling Stations;
- OMV Petrom S.A., Supply, Marketing and Trading activity;
- OMV Petrom Gas S.R.L.

## Promote environmental culture

In order to promote the environmental culture, we held the 3rd edition of the yearly Program **“Shaping environmental values through performance”** Program, which was initiated in 2014, on the occasion of the World Environmental Day, program which was initiated in 2014. This conveyed key messages to raise environmental awareness and awarded the best environmental performers across the company.

## Environmental Risks and Opportunities

According to our OMV Petrom’s EWRM, we constantly monitor and manage the possible environmental risks of regulatory, operational, reputational and financial drivers. The control and mitigation of identified and assessed risks are based on all organizational levels by using clearly defined risk policies and responsibilities. We assess the operational environmental aspects, impacts and risks at asset level, in a bottom-up process, using a standardized framework and Environmental Risk Assessment Methodology. The framework meets ISO 14001 requirements and ensures the consistent qualitative assessment of operational risks and impacts related to the environment. The resulting environmental risk register includes information on existing controls of environmental risks, as well as further actions required.

**Best environmental practices in the construction of the Bacău Terminal at OMV Petrom Aviation**

In 2017, OMV Petrom Aviation finalized the construction of a new terminal for aviation fuel in Bacău international airport, with a total storage capacity of 100 m3. The investment amounted to more than EUR 350,000 and led to minimizing the environmental impact by applying the best available practices, including tank bunds made of impervious concrete, hydrocarbon separators with coalescence filters for potential tank spills, waste water treatment system.

## Environmental compliance and environmental expenditures

In 2017, by following the international guidelines of the Environmental Management Accounting (EMA) methodology, our total environmental costs (accounting for environmental protection expenditure, including depreciation and environmental investments for assets put into operation) amounted to EUR 179.49 mn (2016: EUR 206.86 mn). According to the EMA approach, the environmental investments for assets put into operation in 2017 totalled EUR 29.39 mn (2016: 43.09 mn).



In 2017, we paid EUR0.076 mn in fines and penalties (2016: EUR0.078 mn). These sanctions were a consequence of environmental incidents, including spills and threshold limit value exceedances for discharging pollutants into the environment.

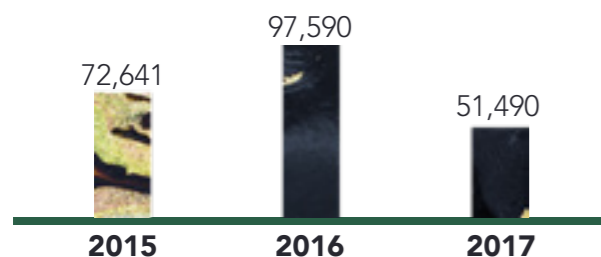
Environmental expenditure (mn EUR)	2017	2016	2015
Environmental protection expenditure, excluding depreciation	<b>103.69</b>	105.43	109.9
Environmental protection expenditure, excluding depreciation	<b>29.39</b>	43.09	79.68

When reporting on environmental costs and investments, OMV Petrom group uses the Environmental Management Accounting (EMA) methodology developed by International Federation of Accountants (IFAC)

### Number of hydrocarbon spills



### Spills Volume (liters)



## Hydrocarbon spills

Oil Spills are a critical environmental issue for our industry. We concentrate our efforts to consolidate our infrastructure in order to reduce the number of spills on a yearly basis.

In 2017, we had no significant oil spills. The total number of spills increased by 13% to 2,375 (2016: 2,105) mainly due to corrosion of aging infrastructure. Total hydrocarbon spillage decreased by 47% to 51,490 litres (2016: 97,590 litres).

We continued to perform emergency drills, including pollution scenarios, in order to strengthen our response and reduce the environmental impact of oil spills.

## Water Management

### Water Management Plans

We implement, at all operated sites, our Water Management Plans aiming to reduce our water withdrawal as well as the impacts of our operations, while also working to improve our water efficiency. Reduction targets were established for 70% of the sites and all the relevant sites across our company are subject to regular monitoring and reporting. Furthermore, we conduct high-level water-related risk screening every five years, as well as Quarterly and Annual Monitoring of Water Withdrawal Intensity.

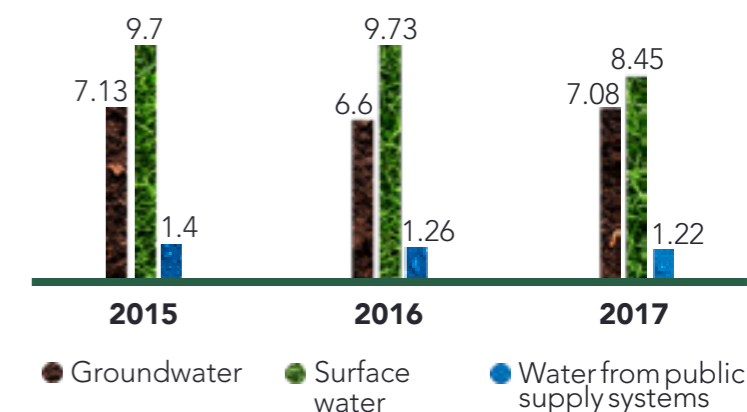
Freshwater withdrawal intensity	Unit	2017	2016	2015
Freshwater Intensity Upstream	cbm/toe	<b>0.71</b>	0.71	0.82
Freshwater Intensity Downstream Oil, excludes Power Plants	cbm/t throughput	<b>1.74</b>	1.82	1.88
Freshwater Intensity Power Plants	cbm/MWh	<b>1.04</b>	1.12	1.18
Freshwater Intensity Index Petrom*	%	<b>-3.3</b>	-6.2	-15.9

\* Weighted average of Freshwater Withdrawal Intensity variations from Business Divisions

## Water Performance

In 2017, our total Water Withdrawal decreased by 58% compared to 2010, and by 4.8% compared to 2016. We withdrew 16.75 mn m<sup>3</sup> of water (2016: 17.59 mn m<sup>3</sup> and 2015: 18.23 mn m<sup>3</sup>), out of which 42% was groundwater and 2015: 18.23 mn cm. We were successful in further achieving an overall reduction of Freshwater Intensity of 3.3% in 2017 vs. 2016 (6.2% in 2016 vs. 2015). This was based on a Freshwater Intensity reduction of 4.7% in Downstream Oil (excluding Power Plants) and of 7.5% in Power Plants (CCPP Brazi, OMV Petrom City Power Plant). The Freshwater Intensity in Upstream was relatively stable, slightly increasing by 0.3%.

### Water withdrawal by source (mn cbm)



In Upstream, we continued to optimize fresh water supply systems (Asset 6 Muntenia Central and Asset 8 Moldova Nord), downsize parks / facility modernization (Asset 7 Muntenia Est, Asset 8 Moldova Nord PEC Timi and PEC icleni) and carry out maintenance and repairs to reduce water losses (PEC icleni). For example, in Asset 8 Moldova Nord the following measures were implemented:

- Park 2V sie ti underwent a water supply optimization process that consisted of the replacement of an old Water Station and its leaking water pipeline with a Water Well equipped with a new pipeline and automated water pumping system
- Park 7 Sarma ian and Park 817 Luc ce ti were downsized to production skids, thus water use in the new facilities was discontinued as crude oil heating is now electrical
- Water Stations Foale, Modâr z u and

Luc ce ti were modernized by replacing the old, leaking and energy-intensive water pumps with new, automated water pumps

- Freshwater Injection Stations (90 Hum rie and 1712 Tasbuga) were modernized by upgrading the pumping and distribution systems
- Freshwater Injection Distributors (1644 Chiliz Vest, 1608 Chiliz Vest, 15 Modâr z u and 5 Hum rie) were revamped in terms of water tightness by undergoing maintenance and corrosion protection operations.

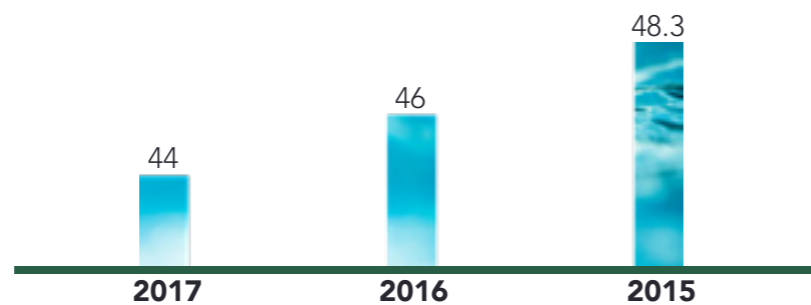




In 2017, our Upstream operations generated 44 mn m<sup>3</sup> of formation water (2016: 46 mn<sup>3</sup>) - a by-product of oil and gas production. Following treatment, over 94% of it was reinjected in the underground. The remainder was treated and discharged into surface water bodies, in accordance with the provisions of our environmental permits.

In Downstream, the Petrobrazi Refinery maintained its lowest Freshwater Intensity in the past years as a result of the previously implemented projects (e.g. recovering condensate, upgrading steam tracer batteries, reducing purges and optimizing the drinking water network).

Value of formation water (mn cbm)



Waste water emissions (t)	2017	2016	2015
Chemical oxygen demand (COD)	665	598	512
Hydrocarbons	13.5	13	11.8
Total nitrogen	36	38	11

### New water treatment plant

The new water treatment plant at Suplacu de Barcău oil field in Upstream was finalized and put into operation in 2017 with a total investment of around EUR 20 mil. The plant processes the water resulting from the crude oil extraction process of the Asset Suplacu. This new plant is fitted with physical, chemical and biological treatment units, and with an activated carbon filtration system for water polishing before discharge into Barcău River. The plant's capacity is 8,000 cm<sup>3</sup>/day, which fully covers the production asset's needs. The quality of treated wastewater improved notably by high reductions in contaminants load of the discharge. For example, on average, hydrocarbon content decreased by 80%, phenols by 85%, extractible substances by 40%, and Biological Oxygen Demand (BOD5) by 90%.



## Waste Management

We mainly produce solid and liquid wastes, including oily sludge, waste chemicals, spent catalysts and construction debris. In 2017, we continued to implement our **Waste Prevention and Reduction Plans** across all our operations.

The total amount of waste generated in 2017 was 367,205 t (2016: 812,360 t and 2015: 691,565 t). Compared to 2016, there was a decrease of 55% on account of reducing the one-time waste from demolition works. We recycled / recovered 48% of the total waste generated throughout the year. The hazardous waste mainly included contaminated concrete and soil from well and facility abandonment in Upstream, whereas non-hazardous waste included scrap metals and clean concrete from decommissioning activities.

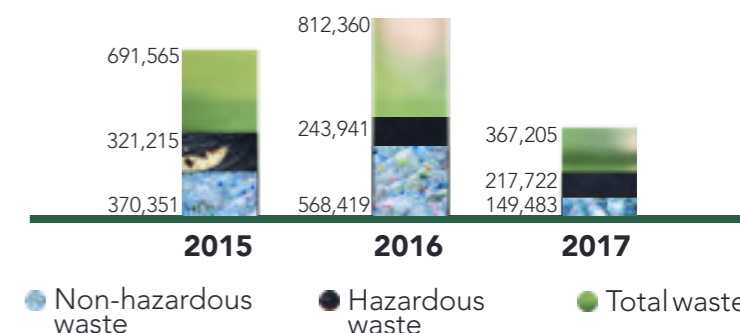
### Our Waste Management Approach



In 2017, from the contaminated soil treated in our bioremediation plants, 79% resulted as clean soil for use as backfill material and 21% resulted as non-hazardous soil waste that qualified for landfill disposal.

In Upstream we no longer use diesel-based drilling fluids and strive to select the most environmentally friendly solutions. Wherever technically feasible, we use water-based drilling fluids with a 65% water cut. Where technical requirements do not allow this, such as in extended-reach wells, we use non-aqueous drilling fluids (NADF). We reuse drilling mud wherever practicable, treat and dispose cuttings as required by law, and use the best available technology.

Waste by type (t)



Waste management by type and disposal way (thousand tons)	2017	2016	2015
Hazardous Landfill	<b>37.65</b>	39.77	86.48
Hazardous Recycling	<b>51.56</b>	97.86	62.58
Hazardous Incineration	<b>4.38</b>	11.05	2.51
Hazardous Other Disposal	<b>124.12</b>	95.26	169.64
Non-hazardous Landfill	<b>18.5</b>	99.09	132.16
Non-hazardous Recycling	<b>123.35</b>	405.9	178.28
Non-hazardous Incineration	<b>0.09</b>	0.17	0.53
Non-hazardous Other	<b>7.55</b>	63.26	59.38



### High waste recovery in demolition of old fuel terminals

In Downstream Oil, we finalized a project consisting in the demolition of three old fuel terminals (Roman, Iași, Deva ANRS), which generated around 61,000 tons of waste, from 21 waste categories. The largest amount of waste (94%) was clean concrete, which was crushed at the demolition sites and prepared for further use. The scrapped metals were recycled by authorized companies. The other 19 waste types were directed to specialized waste facilities for either recovery or disposal. The whole demolition project achieved a waste recycling rate of 99%.



## Biodiversity

In 2017, OMV Petrom conducted a Biodiversity Screening Study aimed at gaining a deeper understanding of biodiversity risks. The overlaps of current operations with Natural Protected Areas and International Union for Conservation of Nature species and habitats (critically endangered, vulnerable and near threatened) were identified based on a spatial analysis of GIS (Geographic Information System) data.

The results of the Biodiversity Screening Study will be further integrated within the environmental risk assessment process by evaluating the status of habitats and species in areas where potential impact may occur from our operations.

## WHAT WE WILL DO IN 2018

### GENERAL ENVIRONMENTAL MANAGEMENT

- Monitor and manage environmental risks, including those related to biodiversity
- Continue to promote a proactive environmental culture
- Perform compliance self-assessment against the OMV Group Standard / ISO 14001 / ISO 50001 and define plans to close the gaps

### MANAGE NATURAL RESOURCES SUSTAINABLY

- Continue the implementation of water management plans and improve water data quality
- Assess water related risks in relevant sites at OMV Petrom level
- Monitor and report systematically on Water and Waste performance

# CARBON EFFICIENCY

Our objective is to manage carbon emissions sustainably

**FOCUS AREAS**

**CARBON EFFICIENCY**



**TARGETS ESTABLISHED**

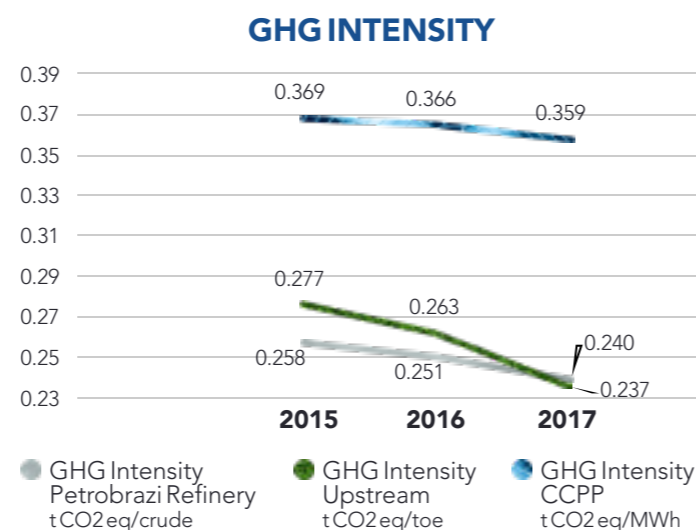
- Systematically monitor and report air emissions, including GHG management
- Monitor and report on "Zero flaring and venting by 2030"

**ACCOMPLISHED IN 2017**

- Developed Report on Air Emissions Management
- Followed up on the implementation plan for phasing out flaring and venting by 2030



To better respond to the new challenges resulting from climate change effects, we are taking specific actions including process optimization, boosting energy efficiency and implementing projects that reduce GHG emissions, energy consumption and costs. We are subject to the EU Emissions Trading Scheme (EU ETS). Seven of our operating installations were under EU-ETS at the end of 2017. Around 54% of our direct GHG emissions come from these EU-ETS installations.



In 2017, we implemented various successful initiatives and reduced the overall GHG Intensity by 6.3% compared to 2016, as follows: Upstream decreased by 9.7%, Petrobrazi refinery decreased by 3.1% and Power Plants decreased by 2.7%

GHG Intensity	Unit	2017	2016	2015
GHG Intensity Petrobrazi Refinery	tCO <sub>2</sub> eq/t crude	<b>0.240</b>	0.251	0.258
GHG Intensity Upstream	tCO <sub>2</sub> eq/toe	<b>0.237</b>	0.263	0.277
GHG Intensity CCPP	tCO <sub>2</sub> eq/MWh	<b>0.359</b>	0.366	0.369
GHG Intensity Index Petrom*	%	<b>-6.3</b>	-5.9	-9.4

\*weighted average of GHG Intensity variation from Business Divisions

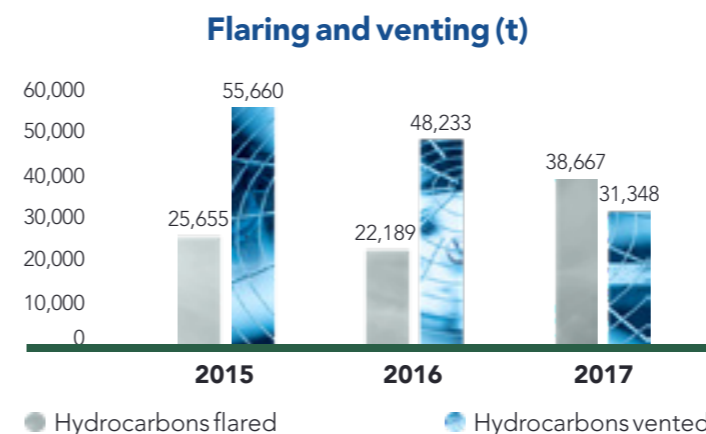
### The Energy Efficiency Program

OMV Petrom Upstream implemented three new Gas to Power and Combined Heat & Power/Cogeneration installations in Gornet, Park 98 (Asset 7), 2nd Phase, Independenta, Park 12 (Asset 9), and Poeni Tank Farm 9 (Asset 4), which previously used flared, vented or stranded gas for on-site electrical and thermal energy production. These three new power plants produce around 52,000 MWh of electricity and 7,200 MWh of thermal energy, thus avoiding 16,000 t CO<sub>2</sub> eq. indirect emissions.



### GHG Intensity in OMV Petrom Upstream

In OMV Petrom Upstream, in 2017, we continued to implement initiatives to reduce the GHG Intensity, such as: modernization of transport infrastructure, replacements, optimizations which led to a significant reduction of accidental venting and also to the reduction of gas consumption (e.g. Bulbuceni compressors station, boilers in B r b t e t i, Turburea gas plant in OMV Petrom Asset 2 Oltenia).



Projects to obtain electricity (Gas to Power - G2P) or electricity and thermal energy (cogeneration or Combined Heat & Power - CHP) out of gas were also implemented in Upstream by the Energy Efficiency Program. Since 2009, we have constructed a total of 34 G2P and CHP power plants, 3 of which were built in 2017. The total G2P/CHP installed capacity is now 72 MW, which has produced more than 1,800,000 MWh since the beginning of the Program.

Through G2P and CHP projects we managed to ensure around **50%** of the annual electricity consumption of our Upstream's onshore assets.

Another important aspect to manage GHG in our industry is related to flaring and venting. OMV Petrom is committed to phase out routine flaring according to the **World Bank global initiative "Zero routine flaring by 2030"**, endorsed by OMV Group. Regarding vented gas, in 2017, in Upstream, we reported a reduction of **28% compared to 2016**.

### GHG Intensity in Downstream Oil

In 2017, the implemented energy efficiency projects and operational measures at Petrobrazi Refinery resulted in the reduction of energy consumption mainly due to:

- new turbine relining for gas turbine 1 in Cogeneration Unit with the role of reducing steam consumption for NO<sub>x</sub> control;
- decreasing operating deaerator pressure in Cogeneration Unit by installing an online oxygen analyzer on the boiled water stream;
- increasing the steam backpressure of the compressor's turbine in Platforming Unit in order to increase power production in the Cogeneration Unit;
- improving waste heat energy recovery from flue gas at the waste heat boiler in the Fluid Catalytic Cracking Unit, which resulted in a better steam production;

Annually, the above projects will result in a total energy saving of around **46,000 GJ** and over **2,500 t CO<sub>2</sub> eq.**

Our **860 MW Combined Cycle Power Plant** located in Brazi is equipped with state of the art emission reduction equipment that enables it to rank under the EU CO<sub>2</sub> emission average. In 2017, the power production decreased by 0.225 TWh and the **GHG intensity decreased by 2%**. Between 2011 - 2017, we operated a 45 MW wind farm at Doroban u. In 2017, this plant delivered 0.099 TWh to the national grid, which resulted in saving 28,500 t CO<sub>2</sub> eq. emissions based on the average national grid factor of 0.287 t/MWh in Romania. The **Power Plant in OMV Petrom City** increased the thermal and electricity production by 7% in 2017 vs. 2016.

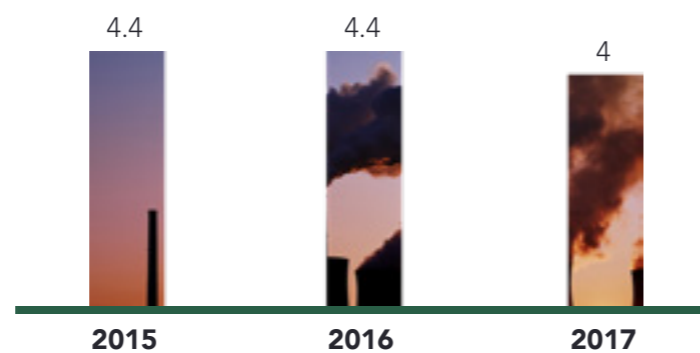
### New gas turbine relining in the Cogeneration Unit of Petrobrazil Refinery

The project, amounting to EUR 70,000 and aiming to improve the gas intake distribution into the gas turbine, resulted in a better control of NO<sub>x</sub> emissions and a lower need for steam consumption. The steam consumption was reduced by around 8,400 t/year and the saved energy totaled around 22,650 GJ/year. In addition to energy saving the project contributed to an improved reliability of the gas turbine.

### Direct GHG Emissions (Scope 1)

Our total direct GHG emissions (scope 1) decreased by around 9% in 2017 vs. 2016 and accounted for 4 mn t of CO<sub>2</sub> eq. Projects implemented in Upstream resulted in overall GHG emission savings of 428,000 t of CO<sub>2</sub> eq between 2009 and 2017. The energy efficiency and optimization initiatives in Downstream Oil/Petrobrazil Refinery resulted in savings of over 570,000 t CO<sub>2</sub> eq. during the same period.

Total direct GHG emissions - scope 1 (mn tons CO<sub>2</sub> eq)



Emissions	Unit	2017	2016	2015
GHG (direct, scope 1)	mn t CO <sub>2</sub> eq	<b>4</b>	4.4	4.4
CO <sub>2</sub>	mn t	<b>3.2</b>	3.3	3.3
CH <sub>4</sub>	t	<b>32,048</b>	44,304	52,137
N <sub>2</sub> O	t	<b>23</b>	24	25

Total direct GHG emissions (mn t CO <sub>2</sub> eq)	2015	2016	2017
Upstream	2.39	2.32	<b>2.02</b>
Downstream Oil, excludes Power Plants	1.03	0.99	<b>1.00</b>
Downstream Gas, includes Power Plants	0.99	1.08	<b>0.98</b>

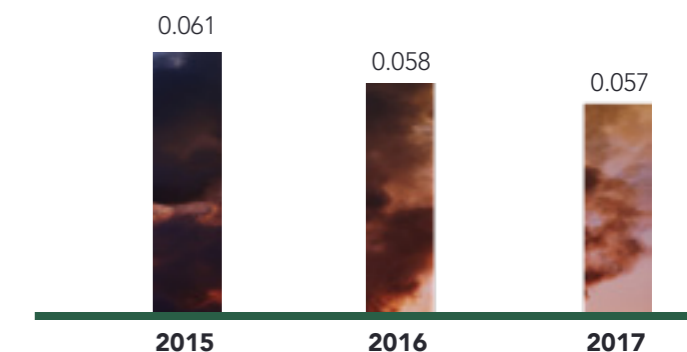
### Indirect GHG Emissions (Scope 2)

Our indirect GHG emissions (scope 2) are those related to the energy we purchase (electricity) for our operations. In 2017, our indirect GHG emissions totalled 56,699 tons CO<sub>2</sub> eq. An amount of around 120,000 tons CO<sub>2</sub> eq indirect GHG emissions were avoided in 2017 due to energy generated by G2P and CHP units in Upstream.

In 2016, we deployed the Upstream Emission Inventory, an IT Tool developed in 2015, aiming to support the automatic calculation of GHG and other air emission data. This tool is fully integrated with the existing production database of PIMMS. In 2017 we started to improve this tool, including the generation of new environmental reports.

Other than GHG, our most significant air emissions include SO<sub>2</sub>, NO<sub>x</sub>, NM-VOCs and particulate matters.

### GHG (direct, scope 2)



Other air emissions	Unit	2015	2016	2017
SO <sub>2</sub> (t)	t	643	679	<b>630</b>
NO <sub>x</sub>	t	3,178	3,218	<b>3,290</b>
Non-methane-volatile organic compounds (NM-VOC) (t)	t	6,545	6,958	<b>5,358</b>
Particulate emissions (t)	t	63	63	<b>62</b>



## WHAT WE WILL DO IN 2018

- Continue energy efficiency, flaring and venting reduction projects
- Systematically monitor and report on GHG performance
- Report our progress on routine flaring phase-out related to OMV's commitment to the World Bank

# ENERGY EFFICIENCY

Continue to develop projects which improve the way we use energy and ensure energy efficiency in all our activities

Two successful certification processes stand testimony to our long-standing commitment for constant monitoring of the energy we consume and for the continuous improvement of our management system. What's next? We are following the global trend towards digitalization, which will enable us to reap the most benefits from the massive amounts of data we are already collecting. Through data analytics we can make our organization stronger and more adept in identifying and implementing energy efficiency measures.

**ACCOMPLISHED  
IN 2017**

Recertification of Energy Management Systems according to SR EN ISO 50001:2011 for three more years



## Energy Management System

In order to maintain our competitiveness and contribute to securing our energy supply, we set specific policy commitments and actions aimed to improve our energy performance. To this end, in 2017 we recertified our Energy Management Systems according to SR EN ISO 50001:2011 for three more years with TUV Karpatek the branch of TUV Thüringen in Romania.

## Energy Efficiency Academy

In 2017, we held our bi-annual event - Energy Efficiency Academy - dedicated to energy managers in all business segments, reaching out to over 5,000 employees who have concluded an online training, which is periodically updated to reflect new internal norms, national legislation or best practices in the field.

## Energy projects

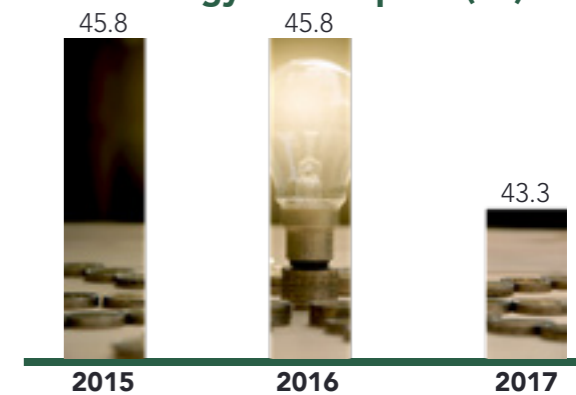
We conduct regular energy analyses and continually seek the best and most innovative solutions to improve our energy performance and reduce the environmental impact of our operations. In 2017, we obtained remarkable results in terms of improving our KPI's (e.g.: with 0.35% Upstream, and 4% in Downstream Oil) by implementing energy projects that will result in annual savings of more than 1200 tep, such as:

- Implemented LED technology in Doftana and Barbucesti
- AHU systems - Tower and Infinity buildings Petrom City (Approx. 61 tep / year)
- Automated power factor compensators, installation of new transformers with lower power
- Realized condensate recovery installation at the Brazi Power Plant
- New cooling towers installations at the Petrom City Power Plant
- 25 HVAC integrated systems
- Decrease operating deaerator pressure in the Cogeneration Unit
- New turbine relining for gas turbine 1 in the Cogeneration Unit, resulting in energy savings of around 22,650 GJ/year

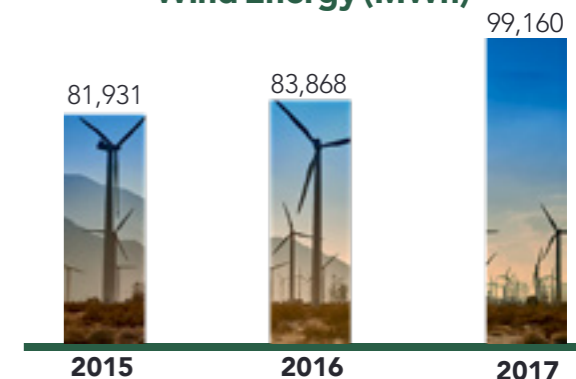
## WHAT WE WILL DO IN 2018

- Increase Petrobrazi Energy efficiency
- Install integrated gas measuring equipment in the Operational Hub
- Install electrical energy meter equipment to optimize CPT

## Energy Consumption (PJ)



## Wind Energy (MWh)



# EMPLOYMENT AND SKILL DEVELOPMENT

Our objective is the successful implementation of People and Organizational Culture, part of OMV Petrom Updated Strategy 2021+

Our employees are key to OMV Petrom's sustainable business performance and success. We strive to create an environment in which every employee can learn, grow, connect and collaborate, as well as live a safe and healthy lifestyle.

- 270 dedicated events to onboard employees to People and Organizational Culture Strategy
- 314,932 hours of training provided



**EMPLOYEES**

**FOCUS AREAS**

**ACCOMPLISHED IN 2017**



People and Organizational Culture are one of the three key enablers of OMV Petrom Strategy 2021+. In 2017 OMV Petrom set the Foundation for its sustainable business growth, redefining the Reason (WHY), Business Purpose (WHAT) and The Principles (HOW) which will support the company's strategy. Team Spirit, Accountability, Passion, Pioneering Spirit and Performance are the Five Principles that lead our company culture defining what employees can expect from each other and how they work together. To make this possible, the Five Principles were introduced and are presented consistently in all leadership tools and people development programs.



In 2017, our employees were engaged in various initiatives with the objective to sustain and promote our new strategy:

- **OMV Group Foundation Roadshow throughout organization** - 9 Executive Board Roadshows across OMV Petrom Assets and more than 270 dedicated events in all divisions to onboard people with the People and Organizational Culture strategy. These events, featured presentations of the four inter-related strategic priorities which support the delivery of our overall business goals and further embed our values and behaviors (Foundation Principles);
- **Foundation Pulse Check survey** - conducted in order to find out where we stand with regard to our Principles, i.e. to which extent employees

experience our Winning Behaviors in their business/function and to determine the status quo;

- **Leadership development** – OMV Petrom top leadership participated in new leadership capability building programs;
- **Talent Management framework** – Talent management approach and processes were redefined to support leaders in their roles to get the best out of their people. New tools were used to thoroughly evaluate leaders in terms of personal impact and potential, and succession planning was reviewed for executive positions.

### Knowledge transfer programs

Considering the average age within our company (reaching 47 in 2017), OMV Petrom Group is focused on providing knowledge transfer programs and ensuring succession for critical (technical) positions. Also, we aim to attract the best students through successful internship programs, allowing them to acquire the necessary competencies to access the labour market. Open4U is our company's very successful internship program, through which, in 2017, 43 students (47 in 2016) underwent a two-month paid internship. Over the following years, we are looking forward to increasing the number of students attending the program.

#### New employees hired by age group and gender

Age Group	Number of employees		Of which women	
	2017	2016	2017	2016
<30 years old	110	31	42	9
30-50 years old	162	54	57	16
>50 years old	30	6	2	0

#### Employee turnover by age group and gender

Age Group	Number of employees		Of which women	
	2017	2016	2017	2016
<30 years old	82	58	32	21
30-50 years old	542	559	117	97
>50 years old	657	655	170	152

### Training programs

Every year, we implement various training programs in order to upgrade the skills of our employees, based on their development needs. At the same time, we ensure the participation in different open training programs and specialized conferences. During the reporting period, 314,932 hours of training were delivered to OMV Petrom employees.

#### Programs implemented to upgrade employee skills

Type of program	Name of the Program	Skills acquired through the
Internal Programs	Learning Lab	Written communication skills Presentation skills
	Facilitation tool	Skills to facilitate knowledge sharing sessions
	HSSE Curriculum	Occupational Health and Safety
	Blue Collars Curriculum	Technical knowledge and skills
External Programs	Conference	Various objectives/skills, depending on conference specificities
	Open Programs	Various objectives/skills, depending on development needs

### Performance review

Annually, our people are engaged in a performance review, action that aims to strengthen the bond between employees and their supervisors, emphasizing positive performance indicators and establishing future steps in order to achieve better results for the next evaluation timeframe. In 2017, **5,738 employees underwent a performance and career development reviews**, structured as follows: 4,978 operative staff and 760 management.

#### The percentage of total employees, by gender and by employee category, who underwent a regular performance and career development review

	2017	2016
% of members of the organization who underwent performance reviews	41.61%	36.34%
% of women who underwent performance reviews	66.06%	63.23%
% of employees with ILC, undetermined period, full time, who underwent performance reviews	40.86%	35.63%
% of women, with ILC, undetermined period, full time, who underwent performance reviews	65.72%	62.84%
% of employees with ILC, determined period, full time, who underwent performance reviews	86.67%	97.52%
% of women, with ILC, determined period, full time, who underwent performance reviews	80.00%	92.68%

### Reward management

To maintain long-term competitiveness, OMV Petrom has set a performance and development-based organization and, correspondently, a performance-based reward management embedding company foundations. Consistent with the objective to be a Reputable Employer, the Company's remuneration principles utilize a balanced mixture of fixed and variable, monetary and non-monetary components in order to attract, recruit, motivate, train, develop, promote, and retain the best talents. Remuneration packages are set to achieve internal equity, but at the same time to remain externally competitive with the local and international market in which the Company operates and to make people feel encouraged to create sustainable results and add value to the business.



#### Ratio of remuneration of women to men by employment

	2017	2016
Employees with ILC, undetermined period, full time	1.27	1.30**
Employees with ILC, determined period, full time	0.23	0.55
Employees between 30 – 50 years old	1.40	1.10
Employees under 30 years old	1.16	1.54
Employees over 50 years old	0.93	0.99

\*\*The company has more men in the blue collars category, where wages are lower (67%), meanwhile 74% from the women are white collars with higher wages.

#### Ratio of basic salary of women to men by employment

	2017	2016
Employees with ILC, undetermined period, full time	1.21	1.23
Employees with ILC, determined period, full time	0.33	0.67
Employees between 30 – 50 years old	1.33	1.09
Employees under 30 years old	1.15	1.40
Employees over 50 years old	0.93	0.98



The remuneration of OMV Petrom employees is at competitive levels for the relevant oil & gas industry and includes: (i) a fixed based remuneration, paid monthly as a net salary determined by applying the income tax quotas and social contributions to the base gross salary, (ii) other fixed-payments, such as fixed bonuses and special allowances according to the Collective Labour Agreement, (iii) other statutory and non-statutory benefits, such as private insurance, holiday indemnity / special days off and, depending on the assigned position, a company car compensation fee and (iv) short / medium term (quarterly and / or annual) performance-related component. The measures / key performance indicators used are based on financial and non-financial metrics.

### Informing and consulting our employees

We pay great attention to complying with the rights of our employees and to fulfilling all our obligations in accordance with the relevant legislation in force, the individual labour contract and the collective bargaining agreements. Communication with our employees is always open and aims to keep them informed and aware about the company's reality. To this end, we constantly inform and consult employees' representatives on developments in the company's activity which may affect their interests, in accordance with applicable legal provisions. In case of dismissals on grounds non-attributable to the employees (either individual or collective) the company has the obligation according to the collective bargaining agreement to provide a notice period of 30/60 calendar days (depending on the employees' age). Moreover, in case of transfer of undertaking or parts thereof, the minimum notification period is of 30 calendar days to employees and their representatives, in accordance with applicable legal provisions.

### Diversity in OMV Petrom

Ensuring an inclusive working environment for our employees, totalling over 38 nationalities, is a priority in our company and, as such, since 2013, we have been concentrating our efforts to achieve the objectives of the OMV Group Diversity Strategy: **30% women in top management positions and 35% women in upper management positions**

### Women in managerial position

Regarding the Company's corporate bodies, during 2017 we had two women in the Executive Board: Mariana Gheorghe, the President of the Executive Board and Lacramioara Diaconu-Pinea, Executive Board member in charge of Downstream Gas. Starting October 26th, 2017, OMV Petrom Supervisory Board has a female member too, namely Sevil Shhaideh.

#### The percentage of individuals within the Supervisory

	2017	2016
Percentage of women	11.1%	0%
Percentage of individuals under 30 years old	0%	0%
Percentage of individuals between 30-50 years old	11.1%	33.3%
Percentage of individuals over 50 years old	88.9%	66.7%

	2017	2016
Total number of employees	13,790	14,769
of which women	3,108	2,951
With ILC, undetermined period, full time	13,565	13,689
of which women	3,034	2,909
With ILC, undetermined period, part time	7	3
of which women	4	1
With ILC, determined period, full time	225	161
of which women	70	41
With ILC, determined period, part time	0	0
of which women	0	0

### by 2020.

To this end, we are committed to promoting parity and eliminating gender bias by offering learning opportunities in diversity and by making available the PetrOmbudsman services to all employees, where they may bring forward work related issues, including gender-related ones.

#### The percentage of individuals within the Executive Board

	2017	2016
Percentage of women	40%	40%
Percentage of individuals under 30 years old	0%	0%
Percentage of individuals between 30-50 years old	40%	20%
Percentage of individuals over 50 years old	60%	80%

At the end of 2017, 42.4% of the first line directors reporting to the Executive Board were women, whilst the total percentage of women in upper management (directors and heads of department) was 27.4%. The overall proportion of women at Group level was 22,5% at the end of the year.

### The percentage of employees per employee category\*

	Top Management		Middle Management		Lower Management		Operative Staff	
	2017	2016	2017	2016	2017	2016	2017	2016
Percentage of women in the organization	0.45%	0.51%	4.41%	6.85%	1.54%	NA	93.60%	93.60%
Percentage of men in the organization	0.18%	0.20%	2.48%	5.37%	2.67%	NA	94.68%	94.67%

\*The percentage is calculated by reference to the total number of women / men and not from the total employees'

### Equitable gender choice for maternity and paternity

We also believe that equitable gender choice for maternity and paternity leave, and other leave entitlements, can lead to the improved recruitment and retention of qualified staff, and boost employee morale and productivity. In 2017, the total number of employees who were entitled to parental leave was 13,790 of which 32 men and 145 women took it during the reporting period.

### Parental leave

	2017		2016	
	Women	Men	Women	Men
Number of employees who returned to work after parental leave ended	48	13	20	4
Number of employees who returned to work after parental leave ended, who were still employed twelve months after their return to work	42	9	18	4

## WHAT WE WILL DO IN 2018

- Roll out the Group-wide leadership upskilling initiatives (LEAD) to the next leadership levels in OMV Petrom Group LEAD, with 225 overall targeted leaders attending
- Strengthen our learning and development portfolio, particularly within the Group Business Skills section of our competence framework, that covers several areas including IT and project management
- Further development of the job evaluation system in order to ensure consistency of grading and compensation, and to foster career paths across the Group
- In an effort to reach our goal of running smooth and efficient processes, we will update our HR technology, thus improving our effectiveness and efficiency in delivering learning and talent management processes globally
- Further roll out of talent review processes to core levels and succession planning for business

# RISK MANAGEMENT

Our objective is to ensure that all our risks are properly managed with appropriate risk assessments and mitigation plans in place

**FOCUS AREAS**

**BUSINESS PRINCIPLES AND SOCIAL RESPONSIBILITY**



**TARGETS ESTABLISHED**

**ACCOMPLISHED IN 2017**

Coordinate the Mid Term Enterprise Risk Management across OMV Petrom Group and reporting the Group risk profile capturing more decision-making information

Review Long Term Strategic Risks and ensure the company is focused on mitigating key risks through a robust control environment

Two completed Mid Term exercises (spring and autumn) showing trends in the risk environment and an updated risk profile

Successfully delivered Risk Review meetings covering all strategic risks. Delivered pioneering Strategic Risk Report

## Enterprise Wide Risk Management

OMV Petrom implemented a risk management system (Enterprise Wide Risk Management – EWRM) with three levels of management roles in a pyramid-type structure. This allows us to timely identify threats and/or to reduce the adverse effects of events that are outside of our influence. Following this process, we are able to guarantee with a certain level of confidence that the long-term sustainability and the mid-term liquidity are secured, and that the estimated impact of the risks is within acceptable levels.

Accountable for the overall risk management practice in OMV Petrom Group, approves consolidated risk profile in accordance with the company's objectives and risk appetite and drives senior management & employees commitment to a strong risk culture.

**EXECUTIVE BOARD**

**RISK MANAGEMENT DEPARTMENT**

**RISK OWNERS**

**OMV PETROM RISK MANAGEMENT ORGANIZATION**  
Audit Committee of Supervisory Board (responsible for monitoring the entire system)

Accountable to perform risk management in their area of responsibility, to identify, assess, mitigate, monitor evolution and report risks to Executive Board via EWR process.

Coordinates the EWRM process with the support of divisional risk coordinators and Corporate Functions, guiding the business for best risk management practice, calculating the risk exposures of the Group and periodically inform Executive Board and AC about the significant risks of the Group and the actions performed for their mitigation.

## OMV Petrom Risks

The risks identified at group level are assessed through two risk management processes associated to mid-term operational activity and long term strategic objectives and sustainability.

The risks are classified in 3 main categories: market and financial, operational and strategic. These categories include among others: market, financial, project, process, health, safety and security, tax, compliance, personnel, legal, regulatory and reputational risks. Considering that most of our assets are hydrocarbon production and processing plants, a special focus is put on process safety risks where our policy is "Zero harm, no losses".

Within the Mid-Term Risk Management process, we identified and re-assessed our mid-term risk exposures, financial resilience and the list of risk mitigating actions.

The company consolidated mid-term risk profile is reported biannually for the endorsement of the Executive Board and for the information of the Audit Committee of the Supervisory Board.

### STRATEGIC RISKS

#### External

- Oil & gas market volatility
- Climate change
- Political, regulatory changes and compliance risks
- Earthquake risk

#### Internal

- Hydrocarbon reserves replacement
- Physical assets and safety
- Human Capital & competition on labor market to attract talents
- Reputation
- Technology and innovation risks

Within the Long-term Strategic Risk Management process, a list of strategic risks was established (see the table).

In 2017, our strategic risk portfolio was re-assessed during six dedicated meetings with the participation of the Executive Board members. The focus of the discussions was on mitigating actions proposed by the appointed risk owners and an update of the risk developments over the recent period.

These two-risk management processes allowed us to focus the Executive Board's attention on key risks and provide assurance to the Audit Committee of the Supervisory Board that key risks are properly managed by the management.

More information about how we manage risks can be found in the Annual Report 2017 pp. 66-69 and 202-205 ([https://www.omvpetrom.com/SecurityServlet/secure?cid=1255780695085&lang=ro&swa\\_site=&swa\\_nav=&swa\\_pid=&swa\\_lang=](https://www.omvpetrom.com/SecurityServlet/secure?cid=1255780695085&lang=ro&swa_site=&swa_nav=&swa_pid=&swa_lang=))

## WHAT WE WILL DO IN 2018

- Increase quality of data and reliability of risk estimations
- Promote best risk & insurance practices across the company and further embed them into business practice
- Continue to focus on key risks and ensure mitigation actions are implemented
- Enhance risk leadership from the main stakeholders

# COMMUNITY RELATIONS AND DEVELOPMENT

We aim to reach our targets of increasing economic, social and educational value within communities where we operate by fulfilling our pre-set Strategic KPIs and our SDG goals



**TARGETS ESTABLISHED**

- Support local economic growth
- Support local capacity building
- Contribute to the development of vocational and technical education
- Develop a volunteering culture within organization and in the communities

**ACCOMPLISHED IN 2017**

- 3,233 people trained and certified for employment in Romania, of which 110 hired
- Our Community Relations and Development local strategy elaborated and started implementation in each operation area



We continued our pro-active engagement in the communities in which we operate, trying to adapt to their needs and at the same time striving to instil among our community members a behavior based on sustainability values.

## Community relations

Our activity has a significant impact on ~ 350 communities in Romania, both in urban and rural areas. Given the constantly changing economic and social context and, due to more than 10 years of community involvement activities, we have learnt that adapting to change – whether it involves risks or opportunities – is the key to successful projects when talking about sustainable investment in the community. Thus, we approach OMV Petrom's strategic direction in terms of community relations from the perspective of the causes that generate the social, educational, economic and environmental needs at local level.



## Management approach of community relations

Within OMV Petrom, community engagement activities involve several internal principles and processes that underpin the management framework of this aspect, with the goal of streamlining and maximizing both outcomes and activity. Community involvement programs are based on a structured and well-developed internal flow that contains a set of procedures, guidelines, standards, key performance indicators and management processes applicable at the OMV Group level and implemented by all those responsible for the engagement in the local community. For example, the Sustainability Strategy and Related Performance Indicators, the Community Relations and Communities Development Standard, the Stakeholder Engagement Process, Upstream Engagement Process of Community Engagement and Sponsorship Projects or the Grievance

Mechanism Directive are just a few of the processes that make up the basis for maintaining sound relations with the local community.

In 2017 we continued our pro-active engagement in the communities we operate in, trying to respond to their needs and at the same time promote among local community members a set of values and behavior principles that ensure long-term sustainability. To ensure this, we start from identifying and prioritizing local needs and resources, analyzing the impact and social context on our operations, and continuing with mapping our impact and operational impact on local communities (both positive and negative). Once these elements, which are essential to building a sustainable development strategy, are defined, the next step is to establish the identified risk mitigation measures and to plan, implement and monitor their outcomes.

## Community Development Strategy

Our company reached an important milestone in 2017 by developing the Community Development Strategy for each area of operation, a strategy that integrates both development and stimulation projects of the local economy (improving personal and professional skills), as well as projects that we support together with the main national and local stakeholders in the vocational and technical education system in Romania.

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103-2

103-3

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## Addressing complains on social and environmental topics

For mitigating issues with local stakeholders, we implemented a **grievance system available in every Operational Asset** through which 1,046 grievances about social or environmental issues were recorded in 2017. Environmental grievances may refer to land degradation, water pollution, etc., while social grievances may refer to noise, dust, land acquisition, or access to project benefits, other disturbance generated by OMV Petrom activities. Out of the total number of grievances, 725 were resolved in 2017 and other 91 which were opened from previous reporting periods.

## Enhancing access to basic service

OMV Petrom engages in initiatives that address infrastructure and local development needs, by building and maintaining transport links and enhancing access to basic services like water and electricity in communities affected by its operations. In 2017, our company's investment in infrastructure development included the **rehabilitation and equipment of 27 educational institutions** (with an investment of over EUR 300,000), the **rehabilitation of 3 hospitals** and the construction of playgrounds, parks, day centers, homes for disadvantaged families or book clubs (with an investment of mn EUR 2.8).

## Andrei's Country

Andrei's Country is the social responsibility platform of OMV Petrom and the community of those who want a better country every day. We are committed to maintaining our position as the most responsible company nationally level, by developing, through this platform, socio-economic and environmental programs and projects. Andrei's Country values are: civic spirit, entrepreneurial spirit, innovative spirit and formal and non-formal education. Moreover, we want to inspire other employers, local communities and the society in general to make it a priority to support vocational training projects, personal education and job creation.

**Andrei's country – It is where people find the energy needed to change things for the better, then inspire others to follow their example and turn their ideas into reality**

## Vocational Romania ("România Meseriașă")

Launched in 2015, "Vocational Romania" is the OMV Petrom program aiming to find solutions for supporting and improving the vocational education system. Through this program, we want to raise awareness on the importance of vocational education in the development of the national economy and to implement solutions for the education of future oil & gas professionals. "Vocational Romania" is part of the "Educated Romania" national program initiated by the Romanian Presidency in 2016.



## CSR Projects - 10 years of CSR in OMV Petrom

2017 was the celebration of a decade of permanent engagement of OMV Petrom in social responsibility projects. During this period, we invested over EUR 49 million in the development of projects and initiatives in 5 important areas: education, environment, health, safety and security, community development and volunteering. Of the relevant results, we can highlight: over 62,000 students and teachers benefited from OMV Petrom's support through Vocational Romania (Romania Meseriașă), Oilman's School, Vocational Summer Camp and the OMV Petrom Olympics. More than 55,000 volunteers, including 12,000 OMV Petrom employees, have been involved in the company's volunteer activities. Another 1.6 million has been allocated for community engagement initiatives in Romania through projects such as Ideas from Andrei's Country, Your City, Petrom City, Respect for the Future or Andrei's School.

In 2017, the two projects aimed to develop the personal and professional competences of high school teachers and students (grades IX-XI) from specific educational institutions. Through "Oilmen's School" and "Vocational Summer Camp", we supported future oil and gas professionals by offering them scholarships and access to experts in the field, holding specific courses for well operator and extraction and transport gas operator, personal development workshops, interviews simulations, applied workshops (mechanics and geology) as well as community engagement initiatives. Altogether, 300 students and 50 teachers had the opportunity to deepen their theoretical and practical knowledge in their specific fields.

## Ideas from Andrei's Country (ITLA)

This project is the national competition in which we offer grants to local community representatives who propose sustainable initiatives. Since 2013, over 900,000 funded over 86 projects for the environment, education and community development. The competition accepts proposals from Romanian citizens, non-governmental

organizations, and public and educational institutions. In the 2017 edition, a project could receive funding of up to \$ 20,000, with a total grant of 200,000. Thus, projects with an innovative component were particularly encouraged this year, and **7 vocational education projects and 6 environmental projects were funded.**

## Leadership and performance programs

In 2017, we continued to encourage performance through our leadership and performance programs **Leadership Authentic, OMV Petrom Olympics and Aspire Academy**, holding training sessions, communication and negotiation workshops or debates and public speaking sessions.

## Volunteering program

OMV Petrom supports volunteer activities of its employees, encourages them to find solutions for the development and needs of local communities, and rewards the most active employees. Thus, **over 4,800 volunteers**, including 3,200 OMV Petrom employees and filling stations employees, participated in 2017 in more than 60 volunteering projects such as greening, first aid activities, education and health, renovating playgrounds and parks or donations.

**The Volunteer Championship** is the initiative that challenges employees to find solutions for community development and to dedicate time and energy to implementing them. The projects are prioritized and, in 2017, 12 community projects initiated by our employees were funded. Also, 1,200 employees supported 220 NGOs in the 2% campaign and 500 employees donated gifts to 500 children from disadvantaged families through the "You can be Santa Claus" campaign.



## Community Based Organizations (CBOs)

In 2017, we continued to encourage the development of the 11 Community Based Organizations that we have been supporting since 2008, inviting them to participate in the OMV Petrom community development project competition held annually by the Civil Society Development Foundation (CSDF). Following the competition, 6 projects were implemented in 6 communities: Schela, Suplacu de Barcu, Monești, Moinești, Bustuchin and Telega.

Thus, during the reporting period, we had an indirect contribution for communities development by creating jobs, generating services and products needed to develop local communities such as:

- Beekeeping courses (30 participants);
- Pottery courses (20 participants);
- Weaving / crafts courses (40 participants);
- Waiter classes (15 participants);
- „School-after-School” programs to reduce school drop-outs and improve the educational performance of **over 200 children**.

## Responsible behavior by respecting safety rules

As community and environmental safety where we operate is of paramount importance, promoting a responsible behavior in OMV Petrom and in relation to the members of these communities is a component of the Community Development Strategy. In this respect, our social responsibility projects include a series of awareness campaigns in 25 local communities with ~ 2,300 beneficiaries in 2017. These campaigns address various topics of public interest, from citizen behavior near OMV Petrom's assets and safety rules, to protecting the environment and first aid courses in case of natural calamities. Together with our partners (General Inspectorate for Emergency Situations (GIES), Romanian Police and local authorities), we want to actively participate in strengthening responsible behavior and safety standards in Romania.

## Awards

### Energynomics Awards

OMV Petrom won in the **Best corporate citizen** category at the Energynomics Awards. These awards are dedicated to CSR and business projects in the energy industry in Romania

### Romanian PR Awards

OMV Petrom won **gold** in **two categories**: Social responsibility and stakeholder dialogue and Public Affairs, Advocacy, Lobby in Romanian PR Awards, an event that recognizes best practices and projects in the communication industry.



## WHAT WE WILL DO IN 2018

- In 2018 we will focus on our initiatives in local communities based on a long-term sustainable approach, aiming to strengthen local capacity building and economic growth opportunities through our community development programs.
- Vocational and technical education, professional certification and entrepreneurial initiatives will remain our priorities, according to SDG 4, to which we are fully committed.

# BUSINESS ETHICS AND COMPLIANCE

Our objective is to enhance OMV Petrom's compliance program in order to mitigate strategic risks and focus on integrity and anticorruption

**TARGETS ESTABLISHED**

External Quality Assessment for OMV Petrom Compliance Management System

Organize and deliver compliance workshops to reach a larger audience in OMV Petrom Group

**ACCOMPLISHED IN 2017**

Re-certification of the Compliance Management System by KPMG auditors

Organize and deliver Compliance Open Hours, Compliance Case Clinics, "Treasure Hunt" Contest



## Level of availability/accessibility to counseling services on ethical and lawful behavior, and matters related to organizational integrity

Type of counseling services	Stakeholders for which the service is available	Availability of the service [no. hours/day]	Availability of the service [no. days/week]	The language in which the service is available
Advice via direct contact with the Corporate Compliance Office or representatives of the Corporate Affairs and Compliance Department	Internal	Working hours (8.5 from Monday to Thursday; 6 hours on Friday)	Monday to Friday	Romanian; English
Advice via dedicated e-mail address	Internal & External	24 hours	7 days	Romanian; English
Advice via intranet platform "Questions to Compliance Officer"	Internal	24 hours	7 days	Romanian; English

## Total number of requests for advice, including the percentage of requests that were answered during the reporting period\*

Type of counseling services	Type of request	Description of the type of request	Number of requests	Number of requests that were answered
Advice	Request for advice on business ethics-related topics	<ul style="list-style-type: none"> <li>• Conflict of interests</li> <li>• Ethics clause in contracts with clients and suppliers</li> <li>• Gifts and invitations</li> <li>• Tender &amp; contract related</li> <li>• Donations &amp; Sponsorships</li> <li>• Sanctions &amp; embargoes</li> </ul>	105	104 (99%)

GRI: 102-17

206-1

DIR

## Status of the anti-trust legal actions ongoing in 2017\*

Type of incident	Entity that reported the incident	Status of the incident
Infringement of competition rules on the fuel market	OMV Bulgaria	Case finalized in 2017 without a sanctioning decision.
Infringement of competition rules regarding agreements between competitors	OMV Bulgaria	Case finalized in 2017 without a sanctioning decision.

*\*Information available at Group level*

## Compliance Management System

OMV Petrom has set up a compliance management system aiming to prevent, detect and mitigate risks in key compliance areas. Business ethics represents a core component of the system. In 2017, the system was re-certified by international auditors in terms of design, appropriateness, implementation and effectiveness according to international standards (IDW PS 980).

## Whistleblowing

Our company requests that any employee must report concerns about unethical behavior. To this end, OMV Petrom provides reporting mechanisms including a free hotline and a dedicated e-mail address which are available 24/24h both internally and externally.

## The Code of Business Ethics

The Code of Business ethics emphasizes OMV Petrom policy of "Zero tolerance for bribery and corruption" and sets the rules for dealing with conflict of interests, gifts & invitations, intermediaries, donations and investment in local communities, as well as for compliance with competition law provisions and trade sanctions and embargoes.

The Code is mandatory for everybody who works for OMV Petrom. Companies which perform services for or on behalf of OMV Petrom must have anti-bribery procedures that follow the principles of the Code of Business Ethics.

## Raising awareness

The periodic (every two year) training on business ethics matters is mandatory for managers. Also, employees in higher compliance risk areas are included in tailored training programs on business ethics and antitrust topics.



In 2017, 408 employees received training on business ethics and 196 on antitrust.

In addition to trainings, there are other types of initiatives which help raise awareness on anti-corruption topics and compliance risks, such as gaming, open discussions based on voluntary participation and workshops with reputable external speakers. In 2017 such initiatives included the "Treasure Hunt" contest that was focused on the Code of Business ethics knowledge and correct judgment of ethical situations and involved more than 1,900 participants; presentations of famous business ethics cases within the "Compliance Case Clinics" and "Compliance Open Doors" workshops with the participation of compliance specialists. 2017 also marked the end of the "Compliance & Beyond" caravan, which covered a 3-year period and featured compliance workshops in Upstream local assets, Petrobrazi Refinery and Petrom City.

To secure compliant behavior from an early stage, new employees undergo an initial training as part of the New Employee Orientation Program (NEO) established organization-wide.

## Criteria for Granting the Sponsorships

Our sponsorship strategy is based on the national legislation, containing specific criteria for granting sponsorships and requiring deep analyses of project proposals. All donations and sponsorships are monitored by the Compliance Officer in the donations and Sponsorship Electronic Registers. As a result of all these measures that OMV Petrom is implementing, in 2017 there were no administrative or judicial sanctions levied against our organization for failure to comply with anti-corruption laws or regulations. Furthermore, we have not identified any substantiated complaints regarding breaches of customer privacy and losses of customer data.

## Conflict of interests

Our internal regulations provide responsibilities and procedures for the members of the Executive Board and the Supervisory Board regarding the conflict of interests, which imply immediate disclosure and refraining from participating in debates and voting in such situations. Moreover, all our employees with managerial responsibilities also have to sign a conflict of interests declaration.

## WHAT WE WILL DO IN 2018

- Improve the electronic communication platform for compliance topics to foster the speak-up culture within OMV Petrom
- Rollout of training on compliance topics with a focus on OMV Petrom's key risk areas





# PRODUCT RESPONSIBILITY

Our objective is to provide products that meet our customers' quality and cost requirements



ACCOMPLISHED  
IN 2017

New range of fuel OMV MaxxMotion 100plus gasoline



We strive to provide products that meet our customers' quality and cost requirements, all while taking into account the environmental, health and safety aspects, which is an important part of managing product quality throughout the manufacturing and sales process.

## Product Quality

We manage product quality and safety in accordance with both our internal policies and with international and national regulations and standards. We use standardized processes, quality testing across the supply chain and a state-of-the-art traceability system to ensure the quality and safety of our products. Every product we manufacture, market or distribute

complies with relevant legislation. We provide partners and customers with detailed information about our products. 100% of the fuel distributed is subject to product information and labelling requirements, such as the sourcing of components of the product or service, content, safe use, as well as disposal of the product and environmental/social impacts.

## Safety Data Sheets

Safety Data Sheets for our fuels are available on our website or in the filling stations for consultation, together with other documents such as conformity certificates, authorization and licenses or delivery specifications. These documents are regulated under REACH (EU regulation no. 1907/2006), include comprehensive information on potential health, safety and environmental hazards, and inform customers and employees how to safely handle and use our products.

We are committed to producing sulphur-free diesel and gasoline (sulphur content < 10 ppm) at our Petrobrazî Refinery. In 2017, we blended 75,000 t biodiesel into diesel and 49,000 t bioethanol into gasoline fuels for bio-fuels. Mitigating the environmental impacts of our day-to-day business is also of great importance for our company. Thus, in the past couple of years, we focused on investment projects to reduce the environmental impact of our products and services. As a result, in 2017 we successfully launched 2 major energy saving projects aiming to reduce energy consumption at filling stations. The first one entailed mounting Integrated heating, cooling and refrigeration Systems (Conveni Pack) in filling stations, which recover the heat resulting from the cooling process and introduces it into the heating system, thus reducing the electricity consumption needed for heating.

This initiative was coupled with starting a pilot project that consisted of monitoring the consumption of utilities at filling stations (electricity, gas, water): using web-based technology, the Remote energy monitoring system delivers the information, analysis and guidance that allows us to understand our filling stations' energy use, take the appropriate actions and continually improve energy efficiency and building performance. After the first phase of the project consisting in its implementation in 75 filling stations, we obtained significant and encouraging results by saving 4,300 MWh on consumption (24% decrease in energy costs), which made us conclude we should continue such investment projects in the years to come. Furthermore, we give great importance to determining and improving our clients' level of satisfaction. In this respect, large-scale **Customer Satisfaction Studies** were conducted, aimed at measuring customer satisfaction of a wide range of products and services, per brands.

## Number of incidents of non-compliance with regulations and voluntary codes

Products and services	2017	2016
Number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling	-	-
Number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications	-	-
Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	91,350 RON	125,050 RON

## WHAT WE WILL DO IN 2018

- Continue to provide innovative products and services that meet our customers' needs in terms of quality and cost requirements, and to increase customer satisfaction.
- Environmental, health and safety issues have to be integrated in the way we manage product quality throughout the manufacturing and sales process.

# HUMAN RIGHTS

Our objectives are to implement OMV Petrom's Policy commitment to respect, fulfill and support the human rights principle of UNGC



**TARGETS ESTABLISHED**

Annual awareness campaigns through e-learning tool and workshops, training courses

**ACCOMPLISHED IN 2017**

One training session with colleagues from selected areas, close to sites exposed to human rights risks.



## Human Rights Management System

As one of the biggest corporate companies in Romania, we strictly honour fundamental human rights. We primarily believe in protecting the human rights of our employees, recognising their need for respect and dignity. OMV Petrom respects the labour rights principles listed in the International Labour Organisation core conventions and is fully aligned with UNGC Principles. All these principles are described in the company's Code of Conduct, and incorporated in the OMV Human Rights Management System and the Human Rights Policy Statement. Both were part of a thorough revision process carried out in 2017, in order to reach a closer alignment with international best practices. A communication campaign for raising the awareness about the updated policy and the new Human Rights Matrix, which is an essential component of the OMV Human Rights Management System, was implemented that same year. We also have in place comprehensive disciplinary and grievance procedures that supports us in eliminating discrimination at the workplace. Additionally, we require our business partners (suppliers and sub-contractors) to respect our company's policy and we encourage them to develop similar standards. As a result of our specific management system and policy, in 2017, there were no incidents of severe human rights violation reported (child labour, harm to indigenous people, discrimination).

## Specific Training Sessions

In order to implement our commitment to human rights, we organize **professional training sessions** periodically. In October 2017, a training session was held for those who are exposed to human rights risks in the supply chain. Additionally, e-learning training courses are available on the company's intranet. On October 11th, 2017, OMV Petrom held a workshop with the participation of an external consultant from Vienna, which was attended by **20 downstream oil** field employees. The objectives of the workshop were to understand OMV's human rights context and to present the company's approach to human rights, to learn about the tools and processes of OMV's Human Rights Management System and to answer concrete questions of practical relevance to the participants.



## PetrOmbudsman

The department – the first of its kind in a Romanian oil and gas company – is an additional and informal communication channel between the Company and its employees. The Ombudsman department regularly holds on-site visits and workshops, bringing both individual and systemic positive changes within the organization. In 2017, about ~6,000 persons were contacted the department representatives during these visits, of which ~1,600 also benefited from Ombudsman workshops. Additionally, the department is also implementing other type of activities. In 2017, a significant number of initiatives were conducted, such as:

- developing the "Sensitivity Map", which outlines the main risks from an Ombudsman perspective in the main areas of the company;
- a "Workforce Motivation Survey" aimed at identifying the main reasons that motivates employees at work;
- organizing a series of events named "Ombudsman Talks"
- implementing a digitization campaign, for the visual identity of the PetrOmbudsman department;
- developing a mobile application to help filling stations employees come into contact with PetrOmbudsman;
- celebrating the "3 full years of PetrOmbudsman activity".

One of the department's most important achievements in 2017 was the official acknowledgement of the Ombudsman profession as a distinct occupation in Romania, starting with November, based on OMV Petrom initiative.

## WHAT WE WILL DO IN 2018

- Continue training on human rights through e-learning tools and classroom sessions in selected focus sites.
- Continue the communication campaign for blue collars at sites.

# SUPPLY CHAIN MANAGEMENT

An efficient and responsible management of our supply chain allows us to lead our activities relying on trustful partners who share our principles/values and support the communities' development



## Management approach

OMV Petrom applies its sourcing and logistics expertise to ensure appropriate quality of the materials and services for the good implementation of our activities. Corporate Procurement acts as a valuable partner for the business and aims to foster innovation, maximize value contribution and enable growth while staying fully committed to

compliance in the procurement process. In 2017, Corporate Procurement ran a transformation initiative to strengthen future effectiveness and efficiency, which resulted in newly-identified key pillars: **lean organization, simplified processes, continuous improvement, effective steering and full transparency**.

## Requirements for our suppliers

We have a set of rules and regulations in place supporting the achievement of our objectives and ensuring the selection of the best suppliers and partners for our business. They must comply with the applicable laws and governance regulations and with our internal standards (e.g. HSSE, business ethics, human rights).

Our Code of Conduct ensures that suppliers adhere to OMV Petrom's principles and mitigates supply chain risks, such as forced labor, slavery, human trafficking or corruption.

They are obliged to fully comply with the content of the Code of Conduct. OMV Petrom reserves the right to terminate the relationships with suppliers, if issues of non-compliance with applicable policies are discovered, or are not addressed in a timely manner. OMV Petrom has a process in place aimed at ensuring that sanctioned parties (e.g. by EU, United Nations) are not accepted as business partners for our procurement activities.



## Local procurement

We encourage local procurement in order to create shared value in communities where we operate (e.g. supporting local spending, employment, business growth). Spending with local suppliers accounted for more than 90% of total expenditures in 2017 (2016: 94%). Furthermore, we support local suppliers by improving their capabilities to meet higher HSSE, technical and business standards.

## WHAT WE WILL DO IN 2018

- Continue our efforts to purchase services from local suppliers
- Follow up the road map defined for the ESG assessments of the suppliers in the target group

# INNOVATION AND TECHNOLOGIES

Our objectives are to make existing business more competitive, to develop growth options and a more agile and efficient organization

**TARGETS ESTABLISHED**

- Develop the Innovation strategy and align project portfolio that adds significant value to the business
- Initiate People Change: Mindset, Skills, Organization
- Investigate new products and also more radical new business options, adding value to existing product streams
- Develop an innovation eco system around OMV Petrom to capture emerging options

**ACCOMPLISHED IN 2017**

- In accordance with the approved Innovation strategy, the Technology & Innovation Council was established and an integrated Idea Management program was created. As a result, six projects were funded by the Council: Physical Security Integration Management System, Applied Predictive Technologies, IoT Smart Field, Product Forecast Algorithm, Upstream Automation Lab, Design Incubator
- Introduced Design Thinking to OMV Petrom and planning for OMV
- High quality innovation partners were identified in Bucharest, with whom we have developed partnerships

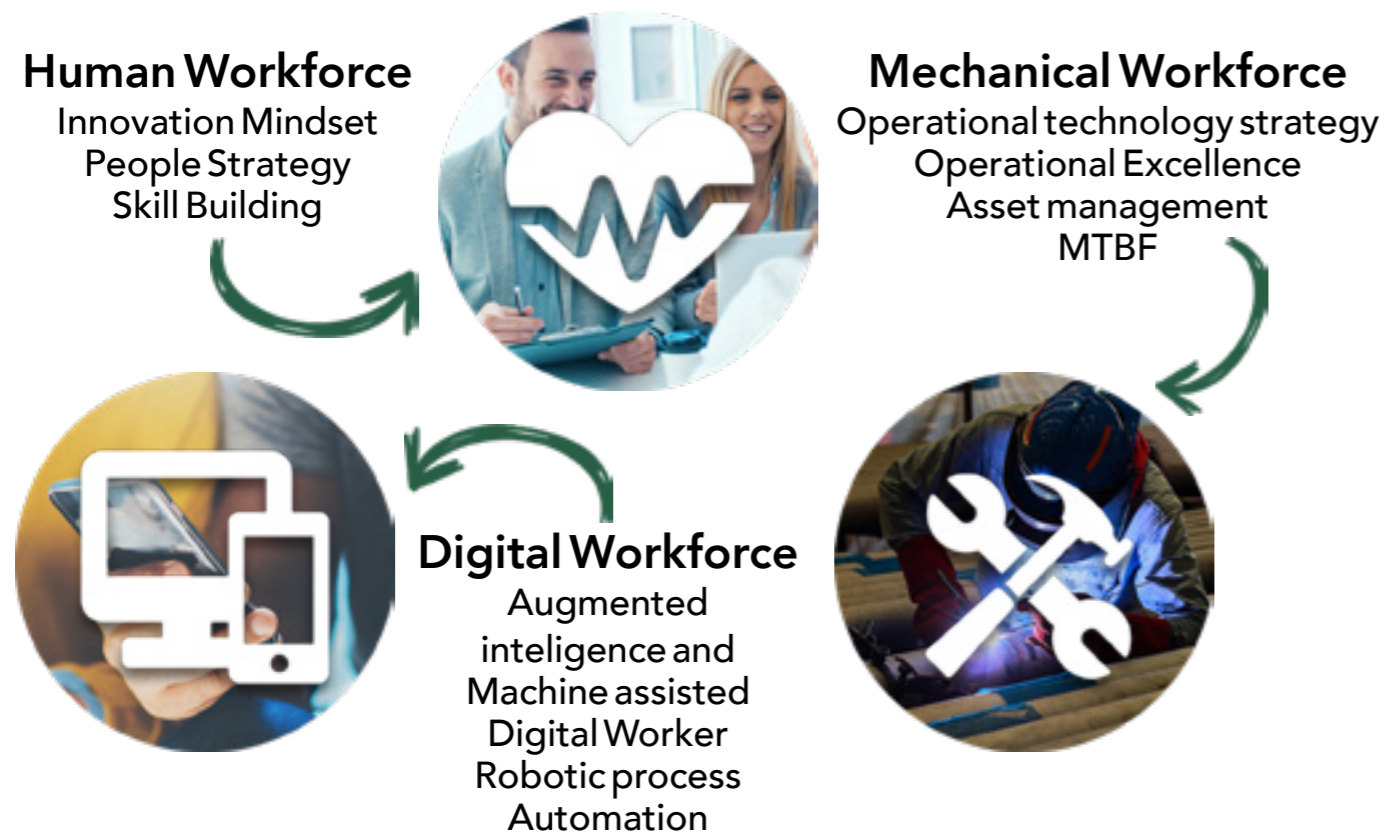
**FOCUS AREAS**



**INNOVATION**

For the future development of our company, technology and innovation play a key role, as they are one of the three enablers of our Strategy 2021+. In this respect, we are building a strong culture of innovation, developing the digital skills of our employees and implementing new advanced technologies in our business processes in order to improve our competitiveness. The final target of this endeavour is to create the conditions to be a regional oil and gas leader in innovation and digitalization by leveraging global developments with an agile and skilled combination of the three workforces: **human, mechanical and digital**.

## Our journey features three collaborating workforces



### Virtual Innovation Organization

We have established the base for a Virtual Innovation Organization, with an *Innovation Office* (a small team of people in Vienna and Bucharest to organize and connect a larger virtual organization at OMV Group level), *External Advisors* (experienced business people and academics to advise and challenge the company's activity portfolio and roadmap), *Innovation Roundtable* (virtual, cross-divisional advisory body of

senior business representatives, developing, proposing and driving the transformation roadmap), *Task Forces* (temporary cross-disciplinary and cross Business Units teams around specific challenges) and a *Center of Excellence* (a network of experts across OMV Group and selected externals, providing on-demand support and expert advice).

### Management of new technologies

In our company, the management of new technologies follows 4 main directions: maximizing the success of exploitation activities, production optimization and recovery optimization, and offshore. The process of implementing a new technology involves 4 stages: Identification – presenting and prioritizing the identified technologies, Development – research activities to adjust and adapt the technology, Pilot test – testing the technology and Implementation. This process is managed through a dedicated program, aiming to support the development of innovative technologies. The entire process is also influenced by a potential change in the list of technologies of great importance, which can be generated by changes in the company's strategy or by major changes occurring in the market. During the reporting period, 17 new pilot tests were started in Upstream alone.

#### The process of implementing a new technology

1. Identification

2. Development

3. Pilot Test

4. Implementation

### Technology and Innovation Projects

In Upstream, the completion of the Digital Oil Field has enabled us to remotely monitor and optimize operations, maintenance data, and activities. In 2017, the usage of standardized Narrowband Internet of Things (NB IoT) technology was successfully tested in partnership with Vodafone Romania to ensure the connectivity of wells and equipment in isolated areas. This project is important because it enables better facility control and the optimization of production, reduction of energy consumption, monitoring of the far-reach production sites and lowers maintenance costs. Within the scope of the New Technology Program in Upstream, new technologies

with high potential for increasing production, reducing costs, and improving HSSE were tested. Furthermore, in 2017, more than 20 pilot technology projects focusing on improving artificial lift, sand control, and well integrity were initiated in our company. Predictive analytics are expected to maintain critical equipment much more effectively in both domestic Upstream and Downstream Oil refining. In the retail segment, predictive analytics are used to process data collected at our filling stations and show customer preferences that allow us to further enhance our offering.

### Institute of Research and Technological Design Câmpina (ICPT)

As part of the Upstream division, the research and development activity of the Institute of Research and Technological Design Câmpina (ICPT) continued in 2017 too, performing complex laboratory analyses, offering technical support and expertise at a high level of quality and efficiency, covering the needs of exploration and production activities.

## WHAT WE WILL DO IN 2018

- We will continue the development of an innovation culture in OMV Petrom by setting up the base for a Virtual Innovation Organization: with an Innovation Office, External Advisors Innovation Roundtable, Task Forces and a Center of Excellence (a network of experts across OMV and selected externals, providing on-demand support and expert advice).

- We will stimulate the digitalization process throughout OMV Petrom in order to leverage the global developments for improved competitiveness and a better customer experience.

- We will continue to stimulate and fund internal and external ideas, while scouting and adapting external technologies that can quickly help optimize OMV Petrom's running business.

# APPENDIX



## Membership

Aspen Institute Romania	Association of Electricity Suppliers in Romania	Austrian Business Club
British Romanian Chamber of Commerce	Bucharest GeoScience Forum	Central and South East European Business Forum for Energy
Chambre de Commerce, d'Industrie et d'Agriculture Francaise en Roumanie	CONCAWE	Concordia Employers' Confederation (through Oil & Gas Employers' Federation)
Employers Organization "Gaz"	Organization Petrogas (OPG)	EPI – Institute of Professional Representatives before the European
Patent Office	Foreign Investors Council	Oil & Gas Employers' Federation (through Petrogaz)
Romanian Association for international numbering of articles	Romanian Association for Promoting Energy Efficiency	Romanian Association of the Petroleum Exploration and Production Companies
Romanian Black Sea Titleholders Association	Romanian – German Chamber of Commerce & Industry	Romanian Association Chamber Pattern of Attorney
Romanian National Committee of the World Energy Council	Romanian Petroleum Association	Romanian South African Business Association
Romanian Standards Association	Society of Petroleum Engineers (SPE Rom)	The National Association of Energy Consumers in Romania

## Abbreviations and Definitions

<b>API</b>	American Petroleum Institute
<b>BES</b>	Biodiversity and ecosystem services
<b>boe</b>	Barrel oil equivalent
<b>CCPP</b>	Combined Cycle Power Plant
<b>CEO</b>	Chief Executive Officer
<b>CHP</b>	Cogeneration or Combined Heat & Power
<b>CO2</b>	Carbon Dioxide
<b>CO2 eq</b>	Carbon dioxide equivalent
<b>CPT</b>	Internal technological consumption
<b>CST</b>	Central Southern Europe
<b>EOR</b>	Enhanced Oil Recovery
<b>EU</b>	European Union
<b>EU ETS</b>	EU Emissions Trading Scheme
<b>EWRM</b>	Enterprise Wide Risk Management
<b>FIC</b>	Foreign Investors Council
<b>G2P</b>	Gas to Power
<b>GDRs</b>	Global Depositary Receipts
<b>GHG</b>	Greenhouse Gas
<b>GHG Scope 1</b>	Direct emissions from operations that are owned or controlled by the organization
<b>GHG Scope 2</b>	Indirect emissions resulted from the generation of purchased or acquired electricity, heating, cooling or steam
<b>GIS</b>	Geographic Information System
<b>GJ</b>	Gigajoule
<b>GMS</b>	General Meeting of Shareholders
<b>GRI</b>	Global Reporting Initiative

<b>GWP</b>	Global warming potential
<b>HSSE</b>	Health, Safety, Security and Environment
<b>ICPT Campina</b>	Institute of Research and Technological Design Câmpina
<b>ILC</b>	Individual Labour Contract
<b>IOR</b>	Improved Oil Recovery
<b>ISO</b>	International Organization for Standardization
<b>KPI</b>	Key Performance Indicator
<b>LTIR</b>	Lost-time injury rate
<b>LSE</b>	London Stock Exchange
<b>m2</b>	Square meter
<b>m3</b>	Cubic meter
<b>mn</b>	million
<b>MW</b>	Megawatt
<b>MWH</b>	Megawatt hour
<b>Nm3</b>	normal meter cube
<b>NM-VOC</b>	Non-Methane Volatile
<b>NOx</b>	Nitrogen oxide
<b>OPCOM S.A.</b>	Romanian Gas and Electricity Market Operator
<b>OPEX</b>	Operating expenses
<b>PEC</b>	Production Enhance Contract
<b>PIMMS</b>	Production Information Management and Monitoring System
<b>PIMS</b>	Pipeline Integrity Management System
<b>PJ</b>	Petajoule
<b>PNPS</b>	National Multiannual Integrated Plan for Health Promotion
<b>PODS</b>	Pipeline Open Data Standard
<b>POS CCE</b>	Programul Opera tional Sectorial Cre terea Competitivit ii Economice
<b>ppm</b>	parts per million
<b>PRSC</b>	OMV Petrom Resourcefulness Steering Committee
<b>RBI</b>	Risk Based Inspection
<b>REACH</b>	Registration, Evaluation, Authorisation and Restriction of Chemicals
<b>RP</b>	Recommended Practice
<b>SCE</b>	Safety critical elements
<b>SDGs</b>	Sustainable Development Goals
<b>SO2</b>	Sulphur dioxide
<b>Solomon</b>	Method of calculating performance indicators for refineries benchmarking
<b>SRA</b>	Security Risk Assessment
<b>t</b>	Tonnes
<b>t/y</b>	Tonne(s)/year
<b>TPM</b>	Total Productive Maintenance
<b>TRIR</b>	Total recordable injury rate
<b>tep</b>	tonne(s) of oil equivalent
<b>TWh</b>	Terawatt hour
<b>UN</b>	United Nations
<b>WO&amp;WI</b>	Work Over & Well Intervention



## Materiality Topics Boundaries

Material Topics	GRI Indicator	Impact along OMV Petrom Value Chain		Stakeholders
		Inside OMV Petrom	Outside OMV Petrom	
<b>Health, Safety, Security and Environment</b>				
Health, Safety and Security	103-1, 103-2, 103-3, 403-1, 403-2, OG13	●	●	Suppliers, External Consultants, Clients, Banks, Government (technical and operational bodies), The Legislative (Parliament), Representatives of employees, Professionals' associations, Local Administrations, Other community members, National media, Associations, Foundations, Universities/Schools, Employees, Capital Markets
Environmental compliance and environmental expenditures	103-1, 103-2, 103-3, 102-15, 201-2, 102-11, 307-1	●	●	Suppliers, External Consultants, Clients, Banks, Government (technical and operational bodies), The Legislative (Parliament), Representatives of employees, Professionals' associations, Local Administrations, National media, Associations, Capital Markets,
Hydrocarbon spills	103-1, 103-2, 103-3, 306-3	●	●	Suppliers, External Consultants, Banks, The Legislative (Parliament), Representatives of employees, Professionals' associations, Local Administrations, Other community members, National media, Associations, Foundations, Universities/Schools, Employees, Research institutions, Capital Markets,
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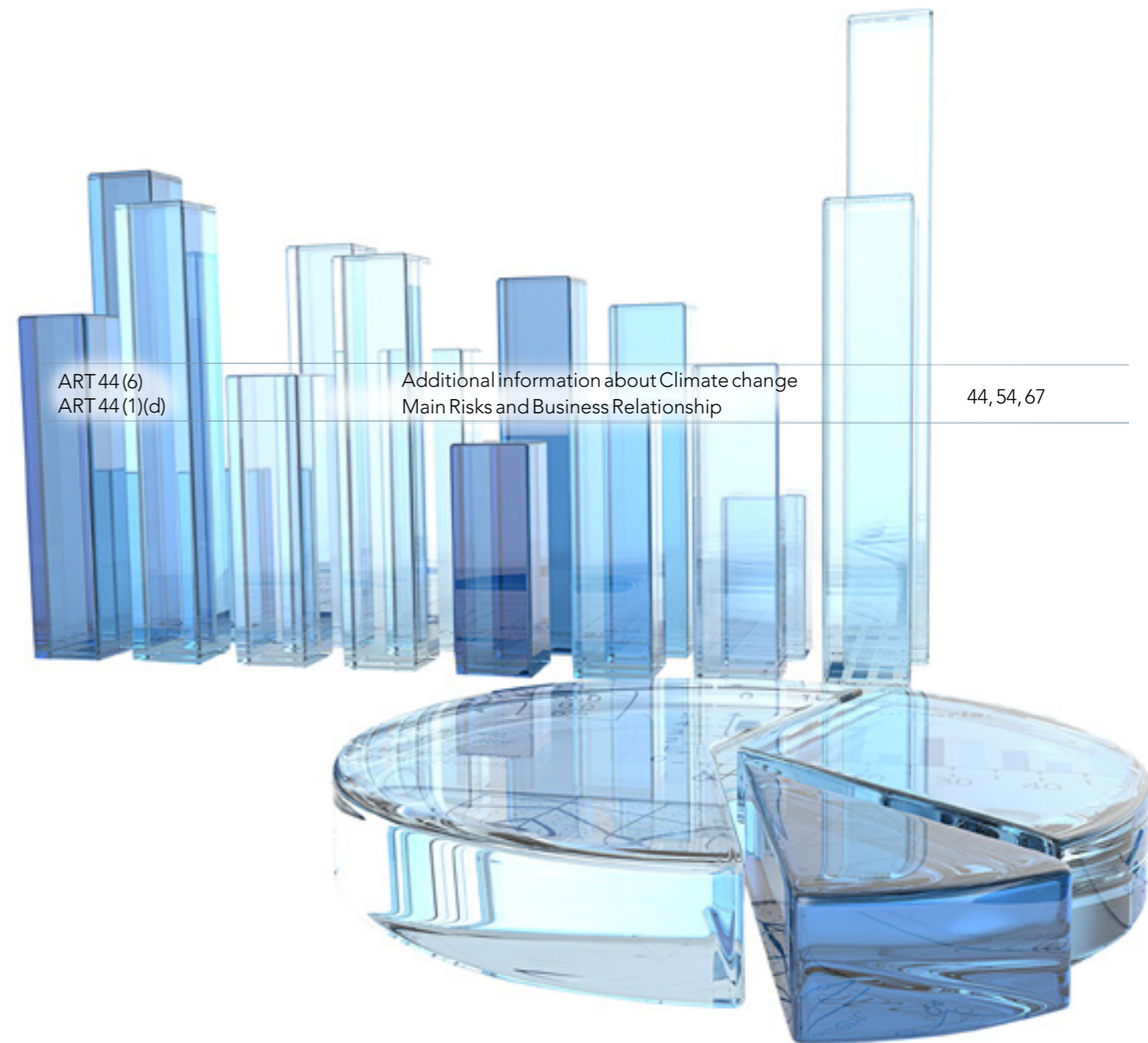
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#### Disclaimer regarding forward-looking statements

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