



**HESS CORPORATION**

2007 CORPORATE  
SUSTAINABILITY REPORT




# SCOPE OF REPORT


This report covers the principal facilities and assets operated by Hess Corporation and its subsidiaries during calendar year 2007. The format of this report follows the Global Reporting Initiative (GRI) G3 *Sustainability Reporting Guidelines* and also the joint International Petroleum Industry Environmental Conservation Association and the American Petroleum Institute's *Oil and Gas Industry Guidance on Sustainability Reporting*.

Environment, health, safety and social responsibility (EHS & SR) metrics refer to gross figures from operated facilities. Data and information concerning contracted activities are included where contracts dictate that Hess has overall responsibility for those operations. With the exception of net equity greenhouse gas emissions this report does not include EHS & SR data on operations in which the company has an equity interest but which are operated by other companies. In order to make representative comparisons year on year we report many metrics as a normalized rate based on hours worked or on operated production and throughput.

Hess has adopted the GRI *Reporting Guidance for Boundary Setting* for reporting data on joint venture companies where we have significant influence, but not direct operational control. These include the HOVENSA Refinery in the United States Virgin Islands and the Joint Development Area in Malaysia/Thailand. Data pertaining to these joint ventures is presented separately from Hess operated data. Data from our SonaHess joint venture are included in Hess totals to facilitate comparisons with previous years. For joint ventures, data gaps may exist where reporting practices and definitions were not fully aligned with Hess in 2007. We are working to address these data gaps. In addition, we are in the process of evaluating data collection for our recently acquired assets in Russia, which we have designated as an asset in transition.

For copies of the data in tabular format referred to in this report, please visit our web based report. 

## Report Application Levels

		2002 In Accordance	C	C+	B	B+	A	A+
Optional	Mandatory	Self Declared						
		Third Party Checked						
		GRI Checked						
				Report Externally Assured		Assured		Report Externally Assured
								
				Report		Report		Report

Note: Following a review by ERM CVS, our external verifier, Hess is self-declaring a GRI Application level of B+ in conformance with the GRI Sustainability Reporting Guidelines.

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# OUR COMPANY

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Hess Corporation is a leading global independent energy company engaged in the exploration and production of crude oil and natural gas, as well as in refining and marketing refined petroleum products, natural gas and electricity. Our strategy is to build a company that will sustain profitable growth and create significant shareholder value. We are committed to meeting the highest standards of corporate citizenship by protecting the health and safety of our employees, safeguarding the environment and creating a long lasting, positive impact on the communities in which we do business.

## EXPLORATION & PRODUCTION

Our worldwide oil and gas production averaged 377,000 barrels of oil equivalent (BOE) per day in 2007 and our proved reserves grew to 1.33 billion BOE with a reserve life of 9.5 years. We have built a strong organization with the technical

capabilities that enable us to undertake the world class challenges of developing crude oil and natural gas resources around the globe. Exploration and production activities account for over 80 percent of capital employed and 96 percent of annual capital expenditures. These exploration and production activities take place principally in Algeria, Australia, Azerbaijan, Brazil, Denmark, Egypt, Equatorial Guinea, Gabon, Ghana, Indonesia, Libya, Malaysia, Norway, Russia, Thailand, the United Kingdom and the United States. Our international exploration portfolio continued to grow in 2007 with the acquisition of new licenses in Australia, Columbia, Egypt, Ghana, Norway, Ireland, Russia, Brazil and Peru. We also acquired new seismic data in Libya, Egypt, Brazil and Norway. The Corporation has significant interests in several joint venture companies including SonaHess in Algeria, and Caragali Hess in the Malaysia/Thailand Joint Development Area.

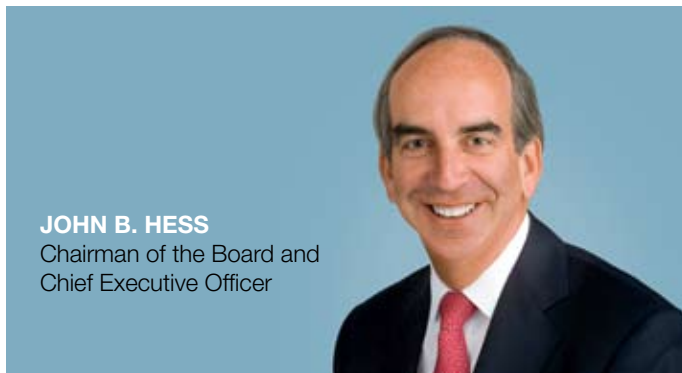
## MARKETING & REFINING

Hess is the leading independent gasoline convenience store marketer on the East Coast of the United States with 1,371 Hess branded retail locations. Our Energy Marketing business provides oil, natural gas and electricity to more than 15,000 commercial and industrial customers, primarily on the East Coast. The company operates a network of 22 terminals strategically located to support our marketing operations and a fluid catalytic cracking unit in Port Reading, New Jersey. The company also has a 50 percent interest in the HOVENSA Refinery in the United States Virgin Islands. The Hess LNG joint venture is pursuing investments in liquefied natural gas terminals and related supply, trading and marketing opportunities.



# MESSAGE FROM THE CHAIRMAN

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**JOHN B. HESS**  
Chairman of the Board and  
Chief Executive Officer

In 2007 we continued to execute successfully our strategy to build a company that will sustain profitable growth and create significant shareholder value while making a positive impact in the communities where we operate.

Our company is committed to helping meet the world's growing demand for energy in a responsible manner that protects the safety and health of our stakeholders and respects our environment. While we continue to invest in the development of new forms of energy for the future, we also recognize the more immediate challenge of developing sufficient supplies of hydrocarbons to meet rising global demand.

We are operating in an environment of over \$100 per barrel crude oil where access to opportunities for oil resources, equipment and skilled professionals is increasingly limited. In the last 10 years the world has moved from a supply led market to a demand led one. To conserve energy, we need to improve fuel efficiency in transportation and increase investments in breakthrough technologies to make fuel cell vehicles a reality. To grow production, it is important that our industry, OPEC and non-OPEC countries significantly increase their long-term investments to avoid a supply shortfall in the next 10 years.

To contribute toward meeting these global energy needs, our company is investing cash flow in a disciplined manner to find, develop and produce energy resources. For 2008, capital and exploratory expenditures are expected to be \$4.4 billion, with \$1.6 billion for production, \$1.5 billion for field developments and \$1.2 billion for exploration. We also continue to explore new frontiers of energy with our investment in Nuvera Fuel Cells,

a subsidiary developing alternative forms of hydrogen-powered transportation systems that are fuel efficient, safe and clean.

We have an important challenge ahead of us. We owe it to future generations to leave the world with greater energy security and a cleaner environment than we have today.

## HESS CORPORATION PERFORMANCE

In 2007, we achieved another year of strong performance in our operations. In Exploration and Production, our year end proved reserves grew by 7 percent to 1.33 billion barrels of oil equivalent and we replaced 167 percent of production. Our reserve life increased to 9.5 years, marking the fifth consecutive year of improvement. Our production grew 5 percent to 377,000 barrels of oil equivalent per day, with a substantial increase in crude oil production at the Okume Complex in Equatorial Guinea, the commencement of natural gas production from the Ujung Pangkah Field in Indonesia and a full year of natural gas sales at Sinphuhorm in Thailand.

Marketing and Refining continued to meet its goals of providing near term earnings and free cash flow while serving the needs of our customers. Refining generated solid financial performance in a challenging environment with \$193 million in earnings. Retail Marketing showed increases in both fuel sales and convenience store sales, but this improvement in volumes was more than offset by lower fuel margins. Our Energy Marketing business launched a Demand Response program to incentivize customers to use energy more efficiently.

We have worked hard over the past five years to reshape our company, build a global organization with strong technical capability and deliver superior performance. Our total shareholder return for the year was up 104 percent, an increase that was first among integrated oil companies and tenth in the S&P 500.

Although we are pleased with our performance, we recognize the significant global challenges we face including volatile commodity prices, access to resources, technological challenges of exploring in deepwater areas, rising cost pressures, competition from national oil companies, increasing environmental and social concerns and attracting and retaining the best talent.

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Integral to our progress is a social responsibility strategy focused on improving safety, health and environmental performance while making a positive impact on the communities where we operate. This strategy is guided by our corporate values, policy statements and management systems, which work to protect our employees, customers, host communities and the environment.

In 2007, we achieved our best personal safety performance since the company began recording such data more than 20 years ago. The incident rate was one-third the rate it was in 2000 and has improved seven of the past eight years.

As a consequence of our growth, we experienced a significant increase in the absolute amount of greenhouse gas emissions over 2006. Increases were largely associated with rapid production growth in Equatorial Guinea and new production in Indonesia and Thailand. We are developing plans to manage and mitigate our total greenhouse gas emissions.

Social responsibility is a key company value and we remain committed to making a positive, sustainable impact in our local communities. Our company's charitable contributions grew from \$6 million in 2006 to more than \$16 million in 2007 as we provided support for education, health and community development throughout our global operations. We are particularly proud of the program we initiated in partnership with the government of Equatorial Guinea to strengthen the country's education system. In 2007, more than 1,000 teachers were trained and the first five of 40 model schools began refurbishment. We are especially pleased with the broad support this program has received from the local communities.

## OUR COMMITMENT

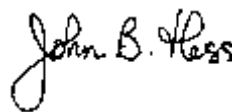
Our company engages in voluntary initiatives to support human rights, environmental protection and financial transparency. Hess has endorsed four major voluntary initiatives: the Voluntary Principles on Security and Human Rights, the Universal Declaration on Human Rights, the United Nations Global Compact and the Extractive Industries Transparency Initiative. In 2007, we drafted and began implementation of a comprehensive, company-wide "Human Rights Risk Assessment" to comply with all four of the voluntary multi-stakeholder initiatives.

Our commitment to the environment includes improving our processes to reduce pollution and waste and to design and operate our facilities in a responsible and sustainable manner. We believe energy conservation plays a critical role in sustainable development and reduces the potential for global warming. We introduced an expanded energy conservation and management program that includes greater use of renewable resources. In 2007, 10 percent of all electricity purchased by the company for our operations was provided by renewable sources.

Climate change is a global environmental concern with potentially significant consequences for society and the energy industry. Hess is committed to the responsible management of greenhouse gas emissions from our existing assets and future developments and has formed a Climate Change Network, comprised of business leaders from across the company, to develop a sustainable Carbon Management Program. The Network is focused on developing and implementing a corporate strategy for managing and mitigating greenhouse gas emissions and proposing activities to control our carbon footprint. The Network is addressing key issues such as policy, energy efficiency, flare and vent reduction, and carbon capture and storage.

Hess supports U.S. climate change legislation that treats all affected parties equitably and in a cost effective manner. We are committed to finding a pathway that will slow, stop and reverse the increase in emissions while sustaining economic growth. Legislative action should encourage innovation, enhance energy security, foster growth, improve our balance of trade and set an example for global leadership.

We are proud of the progress we have made in the growth of our company. With the continuing support of our customers, employees, investors, business partners and communities where we do business, we are confident that we are building a sustainable enterprise that makes a positive impact on the world around us.

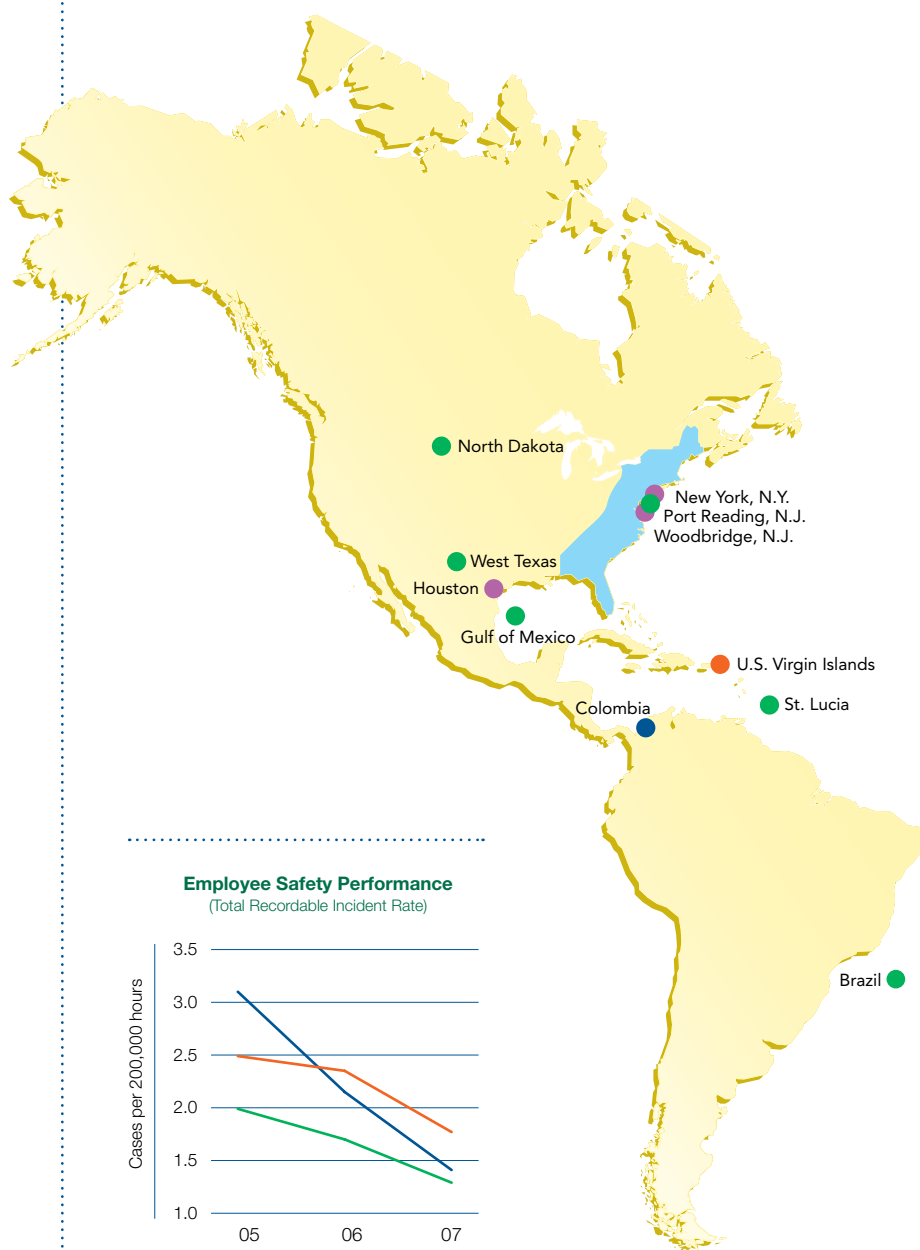


**JOHN B. HESS**

Chairman of the Board and  
Chief Executive Officer

# 2007 HIGHLIGHTS

- Hess Operated Location
- Major Joint Venture Locations
- Non-operated Locations
- Major Office Locations
- Retail and Energy Marketing Area



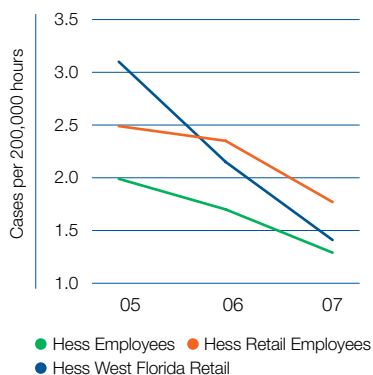
## THE AMERICAS

Our Exploration & Production business advanced several Hess operated field development projects, including the Bakken Shale in North Dakota and the Residual Oil Zone at Seminole San Andres in West Texas. We also made significant progress in the development of the Shenzi Field in the deepwater Gulf of Mexico. In exploration, we continued the appraisal of the Pony and Tubular Bells discoveries in the deepwater Gulf of Mexico. We hold more than 1.5 million net acres in the deepwater Gulf of Mexico. We also have exploration interests in Brazil, Colombia and Peru.

Our U.S. Marketing & Refining operations are focused on the East Coast of the United States. We operate Hess gasoline stations, most of which have convenience stores. We supply natural gas, electricity and fuel oil to commercial and industrial customers. We operate 21 oil terminals in the U.S., plus one in St. Lucia. We also operate the Port Reading Refinery in New Jersey and have a joint venture in the HOVENSA Refinery in the U.S. Virgin Islands, which is one of the largest refineries in the world.

- The 2007 Chairman's Award for Safety Excellence was awarded to the West Florida Region of our Retail Operations in the United States. West Florida Region achieved a 55 percent reduction in recordable incidents since 2005.
- Hess supports Habitat for Humanity's Houston projects, which have been improving the lives of local families for nearly 20 years. Hess joined the program several years ago and has made it a permanent part of its Social Responsibility Program.
- Hess purchased 10 percent (100,000 MWhrs) of its worldwide electricity from Green E certified renewable energy sources.
- In 2007, Terminal Operations Region II in the Southeastern U.S. worked more than 350,000 hours, handled close to 57 million barrels of refined product and logged 2.5 million miles in Hess trucks to deliver 151 million gallons of fuel to customers, all without a single recordable incident.

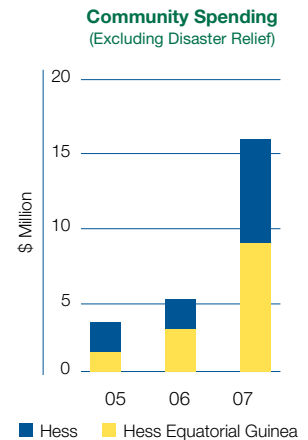
**Employee Safety Performance**  
(Total Recordable Incident Rate)



## AFRICA

During 2007, production from Hess operations in Equatorial Guinea exceeded 90,000 barrels of oil per day. In Algeria, the Gassi El Agreb Fields continued work on the Gas Compression and Reinjection Project. We are a partner in the Oasis joint venture which operates the Waha concession in Libya and we have interests in three major onshore oil fields in Gabon. We also have offshore exploration projects in Ghana, Egypt and Libya.

- In 2007, Hess contributed \$8 million toward the development of a 10 year program, in partnership with the government of Equatorial Guinea to strengthen the educational system in the country.
- Hess has made a significant commitment to training and hiring National employees in Equatorial Guinea.
- Hess went beyond industry best practice to protect marine mammals during seismic surveys in offshore Ghana.
- In Algeria, SonaHess achieved the best safety performance in its history in 2007.

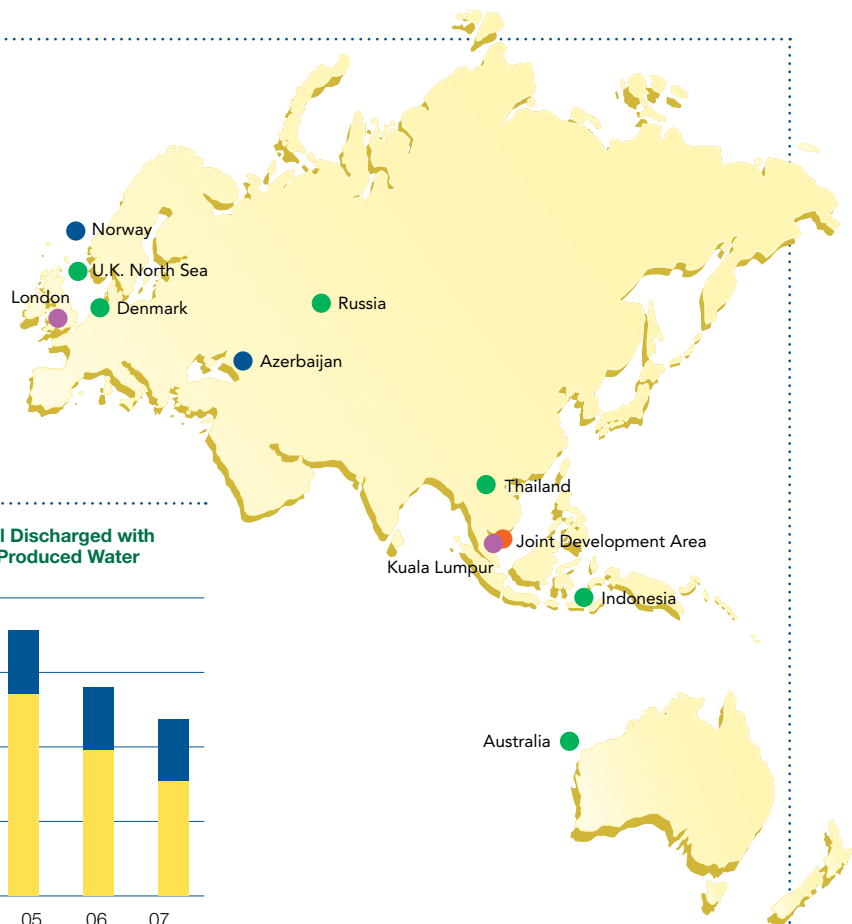
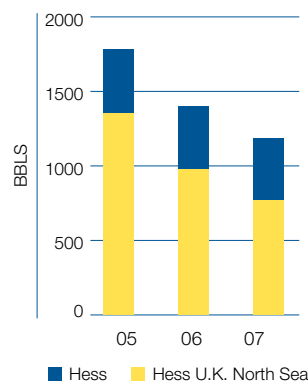


## EUROPE, ASIA & AUSTRALIA

We have assets in the British, Danish and Norwegian sectors of the North Sea. We also have exploration interests in Ireland and the Faroes. We have a majority interest in the Samara region of Russia, as well as minority interests in the Azerbaijan Azeri-Chirag-Gunashli (ACG) Fields and the Baku-Tbilisi-Ceyhan (BTC) Pipeline in Azerbaijan. We have a joint venture in the Joint Development Area of Malaysia and Thailand (JDA), which is the largest gas field in the Gulf of Thailand. We commenced natural gas production at both Sinphuhorm in Thailand and Pangkah in Indonesia. Our total exploration acreage position in Australia is approximately 1.5 million acres.

- The South Arne production platform in Denmark earned the 2007 Exploration and Production President's Award for Safety Excellence. This operation sustained improvements in safety during a period of high activity.
- The Triton facility in the U.K. North Sea installed a new separation package late in 2006 which significantly improved its produced water discharge performance.
- Both Sinphuhorm and Pangkah operations were commissioned on time and within budget with no injuries or process safety incidents.

**Oil Discharged with Produced Water**



## 2007 AT A GLANCE

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### BUSINESS PERFORMANCE

Our financial performance benefited from higher volumes of crude oil and natural gas production and strong commodity prices, which were partially offset by higher industry costs in Exploration and Production and lower margins in Marketing and Refining.

Our corporate net income was \$1.8 billion, or \$5.74 per share. While we continued to reinvest the majority of our cash flow in Exploration and Production, we strengthened our financial position in 2007 with debt-to-capitalization improving to 28.9 percent at year end compared to 31.6 at the end of 2006.

Exploration and Production, which earned \$1.8 billion, delivered strong operational performance. Marketing and Refining, which earned \$300 million, continued to make contributions to our company's progress.

### HEALTH & SAFETY

In 2007 our employee safety performance improved by 25 percent over 2006. Since 2000, we have reduced our injury rate by two-thirds and are nearing our goal of top quartile safety performance in all of our businesses. As the complexity and scope of our operations grow, we will continue to make safety a top priority in all we do.

The 2007 Chairman's Award for Safety Excellence was awarded to Retail Marketing's West Florida Region. The region improved its safety performance 33 percent through focused initiatives, teamwork and strong leadership support. Since 2002 incidents in the region have decreased by 64 percent and performance is now among the best in the retail industry.

### CLIMATE CHANGE

Greenhouse gas emissions from our operated facilities increased by 1 million tonnes in 2007. Increased emissions are attributable to a doubling of production in Equatorial Guinea where associated gas has to be flared, as well as delays in the commissioning of the Gas Compression and Reinjection project in Algeria.

In 2007 we formed a Climate Change Network comprised of senior managers and specialists from across the company to develop a mitigation strategy for minimizing our carbon footprint. The network is focused on energy efficiency, flaring and venting and carbon capture and storage. We are also including carbon pricing in our future development strategies. For the first time, this report includes data on our net equity carbon emissions.

Hess supports U.S. climate change legislation that treats all affected parties equitably in a cost-effective manner. We are committed to finding a pathway that will slow, stop and reverse the growth of U.S. emissions while expanding the economy.

### ENVIRONMENT

Atmospheric emissions increased as a result of increased production. Our company wide oil spill performance was top quartile when benchmarked against industry peers. We reduced the volume of oil discharged in produced water and on drill cuttings. In 2007 we initiated the collection of additional environmental metrics including freshwater consumption, waste water reinjection and non-oil spills.

### COMMUNITY SUPPORT

We remain committed to improving the social well being of the communities where we operate and continue to enhance our relationships with our host countries.

The Company's investment in social responsibility grew from \$6 million in 2006 to more than \$16 million in 2007, with over 57 percent of spending dedicated to improving education.

We initiated a major program in Equatorial Guinea to strengthen its educational system in 2006. As part of this program in 2007, we enrolled more than 1,200 in-service teachers in a seven week accelerated diploma program, began refurbishment of five models schools, developed a school census and provided education materials. The company also continued to provide assistance in the areas of education, health and community development in Azerbaijan, Algeria, Denmark, Indonesia, Malaysia, Russia, Thailand, the United Kingdom and the United States.

### VOLUNTARY COMMITMENTS

The company has endorsed four major voluntary initiatives: The Voluntary Principles on Security and Human Rights, the Universal Declaration on Human Rights, the United Nations Global Compact and the Extractive Industries Transparency Initiative. In 2007, we began to implement a comprehensive, company-wide "Human Rights Risk Assessment" to comply with the multi-stakeholder initiatives we have endorsed.



# PERFORMANCE DATA

	Units	2005	2006	2007
<b>BUSINESS PERFORMANCE</b>				
Gross operated production/throughput (Normalization factor)	'000 BOE/D	1,210	1,120	<b>1,171</b>
Total net hydrocarbons produced	'000 BOE/D	335	359	<b>377</b>
Net gas production	%	27	28	<b>27</b>
Natural gas production available for sale	MCFD	544	612	<b>613</b>
Refined petroleum product sales	'000 BOE/D	456	459	<b>451</b>
Sales and other operating revenue	\$ Million	22,747	28,067	<b>31,647</b>
Net income	\$ Million	1,226	1,920	<b>1,832</b>
Capital and exploratory expenditures	\$ Million	2,490	4,056	<b>3,926</b>
Stockholders equity	\$ Million	6,318	8,147	<b>9,774</b>
Convenience store sales (excluding petroleum products)	\$ Million	973	1,015	<b>1,051</b>
Income tax to governments	\$ Million	1,139	1,799	<b>1,826</b>
Royalties and other payments to governments	\$ Million	NR	580	<b>885</b>
Benefits to employees – wages, share-plans, pensions	\$ Million	564	596	<b>636</b>
Amount of money paid to political parties	\$ Million	0	0	<b>0</b>
Spending with suppliers (U.S. only)	\$ Million	1,715	1,929	<b>2,276</b>
Spending with minority suppliers (U.S. only)	% of Vendors	42	41	<b>31</b>
	% Spend	29	37	<b>33</b>
Community contributions	\$ Million	8	6	<b>16</b>
<b>SAFETY PERFORMANCE</b>				
Fatalities - Employees	#	0	0	<b>0</b>
Fatalities - Contractors	#	0	0	<b>0</b>
Recordable Incident Rate - Employees	per 200,000 hrs worked	1.99	1.73	<b>1.29</b>
Recordable Incident Rate - Contractors	per 200,000 hrs worked	1.01	0.50	<b>0.53</b>
Recordable Incident Rate - Workforce	per 200,000 hrs worked	1.57	1.04	<b>0.91</b>
Lost Work Time Incident Rate - Employees	per 200,000 hrs worked	NR	0.79	<b>0.43</b>
Lost Work Time Incident Rate - Contractors	per 200,000 hrs worked	NR	0.10	<b>0.13</b>
Lost Work Time Incident Rate - Workforce	per 200,000 hrs worked	NR	0.41	<b>0.28</b>
Employee Hours Worked	Million hrs	21.49	22.56	<b>23.59</b>
Contractors Hours Worked	Million hrs	16.17	28.59	<b>23.30</b>
<b>ENVIRONMENTAL PERFORMANCE</b>				
Number of Oil Spills	#	270	115	<b>129</b>
Volume of Oil Spilled	bbls	531	31,455	<b>458</b>
Number of Other Spills	#	NR	NR	<b>36</b>
Volume of Other Spills	bbls	NR	NR	<b>1,959</b>
Operated Direct CO <sub>2</sub>	Million Tonnes	4.84	4.66	<b>5.65</b>
Operated Indirect CO <sub>2</sub>	Million Tonnes	0.531	0.506	<b>0.541</b>
Operated Direct Methane	Thousand Tonnes	8.04	7.06	<b>7.39</b>
Operated Direct Greenhouse Gas Emissions	Million Tonnes	5.05	4.85	<b>5.85</b>
Operated Carbon intensity	Tonnes GHG/1000 boe	12.68	13.14	<b>14.99</b>
Net Equity Greenhouse Gas Emissions	Million Tonnes	NR	NR	<b>9.61</b>
Non Hazardous Waste (Restated)	Thousand Tons	173.90	193.42	<b>108.30</b>
Hazardous Waste (Restated)	Thousand Tons	1.00	0.58	<b>1.19</b>
Recycled Waste	%	38	45	<b>72</b>
EHS Fines and Penalties	\$ Thousands	279	188	<b>79</b>
Environmental Expenditures (inc. low sulfur projects)	\$ Million	26	71	<b>22</b>
Remediation Expenditure	\$ Million	15	15	<b>23</b>
Environmental Reserve	\$ Million	77	75	<b>60</b>
Direct Energy Use	Peta Joules	37.45	39.54	<b>40.15</b>
Indirect energy consumption	Peta Joules	9.00	8.91	<b>9.48</b>
Production energy intensity	Giga Joules/tonne	0.77	0.87	<b>0.85</b>
Environmental Management Systems	% Production ISO 14001 Certified	16	12	<b>10</b>
Freshwater Consumption	Million bbls	NR	NR	<b>66.88</b>
<b>GLOBAL WORKFORCE</b>				
Number of full time equivalent permanent employees	#	11,975	12,921	<b>12,071</b>
Proportion of hourly paid employees	%	68	68	<b>67</b>
Non U.S. Workforce	%	5.2	6.1	<b>8.5</b>
Females in management (U.S. only)	%	36	36	<b>38</b>
Female employees (U.S. only)	%	45	44	<b>41</b>
People from U.S. racial minorities	%	25	27	<b>29</b>
Technical and personal development training	\$ Million	NR	9	<b>11</b>

# HOW WE OPERATE



Retail station in West Florida. West Florida Region earned the 2007 Chairman's Award for Safety Excellence





## OUR VALUES

Our values provide guidance throughout the company on how we conduct our business. All representatives of the company are required to operate in accordance with our values.

- **Integrity:** We are committed to the highest level of integrity in all of our relationships.
- **People:** We are committed to attracting, retaining and energizing the very best people by investing in their professional development and providing them with challenging and rewarding opportunities for personal growth.
- **Performance:** We are committed to a culture of performance that both demands and rewards outstanding results throughout our business.
- **Value Creation:** We are committed to creating shareholder value based on sustained financial performance and long term profitable growth.
- **Social Responsibility:** We are committed to meeting the highest standards of corporate citizenship by protecting the health and safety of our employees, by safeguarding the environment, and by creating a long lasting, positive impact on the communities where we do business.
- **Independent Spirit:** We are committed to preserving the special qualities and unique personality that have made us a successful independent enterprise.

## ENVIRONMENT, HEALTH, SAFETY AND SOCIAL RESPONSIBILITY MANAGEMENT

Hess Corporation has implemented a values based, Environment, Health, Safety and Social Responsibility (EHS & SR) strategy. This strategy is guided by the company's policies, management systems and programs that work to protect our employees, customers and host communities.

We are committed to continually improving our EHS & SR performance. Since performance must be measured to be meaningful we have well-developed performance objectives. Some of these are "end of process" targets focusing on the results of our actions. Others are "in process" objectives that focus on how well we are performing the actions themselves.

### EHS & SR Management System

EHS & SR is managed as a critical function that is integrated into each business area, which has primary accountability for performance and results, with guidance from the Hess Leadership Team.

Our EHS & SR management system ensures that there is a systemic, reliable process for identifying risks and achieving EHS & SR objectives. Our management system is based on recognized international standards that promote consistency, adherence to policies, and continued improvement in performance. In 2007, 10 percent of our total oil production (gross operated) and throughput was from ISO 14001 certified operations.

Our ISO 14001 locations are: the St. Lucia Terminal, U.K. Production and Denmark Production. In addition, our Denmark operations are OHSAS 18001 certified. Our CarigaliHess joint venture is also OHSAS 18001 certified and is preparing for ISO 14001 certification in 2008.

### Audit

The role of our corporate audit program is to ensure that our operations consistently adhere to company policy and objectives, comply with regulatory requirements and, as appropriate, implement best in class industry standards.

### Communication & Collaboration

The company maintains an intranet Web site for employees that provides updates on regulatory information and issue-oriented training programs. Injury and illness performance and targets are also included.

We have established internal networks to help guide the company on issues such as safety, corporate social responsibility and climate change. Since much can be learned from industry peers, other companies and external groups, we also participate in various organizations such as the International Petroleum Industry Environmental Conservation Association, the International Association of Oil and Gas Producers, the National Petrochemicals and Refiners Association and the National Safety Council.

STAKEHOLDER ENGAGEMENT

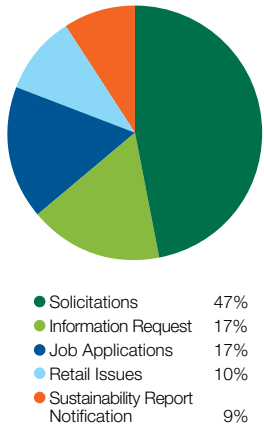
We continue to engage in discussions with both internal and external stakeholders to maintain and improve key relationships and reinforce transparency in our industry.

We pursue many initiatives to keep shareholders and the investment community informed and to attract new investment. Each quarter, we host a conference call providing further clarity on our earnings press release. The calls are accessible to the public. Transcripts are made available on our Web site within 24 hours. All investor presentations are posted on hess.com.

In addition we participate in various surveys and rankings undertaken by financial institutions and socially responsible investment groups, including: the Carbon Disclosure Project; Goldman Sachs Environmental, Social, Governance Index; KLD (SiRi survey); Ethical Investment Research Service (EIRIS); and Oekom.

This report and the associated Web site form a major component of our stakeholder engagement efforts. Since 2007, we have adopted the Global Reporting Initiative (GRI) G3 Sustainability Reporting Guidelines as our framework for this report in order to

Hess.com EHS & SR Inquiries  
(481 Emails)



GOVERNMENTS	COMMUNITIES	SHAREHOLDERS
<div>» 18 countries</div> <div>» 14 U.S. states</div> <div>» Oil and Gas ministries</div> <div>» Environmental and safety agencies</div> <div>» Regional and local governments</div>	<div>» Partner with NGO's and Government agencies (e.g. AED, USAID)</div>	<div>» 5,673 shareholders</div> <div>» Over 80 percent held by institutional investors</div>
<div>Types of Engagement</div> <div><ul style="list-style-type: none"><li>• Negotiation and dialogue with host countries</li><li>• Participation in the Extractive Industries Transparency Initiative (EITI)</li><li>• Communicating with governments/regulators on legislative impacts</li><li>• Local community/environmental reports</li><li>• Corporate Sustainability Report</li><li>• hess.com</li></ul></div>	<div>Types of Engagement</div> <div><ul style="list-style-type: none"><li>• Community consultation and feedback mechanisms in our management systems</li><li>• Dialogue with NGOs and other organizations</li><li>• Social and Environmental Impact Assessments</li><li>• Community engagement in emergency response planning and drills</li><li>• Partnerships in local associations</li><li>• Local publications, Web sites</li><li>• Speaking at universities, and community and business organizations</li><li>• E-mail address: ehs@hess.com</li><li>• Corporate Sustainability Report</li><li>• hess.com</li></ul></div>	<div>Types of Engagement</div> <div><ul style="list-style-type: none"><li>• Meetings with analysts and major shareholders</li><li>• Shareholder dialogues</li><li>• Quarterly earnings communications</li><li>• Proxy statements</li><li>• Securities and Exchange Commission filings</li><li>• Annual Report</li><li>• Annual shareholders' meeting</li><li>• Annual analyst meeting</li><li>• E-mail address: ehs@hess.com</li><li>• Corporate Sustainability Report</li><li>• hess.com</li></ul></div>



maximize the relevance for stakeholders. In our Corporate Sustainability Report and on our public Web site, we provide an e-mail address (ehs@hess.com) for feedback as well as EHS & SR inquiries and comments. In 2007 we received 481 e-mails.

Through industry associations, we engage with various stakeholder groups and non-governmental organizations. In order to better address stakeholder concerns, our businesses implement locally based Social Responsibility programs to identify issues as early as possible in the business process so that they can be addressed

and resourced appropriately. Our EHS & SR policies require that we regularly communicate with the communities where we operate to develop and maintain a mutual understanding of goals and expectations.

We initiate Environmental and Social Impact Assessments (ESIA) in the early stages of projects to evaluate how our business plans may affect a location. Integral to these assessments is dialogue with local, regional and national stakeholders. We work with these representatives on an ongoing basis in order to produce an ESIA which provides a baseline from which to

start project development and an assessment of the impacts a project may have. This program typically begins during the initial project scoping stages to determine the best options for project planning. In 2007 ESIA's were underway for exploration and development projects in Australia, Brazil, Denmark, Ghana, Indonesia, Libya and the United Kingdom.

In addition to the ESIA consultations, we also conduct informal engagements to keep local communities fully apprised of our plans as they evolve. Consultation initiated during the formal ESIA process has been maintained

CUSTOMERS	SUPPLIERS	EMPLOYEES
<ul style="list-style-type: none"> <li>» Serve more than 1 million customers per day at Hess Retail sites</li> <li>» Provide natural gas, fuel oil and electricity to more than 15,500 commercial and industrial customers in 14 states</li> </ul>	<ul style="list-style-type: none"> <li>» 3,000 U.S. minority and women suppliers</li> </ul>	<ul style="list-style-type: none"> <li>» 12,071 employees</li> <li>» 91 percent U.S. based</li> <li>» 67 percent retail workers</li> </ul>
<b>Types of Engagement</b> <ul style="list-style-type: none"> <li>• Customer feedback programs</li> <li>• Customer service organizations</li> <li>• Consumer care programs</li> <li>• Customer surveys</li> <li>• Business-to-business communications</li> <li>• Product quality information (inc. MSDS)</li> <li>• E-mail address: ehs@hess.com</li> <li>• Corporate Sustainability Report</li> <li>• hess.com</li> </ul>	<b>Types of Engagement</b> <ul style="list-style-type: none"> <li>• Supplier diversity program</li> <li>• Mentoring of suppliers in negotiation and business plan development</li> <li>• Ongoing day-to-day contact and negotiation</li> <li>• Corporate Sustainability Report</li> <li>• hess.com</li> </ul>	<b>Types of Engagement</b> <ul style="list-style-type: none"> <li>• Town Hall meetings</li> <li>• Employee forums</li> <li>• Labor management committees</li> <li>• Confidential hotline/e-mail</li> <li>• Union representation</li> <li>• Joint health and safety committees</li> <li>• Intranet sites</li> <li>• Local publications</li> <li>• Corporate Sustainability Report</li> </ul>

through the construction phases of our projects at Sinphuorm in Thailand and Ujung Pangkah in Indonesia. This process allows feedback into the relevant management programs and facilitates early mitigation of issues.

The company has programs and initiatives to raise project awareness that allow for feedback including: establishing information offices in the field, distributing information brochures, conducting meetings with potentially affected communities, conducting study tours with focus groups, distributing posters, broadcasting taped messages, ad hoc meetings and feedback forms. This information exchange provides us with valuable local knowledge and helps in the identification of a community's concerns.


## CORPORATE GOVERNANCE

We are committed to conduct our business with the highest ethical standards.

We support the goals of the Securities and Exchange Commission (SEC) and New York Stock Exchange (NYSE) corporate governance initiatives to achieve greater transparency for investors.

### Board of Directors

Our Board currently consists of 13 directors, nine of whom are independent. There are currently eight regular meetings per year. The Board has three principal committees: the Audit Committee, the Compensation and Management Development Committee and the Corporate Governance and Nominating Committee. Members of these committees are independent under NYSE

and SEC rules. Each committee has a written charter that sets forth its purpose and responsibilities. 

### Audit Committee

The Audit Committee's purpose is to fulfill the Board's oversight responsibility relating to the company's financial statements, financial reporting practices, systems of internal accounting and financial and disclosure controls, internal audit function, the retention and oversight of independent auditors and oversight of the company's environment, health, safety and social responsibility programs. The Audit Committee currently consists of five members and usually meets six times per year. The Audit Committee routinely reviews our EHS & SR performance.

## Voluntary Commitments

Hess Corporation has endorsed four international voluntary initiatives designed to protect the environment, promote universal human rights and encourage financial transparency. Hess is one of only six oil and gas companies worldwide, and the only U.S. energy company, to endorse these four initiatives:



**United Nations Universal Declaration of Human Rights:** Comprising 30 articles covering fundamental freedoms ranging from the right to nationality to the right to equality before the law, the Universal Declaration of Human Rights was established in 1948 by the United Nations (UN) General Assembly. It serves as the international standard and codification of human rights norms and has been endorsed by 148 countries.



**United Nations Global Compact:** We are proud to be the first U.S. signatory in the oil and gas industry to the UN Global Compact, which provides businesses a learning platform to embrace, support and promote a set of core values in the areas of human rights, labor, the environment and anti-corruption.



**Voluntary Principles on Security and Human Rights:** We endorse the U.S. State Department's Voluntary Principles on Security and Human Rights, a voluntary guide for companies to assure the safety and security of their operations while respecting human rights and fundamental freedoms. It covers issues such as the potential for violence, conflict analysis, equipment transfers, security arrangements, responses to human rights abuses, and interactions between companies and private security forces.



**Extractive Industries Transparency Initiative:** This initiative is discussed in the Transparency section of this report.



Terminal operations in St. Lucia


### Hess Leadership Team

The Hess Leadership Team, consisting of the top executive officers of Hess Corporation, provides strategic business direction and key operational decisions for the company. Several objectives established by the Leadership Team are focused on promotion of EHS & SR policies and management systems that protect the company's workforce, customers and local communities. Executive compensation is linked to selective EHS & SR performance metrics.

The Hess Leadership Team is engaged in establishing performance expectations and holding business units accountable for their performance. Our business units and line management are ultimately responsible for incorporating EHS & SR expectations into their business activities and providing adequate resources and mechanisms to meet performance objectives.

### EHS & SR Organization

The company has corporate and business unit EHS & SR staff who provide technical

support and functional guidance to our business units. The organization of our EHS & SR function is presented in our Web-based report. 

### EHS & SR Reporting


This report represents one of several key products from our EHS & SR reporting systems. Reporting includes centralized incident tracking systems that provide real time access to information on safety and environmental incidents and social spending. We use these systems to provide information and monthly reports to our management. We have initiated a greenhouse gas protocol and monitoring system to enable quarterly internal reporting of these emissions together with our overall energy efficiency. Our corporate system is used for collecting the metrics included in this report. Wherever possible, measurements and reporting are conducted in accordance with relevant international standards or with reference to applicable legislation and regulations. We have put procedures in place to standardize

reporting methodologies wherever possible to provide consistent EHS & SR data throughout our organization. As previously mentioned we have adopted the GRI G3 Sustainability Reporting Guidelines as our framework for this report. We also use the International Petroleum Industry Environmental Conservation Association (IPIECA) and the American Petroleum Institute (API) Oil and Gas Industry Guidance on Sustainability Reporting for further guidance when necessary.

In 2007 we employed CorporateRegister.com to notify stakeholders regarding the release of our 2006 Corporate Sustainability Report. This service allows readers to provide feedback on the content of the report. The response to the report was favorable with the majority of respondents indicating that the report met or exceeded expectations.

In addition, we engaged csrnetwork™ and AccountAbility to benchmark our 2006 performance against their Fortune Global 100 (G-100) Accountability Rating™. Hess scored 53 percent, which compares favorably to the G-100 average of 40 percent. Hess' ranking would place it in 22nd place among the G-100.

### ETHICAL BUSINESS CONDUCT

The company has adopted a Code of Business Conduct and Ethics that provides company representatives with guidance and expectations regarding business ethics, citizenship, contracting and labor practices, regulatory compliance, safety and stewardship of the environment. It is applicable to all of the company's directors, officers and employees. 

## We must create value and consistently achieve outstanding results in our business and also excel in other critical areas including personal and business ethics.

The company monitors compliance with the law and its own policies and has established both telephone and internet e-mail hotline services to facilitate reporting of potential noncompliance. All reports of suspected violations, whether made anonymously or otherwise, are treated confidentially and are investigated promptly, thoroughly and fairly. In 2007, there were 103 calls received on the hotline, 25 of which were substantiated and resulted in follow up action including six employee dismissals. Reports are made periodically to the Audit Committee of the Board of Directors.

We conduct regular mandatory training and evaluate salaried employees on ethical guidelines using a computer based Ethics Awareness Training course. No action is taken against an employee for making a complaint or reporting, in good faith, known or suspected violations of company policy. Intimidation or retaliation against anyone making such reports is not tolerated and any employee, officer or director who retaliates against another employee, officer or director will be in violation of company policy and subject to disciplinary action.

### Political Contributions

It is the company's policy not to make political contributions to any political

candidate or political party or to permit the use of Hess facilities or property for campaign activities. Contributions include not only financial support but also the use of corporate resources and the use of corporate personnel in ways that assist the campaigns of candidates. It is also company policy not to permit management personnel to coerce political contributions from other employees. The corporation may not directly or indirectly reimburse an employee for a political contribution or channel a contribution through an employee in order to disguise its true origin. Employees, acting in their individual capacities, are encouraged to exercise their rights as citizens.

## TRANSPARENCY

Good governance is a precondition for converting revenues from extractive industries into economic growth and poverty reduction. When transparency and accountability are weak, the extractive industries may contribute to poverty, corruption and conflict. Our policies and commitment to the United Nations Global Compact pledges us to work against all forms of corruption, including extortion and bribery.

In addition, the company has endorsed the Extractive Industries Transparency Initiative (EITI). The EITI supports improved governance in resource rich countries through the verification and publication of company payments and government revenues from oil, gas, and mining. The Initiative works to build multistakeholder partnerships in developing countries in order to increase the accountability of governments. Companies participating in EITI pledge to support the initiative in countries that have adopted it and



Geoscience training conference in Texas



to advocate for EITI participation in countries that have not.

During 2007 Hess Corporation was an active participant in the EITI process. At the international level, Hess was an early endorser of the EITI Principles and Criteria. Senior Hess executives have participated in International EITI summits in London and Oslo and Hess has embedded strategic responsibility for EITI implementation in senior management. Hess was recognized as one of the first U.S. companies to provide the EITI Secretariat with documentation of the company's support for EITI at the international level.

We have been a major international advocate of EITI. In November 2007, Hess sponsored a workshop on transparency in Capetown, South Africa. Presenters included the World Bank Vice President for Africa, and the EITI Executive Secretary.

Hess led a long-term effort that resulted in Equatorial Guinea achieving status as an EITI candidate country. Through its chairmanship of the Corporate Council on Africa Working group, Hess led efforts to inform the government on the benefits of EITI and undertook an on the ground mission while working closely with the country's U.S. Embassy in Washington. Hess also worked with others on encouraging the U.S. government to support an EITI program in Equatorial Guinea. Hess will be a strong supporter of EITI implementation in Equatorial Guinea through direct participation in the multi-stakeholder group.

In Azerbaijan and Gabon, where EITI is well established, Hess provides requested data on its payments to the government in support of the EITI process.

### EXCEEDANCES AND ENFORCEMENT ACTIONS

Corporate policy reinforces our fundamental commitment to comply with applicable environment, health and safety laws and regulations. Although 100 percent compliance is our objective, exceedances of permitted levels can occur, as do citations from regulatory authorities. A total of \$79,000 was paid in penalties in 2007, which was \$109,000 less than 2006 and \$200,000 less than 2005.

### LEGAL PROCEEDINGS

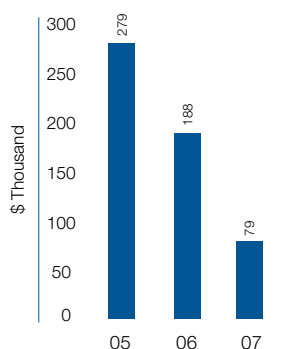
Hess Corporation is one of many oil and gas companies that have been party to multiple lawsuits and claims related to the use of methyl tertiary butyl ether (MTBE) in gasoline. The principal allegation is that gasoline containing MTBE is a defective product and that the parties are liable for damage to groundwater resources.

As a result of court ordered mediation, Hess anticipates that settlement will be reached in a majority of the pending cases, the number and terms of which are under negotiation and subject to a confidentiality agreement. In the fourth quarter 2007, Hess recorded a pre-tax charge of \$40 million related to MTBE litigation.

Since 2000, most of the U.S. refinery business, representing over 80 percent of U.S. refining capacity, has entered into consent agreements with the U.S. Environmental Protection Agency (EPA) regarding assertions that refining facilities were modified or expanded without complying with air emission regulations that require permits and new emission controls in certain circumstances. These consent agreements have typically imposed substantial civil fines and penalties, required significant capital expenditures to install emissions control equipment, and resulted in changes to operations that increased operating costs. These settlements have allowed controls to be phased in over several years. We are currently engaged in discussions with the EPA regarding the Petroleum Refining Initiative, although we have already installed many of the pollution controls required of other refiners under the consent agreements. While the effect on the company cannot be estimated at this time, Hess and HOVENSA are likely to experience increased capital expenditures and operating expenses related to air emission controls.

Hess Corporation is among 60 companies that have received a directive from the

Environmental, Health & Safety  
Fines & Penalties



New Jersey Department of Environmental Protection to remediate contamination in the sediments of the lower Passaic River. The Hess directive relates to alleged prior releases from a bulk storage terminal in New Jersey, now owned by Hess. A remedial investigation and feasibility study is being conducted on a portion of the Passaic River by the EPA under an agreement with Hess and more than 40 other companies. Based on currently known facts, we do not believe this matter will result in material liability to Hess.

In early 2008, the company agreed to a settlement of \$1.1 million with the New York State Department of Environmental Conservation relating to alleged violations regarding the structural integrity of tanks and bulkheads which occurred in 2001 at its petroleum terminal in Brooklyn, New York, and at 65 gasoline stations across

the state. Hess also contributed \$300,000 to the Nature Conservancy to help pay for the restoration of wetlands along the Hudson River.

In July 2005, the Securities and Exchange Commission (SEC) commenced a private investigation into payments made to the government of Equatorial Guinea or to officials and persons affiliated with officials of the government of Equatorial Guinea. Hess has been cooperating and continues to cooperate with the SEC investigation.

### **HOVENSA Joint Venture**

Hess is a 50 percent owner of a major refinery in St. Croix, U.S. Virgin Islands (HOVENSA). In September 2007, HOVENSA received a Notice Of Violation (NOV) pursuant to the Clean Air Act from the EPA finding that HOVENSA failed to obtain proper permitting for the construction

and operation of its delayed coking unit. HOVENSA believes it properly obtained all necessary permits for this project. The NOV states that EPA has authority to issue an administrative order assessing penalties for violation of the Act. However, HOVENSA intends to enter into discussions with the EPA to reach resolution of this matter. Hess does not believe that this matter will result in material liability to HOVENSA or Hess.

In December 2006, HOVENSA received an NOV from the EPA alleging non-compliance with emissions limits in a permit issued by the Virgin Islands Department of Planning and Natural Resources for two process heaters in the delayed coking unit. Any exceedances were minor from the perspective of the amount of pollutants emitted in excess of the limits. HOVENSA intends to work with the appropriate governmental agency to reach resolution of this matter and does not believe that it will result in material liability.

An action was filed in 2005 in the District Court of the Virgin Islands against HOVENSA, Hess Oil Virgin Islands Corporation (HOVIC) and other companies that operated industrial facilities on the south shore of St. Croix asserting that the defendants are liable under the Environmental Response, Compensation and Liability Act and territorial statutory and common law for damages to natural resources. HOVIC



Wind powered remediation system in St. Croix, U.S.V.I.



Groundwater monitoring wells at Chesapeake Terminal, Virginia

We are committed to complying with applicable environment, health and safety laws and regulations wherever we operate. We conduct our business with the highest ethical standards.

and HOVENSA do not believe that this matter will result in a material liability as they believe that they have strong defenses to this complaint and they intend to vigorously defend this matter.

#### ENVIRONMENTAL EXPENDITURES

Capital expenditures incurred over several years to comply with low sulfur gasoline and diesel fuel requirements totaled approximately \$400 million at HOVENSA and approximately \$70 million at Port Reading. Additional capital expenditures

for facilities to comply with environmental standards, other than for the low sulfur projects, were \$22 million in 2007.

Our commitment to environmental stewardship extends beyond our operations to include decommissioning and remediation activities. Sites where remediation may be necessary include gasoline stations, terminals, onshore exploration and production facilities and refineries. The company accrues for environmental assessment and remediation expenses when the future costs are

probable and reasonably estimable. At year end 2007, the company reserve for its estimated environmental liability was approximately \$60 million. The company routinely audits its reserves and expects that existing reserves for environmental liabilities will adequately cover costs to assess and remediate known sites. The company's remediation spending was \$23 million in 2007.



# REVIEW OF OPERATIONS



South Arne Platform, North Sea. Recipient of the 2007 President's Award for Safety Excellence



2007 was another year of strong achievement for our company. We successfully executed our strategy of growing our reserves and production on a sustainable basis in Exploration and Production and managing for near term earnings and free cash flow in Marketing and Refining. Our financial performance benefited from higher volumes of crude oil and natural gas production and strong commodity prices, which were partially offset by higher industry costs in Exploration and Production and lower margins in Marketing and Refining.

We have worked hard over the past five years to reshape our company, build a global organization with strong technical capability and deliver performance. Our total shareholder return for the year was up 104 percent, an increase that was first among integrated oil companies and tenth in the S&P 500.

Our corporate net income was \$1.8 billion, or \$5.74 per share. Cash flow from operations was \$3.5 billion. While we continued to reinvest the majority of our cash flow in Exploration and Production, we strengthened our financial position in 2007 with debt-to-capitalization improving to 28.9 percent at year end compared to 31.6 percent at the end of 2006.

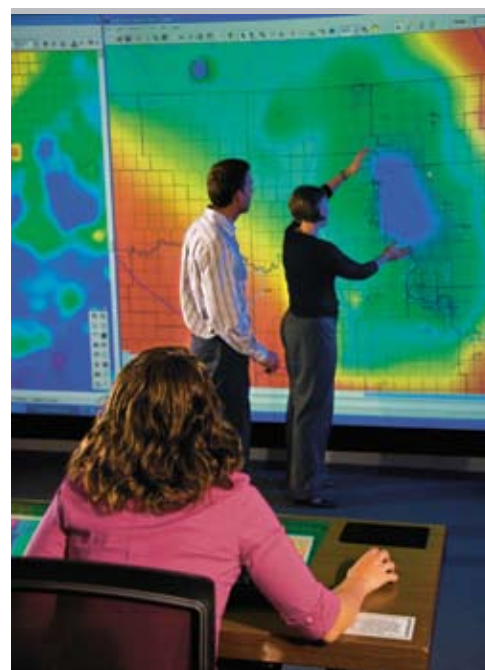
Going forward, we will continue to invest our cash flow in a disciplined manner to sustain long-term profitable growth. For 2008, capital and exploratory expenditures are expected to be \$4.4 billion, with \$1.6 billion for production, \$1.5 billion for field developments and \$1.2 billion for exploration.

We believe this investment program will create significant value for our shareholders.

## EXPLORATION & PRODUCTION

Exploration and Production earned \$1.8 billion in 2007 and delivered strong operational performance:

- Our year end proved reserves grew by 7 percent to 1.33 billion barrels of oil equivalent.
- We replaced 167 percent of production at a finding, development and acquisition cost of about \$16.20 per barrel.
- Our reserve life increased to 9.5 years, marking the fifth consecutive year of improvement.
- Our worldwide crude oil and natural gas production grew by 5 percent versus the prior year to an average of 377,000 barrels of oil equivalent per day.



Exploration and Production 3D seismic evaluation in Houston, Texas

In 2007, production growth was primarily attributable to:

**Equatorial Guinea;** in 2007, the Hess operated Okume Complex, where our working interest is 85 percent, achieved a substantial increase in crude oil production, reaching its design capacity of 60,000 barrels of oil per day.



Joint Development Area Platform in Malaysia/Thailand

**Indonesia;** the company-operated Ujung Pangkah Field commenced natural gas production in April 2007 and ramped up to 100 million cubic feet per day gross in the fourth quarter. Production of condensate from Ujung Pangkah was also achieved in 2007.

**Malaysia/Thailand;** appraisal drilling in the Joint Development Area was a major activity for Hess in 2007. We achieved the set milestones for the Phase 2 development of Block A-18 in the Gulf of Thailand.

**United States;** the Company is making a major investment to build our strategic position in the Bakken Shale play in North Dakota. In 2007 we drilled 32 wells and increased our land holdings from 220,000 acres to 356,000 acres. At year end, six rigs were drilling on our Bakken properties and net production averaged near 5,000 barrels of oil per day.

**United Kingdom North Sea;** natural gas production from the Atlantic and Cromarty fields added to our production growth. As part of our continued portfolio optimization, in 2007 we concluded the sale of our interests in the Scott and Telford fields in the North Sea.

**Thailand;** achieved the first full year of natural gas sales at Sinphuhorn.

**Russia and Azerbaijan;** both achieved increased production.

We also advanced several Hess operated field development projects, including the Residual Oil Zone at the Seminole San Andres unit in West Texas. In the deepwater Gulf of Mexico, we achieved first production from the Genghis Khan oil and gas development using a third party owned production facility. We made significant progress in the development of the Shenzi Field, achieving planned milestones.

In Indonesia, the second phase of development of the company-operated Ujung Pangkah Field continued on schedule. Engineering and construction for the offshore facilities also continued.

In addition, we sanctioned two new field developments: the Hess operated Jambi Merang natural gas project in Indonesia and the Valhall Field Redevelopment in Norway.

2007 was a significant year in exploration for new acreage and appraisal activity as the Company continued to build for the future and grow its portfolio. Hess captured two highly prospective blocks on the Australian Northwest Shelf, bringing our total gross acreage position in Australia to approximately 1.5 million acres. In Colombia, Hess won two offshore blocks, totaling nearly 1.3 million gross acres. Hess also won three deepwater blocks in the Gulf of Mexico increasing its total deepwater blocks held to 371 at the end of the year. Appraisal drilling in the Gulf of Mexico and the Malaysia/Thailand JDA areas were core activities for Hess in 2007. We also continued the appraisal of the Pony and Tubular Bells discoveries in the deepwater Gulf of Mexico.

## MARKETING & REFINING

Marketing and Refining, which earned \$300 million, continued to contribute to our company's progress:

- Our refineries operated reliably last year generating solid financial performance in a challenging environment with \$193 million in earnings.
- Hess Energy Marketing doubled electricity sales compared to the previous year through strong organic growth and acquisitions and increased natural gas sales.



Hess convenience store in South Florida

- The company opened 10 new HESS EXPRESS locations and added convenience stores to 11 existing locations. Our WilcoHess joint venture added 27 new sites in North and South Carolina. Retail Marketing showed increases in both fuel sales and convenience store sales. However, the improvement in volumes was more than offset by lower fuel margins.

Hess is also a joint venture partner with a 92.5 percent interest in Hess LNG, which is pursuing the development of liquefied natural gas terminal projects located in Fall River, Massachusetts and Shannon, Ireland. Hess also has a 50 percent voting interest in a consolidated partnership that trades energy commodities and derivatives. We are also a significant investor in Nuvera Fuel Cells, Inc., which is engaged in the development of fuel cells for automotive use and electric generation.

## CONTRIBUTION TO ECONOMIC DEVELOPMENT

Hess Corporation is committed to social responsibility and contributes to the economies of the countries in which we operate by supplying energy to support economic development and by investing capital, employing personnel and paying taxes and royalties.

## SHAREHOLDERS

During the year shareholder value increased by more than \$16 billion. As of December 31, 2007 there were 5,673 shareholders who owned a total of 320,599,585 shares of common stock, on which dividends of \$127 million were paid. More than 80 percent of the common stock was held by institutional investors.

## TAXES & ROYALTIES

In 2007, we paid a total of \$1.8 billion in income taxes along with additional payments of \$885 million to governments in the form of royalties, severance, re-entry payments and leasehold arrangements.

## SUPPLY CHAIN

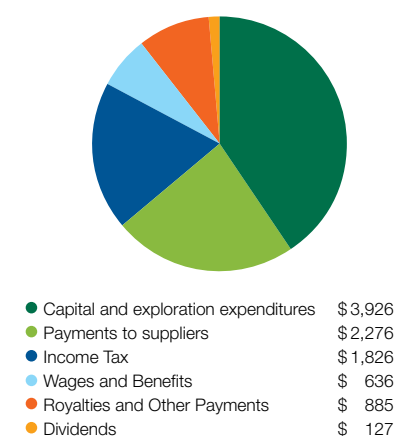
The petroleum industry depends on its supplier network for most materials and services. In 2007 our total U.S. spending with third party suppliers was approximately \$2.3 billion.

Our industry requires safe, high-performance equipment. We work with our direct suppliers to improve processes and ensure adherence to Hess environment, health and safety standards. We contractually require our suppliers to comply with all environmental, health, safety and labor laws for themselves and their subcontractors. Adherence to drug and alcohol policies is also included in our contracts with suppliers.

## CAPITAL & EXPLORATION EXPENDITURES

We continue to re-invest our internally generated cash to grow our reserves in a sustainable and financially disciplined way. Capital and exploratory expenditures were \$3.9 billion in 2007, with 96 percent of these expenditures being made in Exploration and Production.

2007 Contribution to Economic Developments  
(\$ Million)





# SAFETY PERFORMANCE





Safety is critical to our company and is a key element of operational excellence. We strive to create a working environment in which incidents are avoided and employees, contractors and the public are not exposed to health and safety hazards. We have systems in place to ensure that our personnel and processes are safe and appropriately managed in order to prevent incidents. Avoiding incidents and process upsets protects people, the environment and the communities in which we work. Effective process safety management and improved personal safety results also deliver economic benefits.


By reducing injuries our workforce is more productive. By ensuring sound process safety management we minimize business interruptions and environmental risks, resulting in lower insurance and workers' compensation premiums and improved asset integrity and operational reliability. A safe working environment also helps us attract high quality employees and contractors.

Where we exercise operational control we have implemented systems, standards, practices, and plans to communicate our safety expectations and guide our activities. We continually improve our safety processes and procedures, conduct regular inspections of our facilities, and have well developed incident reporting and emergency response systems. We perform process safety risk assessments of our operations to evaluate whether our processes and practices should be enhanced.

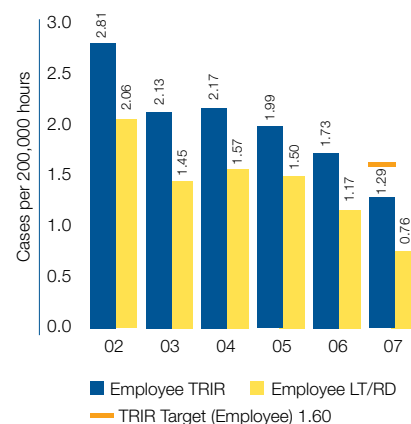
Where we do not have operational control we seek to influence and promote good safety practices through contractual requirements, active participation in joint venture management committees and industry stakeholder initiatives.

## EMPLOYEE SAFETY PERFORMANCE

In 2007, Hess achieved its best employee safety performance since the company began record keeping more than 20 years ago. Results were 25 percent better than in 2006 and 20 percent better than the year's target. The 2007 incident rate was one-third what it was in 2000 and has now declined seven of the last eight years. There has not been an employee work-related fatality for three consecutive years.

Total Recordable Incident Rate (TRIR) is one metric we use to track safety performance. The employee TRIR for the corporation was 1.29 in 2007, better than the 1.73 achieved in 2006 and our 2007 target of 1.60. 

Employee Safety Performance



### Chairman's Award for Safety Excellence



The company's annual Chairman's Award for Safety Excellence recognizes one operation or group that has demonstrated an outstanding commitment to workforce safety through systematic processes, exceptional safety performance and sustainability of safety improvement. In addition to the Chairman's Award, President's Awards are also given in both the exploration and production and marketing and refining operations for excellent safety performance.

We also reduced our employee lost work time and restricted duty (LT/RD) incident rate by 35 percent between 2006 and 2007. We had an employee LT/RD incident rate of 0.76 in 2007 compared to 1.17 in 2006.

Other safety metrics, including those for process safety, fires and explosions, and motor vehicle incidents are being collected for inclusion into our monthly progress reports.

Our Retail operations, where almost 70 percent of our employee hours occur, have a significant impact on our consolidated safety performance. Diligent attention to retail safety performance management led to a 25 percent reduction in employee TRIR from 2006 to 2007.

Each year the company's annual Chairman's Award for Safety Excellence recognizes

one operation or group that has demonstrated outstanding commitment to safety through systematic processes, exceptional safety performance and sustainable safety improvement. The 2007 Chairman's Award for Safety Excellence was awarded to the West Florida Region of our Retail operations in the United States.

The West Florida Region, with 1,700 employees and more than 150 high volume Hess Express stores in Tampa, Orlando, Fort Myers and Naples, is the largest region in Retail Marketing, serving close to 250,000 customers per day. West Florida achieved premier safety performance in the Retail organization with a 33 percent reduction in recordable incident rate and a 58 percent reduction in lost time/restricted duty rate in 2007 compared to 2006.

### WORKFORCE SAFETY PERFORMANCE

Safety processes and performance targets include both employees and contractors where appropriate. Over the past three years we have institutionalized the collection of both employee and contractor data across the corporation.

In order to provide a safe work environment for our workforce, we continue to emphasize contractor safety management in our operations. Contractor selection processes include review and verification of contractor management systems and historical safety performance. An emphasis on competency in hazard recognition, safe work behaviors and process safety capabilities is included in these reviews. Clear expectations for



Seminole Gas Plant, Texas

### Hess Locations and Operations Celebrate Global Safety Appreciation Day

Global Safety Appreciation Day, held worldwide across Hess for the first time in September 2007, helped highlight the progress the company has made in instilling safe practices in the culture and focused each work group on actions they could take to make their workplace even safer.

strong safety awareness on the part of contract personnel are included in orientation briefings before contractors are allowed access to Hess facilities or sites, and ongoing emphasis on safety work practices is provided.

We have achieved significant improvement in the past three years in total workforce safety performance. Our TRIR decreased by 42 percent between 2005 and 2007. During this same time period the workforce LT/RD incident rate declined by 53 percent.

In 2007, 50 percent of our 46.9 million workforce hours were from employees (23.6 million), with the balance of hours from contractors (23.3 million). The majority of contractor hours are accounted for at our overseas locations, predominantly at our major development projects in Indonesia, Thailand and Equatorial Guinea.

### EXPLORATION & PRODUCTION

Our Exploration and Production (E&P) organization achieved a 4 percent reduction in TRIR and met their employee/contractor target for 2007. This improvement was achieved during a period of significant diversification of our geographical and technical portfolio and increasing competition for qualified labor. In 2007, 59 percent of E&P incidents occurred in Production operations, 35 percent in Drilling and 6 percent in Developments.

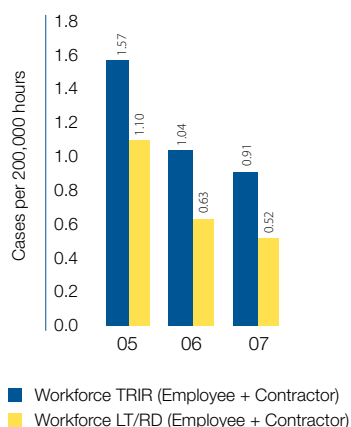
These performance results are driven by improvement efforts across the E&P organization. One example is our South Arne Production Operation, which earned

the 2007 Exploration and Production President's Award for Safety Excellence.

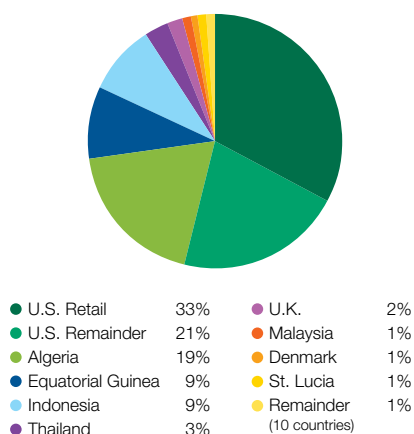
The South Arne production platform is located in the Central North Sea off the coast of Denmark. This operation has sustained improvements in employee and contractor safety since 2005 during a period of high activity in challenging circumstances. Actions to improve performance and the results achieved were recognized by the Danish regulatory authorities, certifying bodies, partners and contractors.

Two other notable safety successes in E&P, the Sinphuorm and Pangkah operations, were commissioned and started up in 2007 in Southeast Asia in a short time frame with no injuries or process safety incidents. Using an implementation strategy developed to ensure safe start up beginning in the design stage and followed through to commissioning, production facilities and associated developments personnel worked more than 10 million hours without a lost time incident.

Workforce Safety Performance



2007 Workforce Hours  
(47 Million Employee + Contractor Hours)

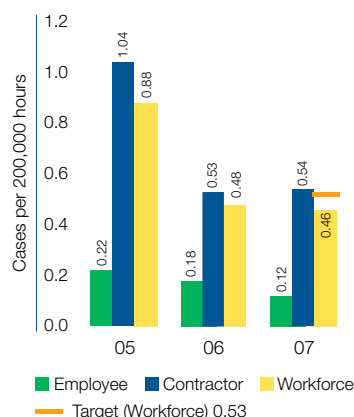


### MARKETING & REFINING

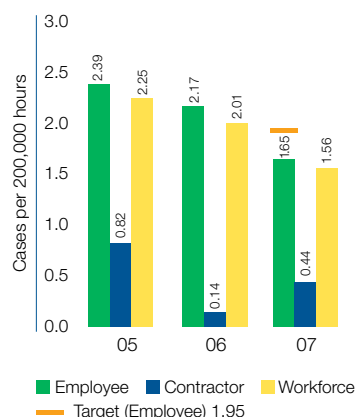
Our Marketing and Refining (M&R) businesses, operated primarily by Hess employees, continued to make progress in employee safety performance, achieving a 24 percent reduction in incidents compared to 2006. M&R met its targeted reduction in the employee recordable incident rate, reaching a year end rate of 1.65, compared to the target rate of 1.95.



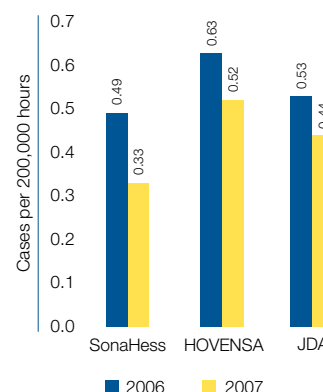
**Exploration & Production  
Total Recordable Incident Rate**



**Marketing & Refining  
Total Recordable Incident Rate**



**Joint Ventures  
Total Recordable Incident Rate**



Retail employees had notable performance improvement in 2007 enabling M&R and the company to achieve better than targeted performance.

In addition, our Terminal Operations have made significant progress in safety improvement. Region II earned the 2007 Marketing and Refining President's Award for Safety Excellence. Employees and Contractors in Terminal Operations Region II, encompassing eight terminals along the East Coast of the United States, had no recordable injuries in 2007.

The Hess Oil St. Lucia Ltd. Terminal, which handled 105 ships and 49 million barrels of oil and refined product introduced several key safety initiatives in 2007. The Terminal employees experienced zero recordable incidents in 2007 and only one recordable incident in the past three years.

## JOINT VENTURES

Beginning in this report we are including information on the performance of our major joint venture partnerships. Our major

joint ventures (SonaHess, HOVENSA, and the Caragali Hess Joint Development Area) improved their employee safety performance results in 2007 compared to 2006. All of these joint venture operations have significant contractor involvement.

To continue to drive performance improvement, our SonaHess joint venture conducted a comprehensive Environment, Health and Safety (EHS) gap analysis that identified objectives which focus on adding value. Prioritized 90-day EHS improvement plans were identified and completed as a means to ensure implementation of safety improvement strategies. Efforts like these helped SonaHess reduce its combined employee/contractor recordable incident rate to 0.33, achieving top quartile performance for E&P onshore operations and the best workforce safety performance since the joint venture started.

Our HOVENSA joint venture uses a set of Key Behavior Indices (KBI's) which identify and communicate critical EHS performance

issues to site personnel. Sustained improvement of the site's Process Safety Management system has continued to reduce risk and improve reliability. Additionally, HOVENSA conducted a Safety Climate Survey in the second quarter of 2007. This survey opened a clear communication channel and identified key areas for improvement in EHS. Actions like these, combined with other strong systems, helped HOVENSA achieve a combined employee/contractor recordable incident rate of 0.52 to make 2007 the safest year on record and resulted in a 17 percent improvement over the 2006 rate.

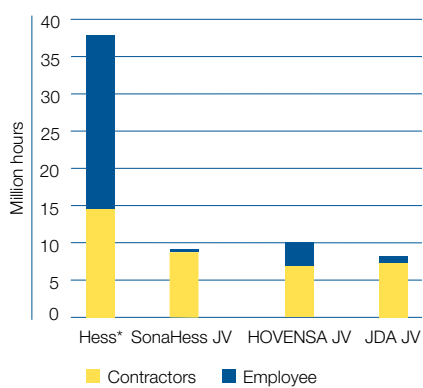
The Caragali Hess Joint Development Area achieved a combined employee/contractor recordable incident rate of 0.44 a reduction of 17 percent compared to 2006.





Sinphuhorm Gas Plant, Thailand

#### Joint Venture - 2007 Manhours



### EMERGENCY RESPONSE

Hess Corporation works to ensure that our operations run as safely as possible. As part of this effort, employees routinely participate in preparedness drills to train and practice response and recovery capabilities in a realistic but controlled environment. Emergency response and crisis management

drills are valuable tools for maintaining a high level of preparedness should a major incident take place.

### EMERGENCY COMMUNICATIONS

Natural and man-made disasters such as earthquakes, hurricanes, and power black-outs have demonstrated the importance of communications in crisis situations. Hess has implemented a new emergency notification system that substantially improves our ability to maintain contact with employees using two-way communication with voice, text and internet-based devices. Should operations be affected, the company is able to alert employees and provide vital information on workplace status, health and safety instructions and crisis management decisions. In the event of a crisis, the whereabouts and safety of staff can be established and employees can provide feedback on their personal safety.

### Emergency Response Drill – Port Reading Refinery

In October 2007, the Hess Port Reading Refinery hosted an emergency response drill conducted by the New Jersey Division of Fire Safety and the New Jersey Office of Homeland Security and Preparedness. The purpose of the drill was to exercise current emergency response plans and capabilities in which industry and U.S. federal, state, county, and local government agencies would respond to a terrorist event in New Jersey involving infrastructure critical to national security. Teams discussed the actions required in response to a fire necessitating the deployment of equipment and personnel from across Northern New Jersey. The primary consideration in each decision was the safety of employees and neighboring residential and commercial communities. The refinery plans to participate in a “live” emergency drill with the same agencies in 2008.



# ENVIRONMENTAL PERFORMANCE




Rice field near Sinphuhorm Project, Thailand



We recognize that to grow our business and help meet the increasing global demand for energy, we must do so in a manner that protects the world's land, water and air resources. We understand that our operations will have some impact upon the environment. We manage these impacts, as identified by both our management systems and by our key stakeholders, through environmentally sound practices.

### GLOBAL CLIMATE CHANGE

Climate change is a global concern with potentially significant consequences for society and the energy industry. The company is committed to the responsible management of greenhouse gas (GHG) emissions from our operations and will seek to minimize its carbon footprint wherever practicable. We will also use the emerging carbon market to help manage our compliance and identify capital project opportunities.

In 2006, we outlined our four element GHG strategy to Monitor, Measure, Manage and Mitigate our emissions. Over the past two years the company has made significant progress in monitoring and measuring its GHG emissions. We have standardized our reporting methodology based on our own detailed protocol (available on [hess.com](http://hess.com))  which is derived from *The GHG Protocol*, a collaborative effort of the World Business Council for Sustainable Development and the World Resources Institute, and also relies upon guidance provided in the *Petroleum Industry Guidelines for Reporting Greenhouse Gas Emissions*

developed by the International Petroleum Industry Environmental Conservation Association (IPIECA), the International Association of Oil and Gas Producers (OGP), and the American Petroleum Institute (API). In order to standardize emissions measurement practices we have adopted the API tool (SANGIA) designed specifically for the oil and gas industry.

We have had a leading third-party verification organization conduct an independent review of our protocol and greenhouse gas inventory. In 2007, we implemented recommendations made during this review by providing source materiality definitions and a list of potential emission sources. We have also issued specific business unit guidance and implemented a tiered uncertainty analysis methodology.

In 2007, we implemented a Climate Change Network comprised of senior managers and specialists from across the company to develop a mitigation strategy for minimizing our carbon footprint. The network is focusing on energy efficiency, flaring and venting and carbon capture and storage. The network is also providing guidance on factoring carbon price into our future development strategies.

Hess supports the development of a global GHG market as a practical means to reduce overall emissions. We recently strengthened our commitment to GHG markets by joining the International Emissions Trading Association. We also support climate change legislation that treats all affected parties equitably and in

a cost-effective manner. Furthermore, we believe that legislative action in the U.S. will encourage innovation, enhance energy security, foster economic growth, improve the balance of trade and set an example for global leadership. We are committed to finding a pathway that will slow, stop and reverse the growth of emissions while expanding the economy.

GREENHOUSE GAS PERFORMANCE

The company has two major sources of GHG emissions: combustion of hydrocarbon fuels for power generation and flaring of associated gas. Additional processes, such as acid gas removal, can also be a significant source.

Hess Operated Emissions

Our total GHG emissions increased by 19 percent, from 5.36 million tonnes in 2006 to 6.40 million tonnes in 2007. Our normalized emissions also increased by 14 percent. Increases in emissions are largely associated with new production in Indonesia and Thailand together with

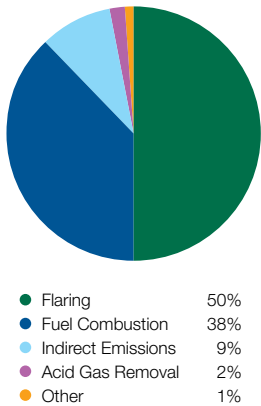
rapid production growth in Equatorial Guinea. In addition, anticipated reductions from the Gas Compression and Reinjection (GCR) project in Algeria did not occur in 2007 due to project delays. However, the commissioning of GCR projects in both Algeria and Equatorial Guinea are expected to lead to significant reductions in 2008.

Hess Net Equity Emissions

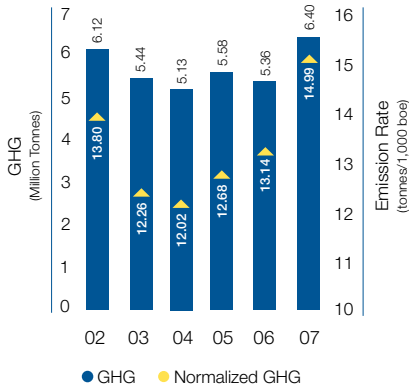
In 2007, we began to quantify our GHG emissions based on our net equity (financial) interests. Quantifying net equity emissions is complicated and we consider it a work in progress. Our net equity emissions are estimated at 9.61 million tonnes in 2007. Net equity emissions are far greater than our operated base mainly due to the inclusion of emissions from our major Joint Ventures: the HOVENSA refinery, one of the worlds largest refineries, and the Malaysia/Thailand Joint Development Area (JDA) as well as non-operated assets.

Also included are emissions from the Samara Nafta operation in Russia. Other significant non-operated sources include our interests in: the Pailin field in Thailand; the Azeri-Chirag-Gunashli fields in Azerbaijan; the Beryl field and associated tiebacks in the U.K.; the Sage, St. Fergus, Gas Terminal in the U.K.; the Valhall and Snovit fields in Norway; the Toucan, Rabi Kounga and Atora fields in Gabon; and the Oasis Joint Venture in Libya.

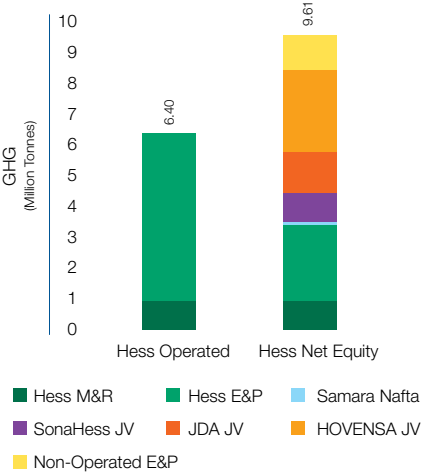
Operated Greenhouse Gas Emissions by Source  
(6.40 Million tonnes)



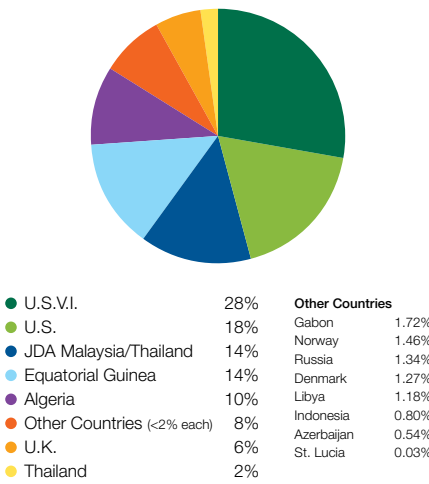
Greenhouse Gas Emissions (CO<sub>2</sub> Eqv.)  
(Operated Assets)



2007 Greenhouse Gas Emissions



Hess Net Equity Emissions by Country  
(9.6 Million tonnes CO<sub>2</sub> eqv.)








### Renewable Energy

As a significant customer for electricity, Hess set a 2007 target that 10 percent of its electricity purchases would come from renewable sources. We achieved this target with the purchase of 100,000 Megawatt hours of Green E-certified renewable energy. This quantity of renewable energy is equivalent to 60,000 barrels of oil or 14,000 tons of coal and has potentially avoided the emission of 40,000 tonnes of CO<sub>2</sub> equivalent. Similarly, we have avoided the emission of 170 tonnes of SO<sub>2</sub> and 68 tonnes of NO<sub>x</sub> from fossil fuel generation. We have not applied any GHG avoidance from this purchase to our corporate emissions inventory.

### Hydrogen


We continue to explore new frontiers of energy with our investment in Nuvera Fuel Cells, a subsidiary in Billerica, Mass. Nuvera is a global leader in the development and advancement of multi-fuel processing and fuel cell technology committed to providing safe, efficient and sustainable hydrogen power solutions for automotive and transportation applications. Our investment in creating greater fuel efficiency in transportation would have the important added benefit of helping to solve the critical challenge of climate change. 

## ENERGY USE

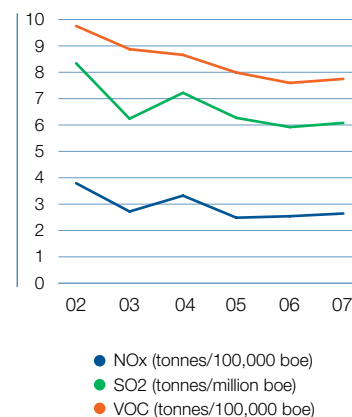
Our overall energy consumption, which includes all of the energy we use and purchase plus the energy we are unable to use in the form of flaring, increased by 1.5 percent from 39.54 Peta Joules in 2006 to 40.15 Peta Joules in 2007. When normalized against production and throughput our overall energy decreased by 2.3 percent from 0.87 Giga Joules/tonne in 2006 to 0.85 Giga Joules/tonne in 2007.

## AIR EMISSIONS

The predominant source of sulfur oxides (SO<sub>x</sub>) and nitrogen oxides (NO<sub>x</sub>) from our operations are power generation and flaring. Major sources of volatile organic compounds (VOC) are flaring and hydrocarbon loading operations. The impacts of these criteria air emissions are much more localized than those associated with climate change. Therefore, the appropriate controls and mitigation measures vary from location to location. This makes a corporate wide target for emission reductions difficult. Our goal, where possible, is to reduce our normalized emissions year on year.

Over the past six years the normalized overall trend has been downward, decreasing on average by around 25 percent. However, in 2007 our normalized emissions of NO<sub>x</sub>, SO<sub>x</sub> and VOC increased by 4 percent, 3 percent and 2 percent respectively.  These slight increases in emissions are due mainly to incremental increases in energy use, especially in maturing assets where additional energy is required to maintain production.

Normalized Emissions



### Fuel Quality

The production of motor fuels and other fuels in the U.S. and elsewhere has faced increasingly stringent regulatory standards in recent years to reduce sulfur content and other components. Our refining operations manufacture conventional and reformulated gasolines that meet or exceed all U.S. federal requirements. In addition, 100 percent of the diesel fuel that we produce meets or exceeds the ultra-low sulfur diesel standards that were implemented in 2006. Our fuels are also formulated to allow for blending of renewable products such as ethanol. Over 50 percent of the gasoline sold to our customers contains renewable fuel. The Federal Renewable Fuels Standards implemented in 2006 and significantly expanded in 2008 mandate a rapid increase in renewable fuel usage in the U.S. through 2022. Our current products exceed existing requirements, and we are poised to continue to surpass these standards with our ongoing commitment to clean, renewable fuel sources.



Delayed coker unit, HOVENSA

## SPILLS AND RELEASES

Our operations have the potential to impact land and water resources. We have established controls to minimize these impacts and metrics to help us monitor and improve our performance.

### Oil Spills

Although our goal is to have no spills, accidental releases do occur. We track our spills company wide to monitor performance, identify root causes and plan mitigation measures.

Hess operations experienced 129 oil spills in 2007 compared to 115 in 2006. The majority (55 percent) of our spills occurred at retail stations and were very small. We did have a single 97 barrel gasoline spill from the failure of an underground storage tank at a retail station in Florida. Cleanup activities were initiated immediately and resulted in the recovery of approximately 40 percent of the gasoline within the

first seven days. Removal of gasoline impacted soil and groundwater cleanup was subsequently completed.

Our Exploration and Production operations had 47 spills in 2007 compared to 27 in 2006. In total, 329 barrels were spilled in 2007. A single incident at the South Arne platform in Denmark resulted in a 220 barrel spill into the sea when a diesel tank was overfilled. HOVENSA, which is tracked separately from Hess operated facilities, had 14 oil spills amounting to 16 barrels of oil.

### Other Spills

Other spills are those which have the potential to result in environmental impact but which do not meet our oil spill definition. Examples include produced brine from onshore oil fields, drilling fluids and chemicals. In 2007 there were 36 spills other than oil amounting to 1,959 barrels, with 75 percent of the spilled volume occurring on land. There were five spills greater than 100 barrels in 2007, which included a 347 barrel acid spill in North Dakota, a synthetic

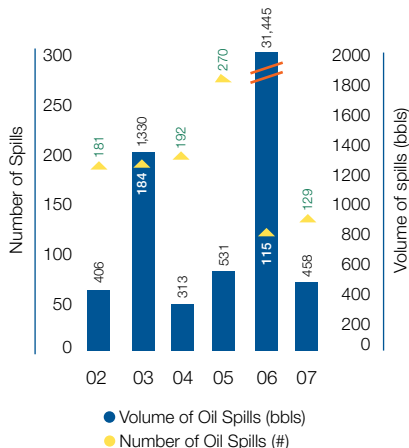
based drilling mud spill in the Gulf of Mexico and three produced water line failures in the Permian Basin. Typically, we apply the same level of attention to other spill reporting, investigation and cleanup as we do for hydrocarbon spills.

### Offshore Discharges

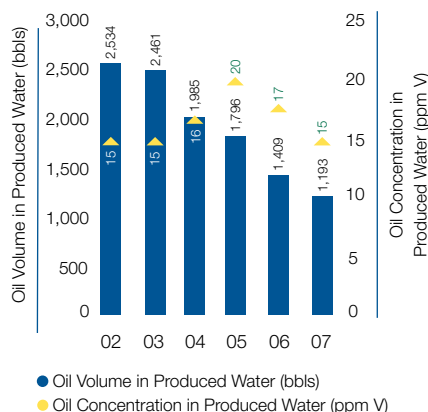
The volume of oil discharged in produced water at Hess operated offshore facilities decreased from 1,409 barrels in 2006 to 1,193 barrels in 2007. The average oil in water concentration across all discharging installations decreased from 17 ppm in 2006 to 15 ppm in 2007. This is well below the generally accepted regulatory limits of 30-40 ppm. Major reductions were achieved at the Triton Floating Production Storage and Offloading facility in the U.K. North Sea, where a new separation package was installed late in 2006 which has improved its 2007 produced water discharge performance significantly. In addition, the South Arne platform in Denmark injected 1.5 million barrels of produced water for disposal in 2007. Reinjection reduces the volume of oil discharged to sea. Produced water discharges at the JDA joint venture were around 20 ppm in 2007, well below the design discharge limit.

In 2007, our overall volume of drilling mud and cuttings increased due to a larger number of wells drilled. The amount of oil discharged with cuttings decreased from 585 tons in 2006 to 352 tons in 2007. On a well-to-well basis, oil on cuttings fell from 33 tons per well to 15 tons per well.


Number & Volume of Oil Spills



Oil in Produced Water Discharges to Sea




### Onshore Discharges

At our U.S. E&P, Terminals and Refining facilities, we continued our excellent National Pollutant Discharge Elimination System performance, achieving 99.7 percent compliance in 2007. Both Port Reading and HOVENSA refineries had good waste water discharge performance with all permitted parameters well below specified limits. 

## RESOURCE USE

### Waste

In 2007 we amended our waste definitions to incorporate waste water treatment in order to align with regulatory reporting requirements in most of our locations.

We have applied this definition retroactively to 2006 and 2005 data. The overall quantity of waste generated at Hess operated locations decreased by 44 percent from 193,997 tons in 2006 to 109,492 tons in 2007.  The majority of the reduction is accounted for by the completion of clean up operations in the Permian Basin, which was responsible for 40 percent of the 2006

total. Approximately 70 percent of waste generated was recycled. Approximately 1 percent of waste generated in 2007 was categorized as hazardous.

In 2007 we did not export any waste deemed hazardous under the terms of the Basel Convention.

Our HOVENSA joint venture refinery generated 20,441 tons of waste in 2007, 61 percent of which was recycled. 7,918 tons of the waste generated at HOVENSA was classified as hazardous, 87 percent of which was recycled. The JDA joint venture generated 236 tons of hazardous waste in 2007, 66 percent of which was recycled.

### Water

We consumed approximately 67 million barrels of water for cooling and reservoir pressurization purposes. Our biggest consumers were Permian Basin Production (31 percent), the Seminole Gas Plant (31 percent) and the Port Reading Refinery (22 percent). Around 68 percent of water used is abstracted. All 14 million barrels used at Port Reading and 6 million used in Retail and Terminal operations is provided by the local utility companies.

HOVENSA used approximately 5 million barrels of ground water. It meets most of its water needs by seawater desalination.

In 2007, we reinjected approximately 97 million barrels of produced non-potable water, 64 percent of which was used for oil field pressurization and the remaining 36 percent for disposal.

## ENVIRONMENTAL STEWARDSHIP AND BIODIVERSITY

Our systematic approach to environmental management and our commitment to understanding the human and natural ecosystems in which we work includes undertaking environmental baseline surveys and environmental and social impact assessments (ESIA) prior to the start up of new operations. These assessments are used to develop appropriate operational controls and on going monitoring during operations.

As a global organization we face the challenge of conducting operations in many geographic areas with sensitive or unique biological characteristics. We do not currently operate in any areas designated as protected areas by the World Conservation Union (IUCN). Our environmental policy clearly states our commitment to recognize the existence of, and to comply with, all legal and regulatory requirements related to any protected area. Further, our commitment to high standards of environmental responsibility in all aspects of our global operations extends to areas where legal and regulatory requirements are less defined. In all areas, both with and without “protected” designations, our processes identify sensitivities and form the basis for practices that protect the environment.

Our EHS & SR management system ensures key environmental objectives are integrated into the overall business planning process and identifies appropriate ways to reduce environmental impacts related



Sperm whale, offshore Ghana

to current operations and new projects. Our operating units establish and maintain documented environmental objectives, including those addressing biodiversity, and manage progress toward those objectives.

#### **Environmental/Social Impact Assessments**

Our commitment to the UN Global Compact, together with our policies and working practices, reflect the links between human welfare, cultural diversity and environmental conservation. For major new projects, we employ a risk-based approach to ESIA that enables the evaluation of potential impacts and the effectiveness of mitigation measures.

Biodiversity considerations are incorporated throughout an ESIA, including consideration of the biological, chemical and physical characteristics of the area under study. The ESIA examines boundaries, services, continuity and scale of ecosystems, as well as crossborder and human interactions with ecosystems. We use the best available guidelines and tools, such as those

developed by the Energy and Biodiversity Initiative (EBI), the IPIECA, Wildlife Conservation Society (WCS), and IUCN to assess biodiversity sensitivities. Assessments are enhanced through local knowledge, site specific investigations and risk assessments. Typically, ESIA's are conducted by qualified consultants with specific expertise relevant to the natural and socioeconomic setting of the project or activity. These consultants are managed through a process that ensures our environmental expectations and requirements are met.

We also consider the interactions between ecosystems and the people who depend on them. Community environmental and health expectations are considered, regardless of regulations. Ongoing and open consultation with concerned communities is a priority. Community input is integrated into key decision making and information sharing with communities occurs regularly during all phases of operations.

#### **GHANA - SEISMIC SURVEYS AND MARINE MAMMALS**

During the first quarter of 2007 we conducted 2D and 3D seismic surveys offshore Ghana. In an effort to minimize or avoid potential impacts to marine mammals, Hess put in place a detailed mitigation effort that included a protected species watch program in response to our environmental assessment. Identifying and understanding the environmental sensitivities in the area was a key component to the project. As there were very little baseline data on marine mammals in the area to be surveyed, we elected to take a precautionary approach by following Joint Nature Conservation Committee Guidelines (JNCC) for minimizing acoustic disturbance to marine mammals from seismic surveys.

As an additional measure of protection we voluntarily employed trained marine biologists as Marine Mammal Observers (MMOs), certified under JNCC requirements. There were no observations on the 2D survey, but many on the 3D survey. The vast majority of observations were different species of dolphins and pilot whales.

Exploration activity in Ghanaian waters continued in early 2008 with a controlled source electromagnetic (CSEM) survey. In a concerted effort to provide a consistent and cohesive protected species watch program MMOs were once again voluntarily utilized for this survey even though CSEM is considered to have a much more benign effect upon fauna. The ongoing deployment



of leading practice monitoring and mitigation activities is intended to strengthen the baseline understanding of marine mammal behaviors in the area, enabling our future operations to continue to minimize potential impacts to the marine environment.


### HOVENSA GROUNDWATER CLEANUP

HOVENSA has worked closely with the EPA on groundwater cleanup following the 1982 discovery of petroleum leaks from underground tanks. Since that time, more than 95 percent of petroleum has been reclaimed, with 1.2 million gallons still to be recovered. HOVENSA's release impacted non-potable groundwater and has been largely confined on site. The recovered groundwater is treated in the refinery's wastewater treatment system to separate the petroleum product from the water and to ensure that the water meets regulatory standards before it is discharged. The recovered petroleum is recycled in the refinery. In addition, HOVENSA has instituted extensive measures to prevent future releases.

### LIQUEFIED NATURAL GAS

Natural gas, together with energy conservation, efficiency, and renewable energy, can help meet the growing demand for cleaner energy, while helping to reduce emissions of greenhouse gases and air pollutants. Liquefied natural gas (LNG) is a cost-effective means of moving natural gas from producers to consumers where pipelines are not economically viable due to distance or technical limitations.

Hess has a 92.5 percent interest in a joint venture, Hess LNG, which is pursuing investments in LNG terminals and related supply, trading and marketing opportunities. Hess LNG owns Weaver's Cove Energy, which is proposing to build a LNG receiving terminal in Fall River, Massachusetts. The project has received approval from the Federal Energy Regulatory Commission, but is opposed by officials from Massachusetts and Rhode Island over perceived security and environmental issues.

In addition, Shannon LNG, an Irish subsidiary of Hess LNG, is proposing to build a liquefied natural gas LNG receiving terminal on the Shannon Estuary in County Kerry, Ireland. Planning consent was granted for this facility in April, 2008. 

### PRODUCT STEWARDSHIP

Our company's products are consumed by millions of people each day. We manufacture quality products that can be used safely by our customers. Our products comply with all relevant legislation and meet health, safety and environmental requirements. Our Customer Service organization provides our customers with detailed information and support in relation to the products they purchase from us.

We continuously review the potential hazards and risks associated with our product line to prevent and minimize impacts to human health or the environment. We collaborate with industry partners, government agencies and the scientific community concerning the safe use of our products. We do not perform any animal testing on our products nor do we contract for any animal testing on our behalf. Our EHS professionals provide our businesses and customers with expert guidance on all of the products we sell. We assess our products to detect any environmental, health or safety hazards, and provide Material Safety Data Sheets (MSDS) that are intended to enhance the safe handling, storage and use of our products. MSDSs for all our products are available to the public on our company Web site and by direct mail when requested.



Pumping unit in North Dakota



# GLOBAL WORKFORCE



Drilling operations in Algeria

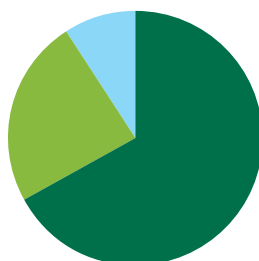


Access to skilled professionals is an increasing challenge for the energy industry and for Hess. Over the next decade the industry will experience a tight labor market in which talented people will become a key competitive advantage. Hess is committed to attracting, retaining and energizing the very best people by investing in their professional development and providing them with challenging and rewarding opportunities for growth.

We hired 786 new professionals in 2007, with 79 percent in the U.S., 6 percent in the U.K., 5 percent in Indonesia and 4 percent in Malaysia. In addition, at our U.S. locations we hired 165 cooperative education and summer students.

Hess Corporation paid \$636 million in salary and benefits to employees in 2007. The global oil and gas sector has seen increased activity and capital investment in recent years that has raised workforce demand. As would be expected in this environment, employee turnover rates and contractor hiring has increased across the entire oil sector. Despite this challenging environment, our salaried employee turnover rate was a modest 4.7 percent.

**2007 Employee Headcount**  
(12,071 Employees)



● U.S. Retail 67%  
● U.S. Remainder 24%  
● International 9%

#### International

U.K.	2.25%	Denmark	0.58%
Equatorial Guinea	1.63%	Thailand	0.36%
Indonesia	1.59%	Algeria	0.36%
Malaysia	1.10%	Other Countries	0.71%

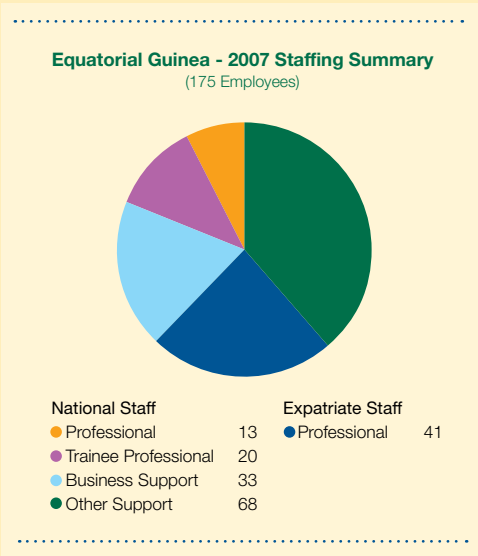
At year end 2007 our worldwide employee headcount was 12,071. More than 91 percent of our employees are based in the U.S., with approximately 67 percent of employees working in our U.S. retail field network. Non U.S. employees are located in the United Kingdom, Norway, Denmark, Russia, Equatorial Guinea, Egypt, Algeria, Gabon, Libya, Indonesia, Thailand, Azerbaijan, Singapore, Brazil and Malaysia.

## TRAINING AND DEVELOPMENT

Our values help guide our company in attracting and retaining a diverse global workforce. In order to attract skilled national employees in our areas of operation we actively recruit through national professional and trade associations and advertise in local and national publications. We also present information regarding the company and its operations at international professional conferences. To provide all employees opportunities for development and long term advancement, we offer training and career counseling and list open global positions on an internal Web site. The company offers an extended array of benefits that includes flexible spending accounts with dependent care options and work/life referral services.



# Hess Workforce Nationalization Programs in Equatorial Guinea



Hess has made significant progress in developing national employees for their current and future roles. We are committed to enabling all of our Equatorial Guinea national employees to develop and achieve their potential. Hess endeavors to attract high potential Equatorial Guinea national residents as employees so that they can be trained and guided to occupy positions of increasing responsibility.

Through our commitment to nationalization we have achieved a 75 percent level of employee positions being filled by Equatorial Guinea nationals. We are now approaching a level where the remaining expatriate employee positions are specialized and require significant international industry experience. Upward movement by our national employees into these more senior roles will take time, but Hess will continue to explore opportunities to accelerate the process where possible. Of the management team reporting to the Hess country manager, two are senior level nationals. The effectiveness of our management team is enhanced by having this national perspective represented in management decisions.

In addition, the main contractor providing operations and maintenance personnel and other technical support services to Hess is developing and implementing a Nationalization Plan on behalf of Hess. The operations and maintenance of the facilities will be increasingly performed by nationals to meet the targets set by Hess and the government. The scope of the Nationalization Plan includes all positions within the scope of services being supplied by the contractor. There are two groups of personnel involved in the Nationalization Plan: existing nationals and future 'new recruits'.

The program commenced in January 2007 with 15 recruits and will increase its numbers over the next few years. This phased approach allows the number of trainees undergoing various levels of training to be kept in optimum class sizes. To ensure the highest standard of training, a new training facility has been established and staffed with internationally experienced trainers. The first group of trainees graduated from phase 1, English class, in September 2007 and began further language, science and safety training. A second class of an additional 15 trainees commenced in September 2007.

Each trainee will undergo a seven-year program leading to qualification as a base level production operator or maintenance technician. The first three years of the program involve full time attendance at the training facility. During this period, trainees will develop the language, science, safety and foundation skills necessary to be able to commence the offshore stage of their development. The fourth year is a mix of classroom based and field training. The final three years is their apprenticeship in the specific discipline where they will be employed. The apprenticeship focuses on technical and safety development. Detailed competency profiles are established for each discipline and the progress of each trainee is tracked against these competencies.

In a separate initiative, the oil Industry, in conjunction with the government, is establishing the Instituto Tecnológico Nacional de Hidrocarburos de Guinea Ecuatorial (ITNHGE). Hess is participating in this initiative and is examining ways it can integrate the Nationalization Plan with the development of an industry accredited training program conducted under the auspices of the ITNHGE.



Joint Development Area Platform in Malaysia / Thailand

The company develops employees to maximize their potential in order to create an organization capable of achieving its business objectives. In 2007, we spent \$11.4 million on technical and personal development training with each salaried employee averaging approximately 25 hours of training. In 2007, 311 U.S. employees received support for continuing further education.

Our Africa Business Unit has initiated an industry-leading Nationalization and Training program to attract and retain employees who can make a significant contribution not only to the Hess business but also to the skills base of the country where we do business. Expatriates are recruited for both their technical expertise and their commitment to mentor and develop national employees. National employees are engaged after a rigorous recruitment program based on both their ability and their potential for growth and advancement.

### EQUAL EMPLOYMENT OPPORTUNITY

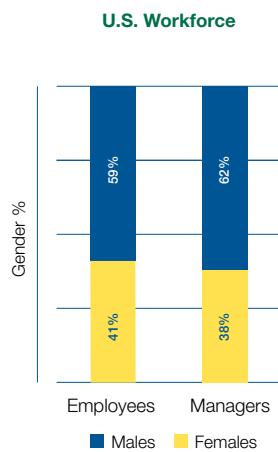
Our commitment to global diversity is essential as we strive for top quartile performance across the company. The company does not tolerate any form of workplace harassment including sexual harassment of an employee or employment candidate.

The company provides equal employment opportunity to all employees and job applicants regardless of race, color, religion, sex, age, sexual orientation, creed, national origin or disability. All terms and conditions of employment, including compensation and opportunities for advancement, are based on qualifications and job performance. In addition to the requirements of national laws and regulations, the company adheres to fair employment practices because it makes good sense and is the right thing to do. The company's reputation as a fair employer that recognizes individual rights not only attracts and retains employees,

but is also valuable in vendor and customer relationships. The company prepares an annual Affirmative Action Program to set specific goal oriented guidelines. The program strives to ensure realization of equal employment opportunity objectives.

All complaints of harassment are treated seriously and confidentially. Employees are encouraged to report any questionable behavior to their supervisors. If the situation involves the supervisor, the employee contacts the department manager or Human Resources.

As of December 2007, there were two female non executive members of our board and there was no board representation from outside the United States. In the United States, 38 percent of managers and 41 percent of our workforce were women. There are currently no women or minorities among the Hess Leadership Team.



### Supplier Diversity Program

Our Supplier Diversity Program ensures that qualified minority owned and women owned suppliers are included in our procurement sourcing process. Of the \$2.3 billion in U.S. supplier payments in 2007, 33 percent (\$749 million) of materials and services were purchased from more than 3,000 minority and women owned businesses. Most of these suppliers are located in the communities where we conduct business, such as New Jersey, Texas and North Dakota. Purchasing from these small businesses promotes quality and competitive pricing and strengthens communities in which we live and work.

### PROMOTING EMPLOYEE INVOLVEMENT

Several mechanisms exist for employees to provide feedback to the company. Our compliance hotline is a 24-hour resource available to employees to share their concerns or report issues. To assess our employees' level of engagement, as

well as their perspectives of our overall performance, we conduct a periodic global employee survey, "The Voice of Hess".

In April 2008 we completed our most recent survey with an 89 percent response rate, which was 4 percent higher than our target, 7 percent better than the last global employee survey and 9 percent above the average response rate for high performing companies. Our challenge is to identify those themes or patterns that emerge from the survey data in order to develop our action plans and implement them to improve our working environment. We will share additional information in next year's report when results are available.

Hess is committed to providing a Total Pay Program that will help attract, retain and reward a skilled, extremely competent and energized workforce wherever we do business. Hess targets total pay levels that are higher than the average of other companies, and we actively survey to maintain that position. We are committed to practices, structures and processes that help ensure a pay system that's fair to everyone. We strive to reward people based on their performance and their contributions to the company's success. Our Total Pay system includes a formal performance review for every employee each year and a proactive approach to career development. We utilize a Web-based career development performance tracking system.

### SUPPORTING HUMAN RIGHTS

Hess has endorsed the United Nations' (UN) Global Compact which addresses human rights and labor issues. This endorsement supports the UN Universal Declaration of Human Rights as it applies to companies and the International Labor Organization Declaration on the Fundamental Principles and Rights to Work. The Declaration asserts that four fundamental rights apply to all people in all states. Our policies and procedures support our commitment to human rights, freedom of association, elimination of forced or compulsory labor, abolition of child labor, and equal employment opportunity.

#### *Freedom of association and right to collective bargaining.*

We recognize and respect our employees' right to join associations and choose representative organizations for the purpose of engaging in collective bargaining in a manner that is consistent with applicable laws, rules, and regulations as well as local customs as appropriate. Approximately 7 percent of our employees are members of trade unions.

#### *Prohibition of forced or compulsory labor.*

We do not use forced or compulsory labor in any of our global operations.

#### *Prohibition of child labor.*

We forbid the employment of children in our workforce. All employees are above the legal employment age in the country of employment.



### ***Prohibition of discrimination in respect of employment and occupation.***

Hess recruits its employees and provides working conditions, including payment of wages and benefits, in compliance with applicable laws and regulations.

### ***Voluntary Principles on Security and Human Rights.***

Hess has adopted the internationally sponsored "Voluntary Principles on Security and Human Rights" requiring that any security services we employ, whether public or private, conform to the highest standards of professionalism and protect the human rights of all community members.

The company endorsed the Voluntary Principles process in 2003 and actively promotes the Voluntary Principles, as well as their underlying human rights obligations, through both our publications and our business practices.

In 2007, Hess began implementation of a comprehensive, company-wide "Human Rights Risk Assessment" (HRRR) document through which we can ensure compliance with all four of the voluntary multi-stakeholder initiatives we have endorsed. The HRRR will guide Hess in assessing the degree to which we, and where appropriate our business partners and the host governments, are meeting our commitments. In addition, the HRRR will help us identify any legal or reputational exposure we may face with respect to human rights issues and to take action accordingly. The HRRR will be distributed to Hess'

international operations during the first half of 2008 and training will be provided to employees and contractors. Subsequently, Hess will use the assessment tool as a guide for monitoring the company's incorporation of policies and processes to ensure respect for human rights.

### **HEALTH MANAGEMENT**

We encourage our employees to adopt a healthy lifestyle and offer programs and initiatives to support their efforts. Workplace health promotion activities include: influenza vaccination, employee health fairs (blood pressure testing, nutritional advice) and presentations covering such topics as stress management, seasonal flu prevention, office ergonomics and nutrition. We also provide discounts for employees at selected health clubs.

We recently launched a wellness initiative in the U.S. to help employees and their families live a healthy lifestyle and better manage health care. The initiative, called

Health4Life, focuses on areas that can have the greatest positive impact on personal health. Health4Life provides education, awareness, tools, incentives and programs through office-based and community activities, an Internet-based Web site, and a quarterly printed newsletter.

We continue to provide comprehensive health, safety and personal security guidance to our employees traveling overseas.

We have developed pandemic preparedness plans and policies that can help protect the health and well being of Hess employees before and during a pandemic outbreak. In addition, we are strengthening our business continuity plans to help minimize business interruption in the event a pandemic should occur. Business unit preparedness plans have been drafted that are aligned with the Corporate Pandemic Preparedness Action Plan, as well as local, national and international health efforts.

Hess Corporation is committed to equal opportunity regardless of marital/family status, race, color, sex, age, religion, disability, sexual orientation, national origin or status as a disabled or Vietnam-era veteran. The company adheres to a policy of affirmative action and seeks to provide a work environment in which employees can realize their potential.

Hess is formally recognized by the following organizations for excellence in recruiting:

**MINORITY ENGINEER**

**Woman Engineer**  
THE CAREER MAGAZINE FOR LETHAL LEVEL AND PROFESSIONAL WOMEN



**FORTUNE**  
**5 HUNDRED**  
2007



# COMMUNITY & SOCIAL PERFORMANCE



Third grade student in Hess sponsored school in Bata, Equatorial Guinea

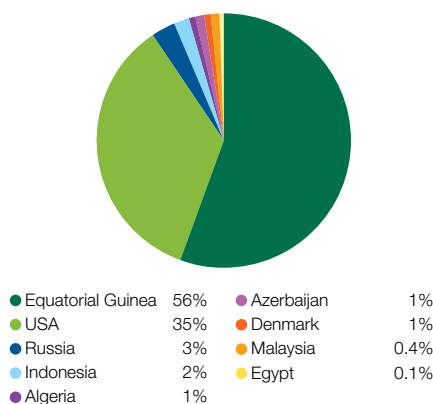
Social Responsibility is a core value of our company. We have a strong commitment to make a long lasting, positive impact on the communities where we do business. Because we believe that long-term sustainable progress can only be made by a healthy, well-educated community, we have chosen to focus our efforts largely on health and education. We seek to work closely with local communities to develop projects that provide measurable results. We also support the community based volunteer activities of our employees.

In 2007, our social investment was more than \$16 million, nearly triple the 2006 budget of \$6 million. More than 57 percent went to improving education. In addition to program support, we provided approximately \$160,000 to disaster relief efforts principally in Indonesia, Ghana and Peru. We also worked with a range of social development organizations in Algeria, Azerbaijan, Equatorial Guinea, Indonesia, Russia, Thailand, the United Kingdom and the United States.

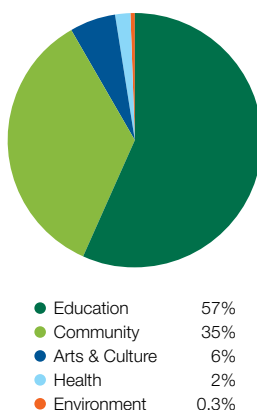
### Equatorial Guinea

In partnership with the government, Hess has been instrumental in the development of the first 5 years of a 10 year \$40 million education program. Termed "Prodege", this project is designed to strengthen the nationwide educational system with a focus on children between ages 6 and 18. The project is improving teacher training, developing learning initiatives and improving school infrastructure. In 2007, we contributed more than \$8 million to this program. More information is presented later in this section.

**2007 Social Investment by Country**  
(Excluding Disaster Relief)



**2007 Type of Investment - \$16.4 Million**  
(Excluding Disaster Relief)



In 2007, Hess Equatorial Guinea contributed an additional \$700,000 for 15 projects in education and health. Several schools throughout the country were refurbished to enhance the learning environment. In addition, more than 3,000 treated bed nets were distributed in 22 communities to help fight malaria, and water wells were drilled and equipped to provide clean potable water. To date the water wells project is providing 50,000 residents in



more than 28 communities with clean water. Local contractors were used in all of the social works projects to provide additional local jobs and help residents develop trade skills and experience.

### *Algeria*

In Algeria, Hess provided \$50,000 to the non-governmental organization SOS Kinderdorf to build a new home for 100 orphans to live in a family-style environment. A total of four homes are under construction. Each home is managed by a "housemother" who cares for 10 to 12 preschool-age children. The Hess home is scheduled to open in August 2008.

We also funded several education related projects including refurbishment of the Tizi Ouzou Kabylie Primary School, located in a poor mountain community. This project included the installation of a heating system and media room and the purchase of school supplies and equipment.

### *Azerbaijan*

In 2004, Hess launched an Emergency Medical Development Initiative (EMDI), the first global development alliance project in Azerbaijan. Today, EMDI receives broad support from government bodies and private donors, including the USAID and oil and gas companies that are involved in projects within the country. In recent years, the \$2.2 million program has helped improve emergency medical care services and policies, developed new outreach efforts focused on injury prevention and safety promotion, rehabilitated several hospitals to modern standards, and secured the latest medical equipment.

In 2007, Hess provided medical equipment to facilities in Evlakh, Shamkir and Kurdamir. Emergency response workshops were conducted at six regional hospitals involving more than 150 doctors and nurses. In addition, a new regional emergency response training center was established in Ganja. Those projects totaled \$113,000, bringing the company's three-year investment to \$450,000.

### *Indonesia*

In Indonesia, the company made a three-year commitment to improve the quality of education in the Ujung Pangkah sub-district by working with local officials to implement a new development model in primary and middle schools. The program reaches 400 students in more than 50 schools. So far, 27 school principals, 108 teachers and 54 school committees have been trained.



Hess supported medical care in Khon Kaen, Thailand

### *Denmark*

Hess Denmark formed a partnership with the Danish Society for Nature Conservation to sponsor the Danish Ponds and Lakes Project, which gives school children a hands-on understanding of the importance of taking care of the country's aquatic environment. Each class adopts a local pond or lake and engages in discovery, monitoring and conservation activities. The project will also be used within Hess' Denmark facilities to reinforce the importance of environmentally responsible behavior.

Hess helped educate local fishermen, youth groups and women's groups to gain the skills they need to be more effective small business owners, and supported healthcare volunteers in their efforts to provide quality health services for children, mothers and the elderly. The health program cared for more than 300 children.

### *Russia*

When Hess employees in Russia learned that a children's orphanage in the nearby village of Koshki was in need of essential items, they provided immediate assistance

in the form of clothing, food and educational materials. They also helped with building maintenance and social activities. Sizable donations to hospitals in Pestravka and Glushitza have enabled staff to purchase equipment, hire qualified medical personnel and maintain the facilities.

### Thailand

In Thailand, Hess worked with local experts in rural development to support 73 village improvement projects including water storage and sanitation. Now in its second year, the \$200,000 program has encouraged community ownership in the design, construction and maintenance of public facilities. The company also initiated a program to teach life skills, problem solving and interpersonal skills to build the capacity of disadvantaged children and youth in Udonthani and Khon Kaen.

### United Kingdom

Employees in the U.K. have provided generous support matched by the company for Children 1st, a group that supports the Royal Scottish Society for the Prevention of Cruelty to Children and works to give every child in Scotland a safe and secure childhood.

Aberdeen employees also participated in the North Sea Chaplaincy Trust, which provides financial relief to those in the oil and gas industry or their dependants who find themselves with immediate financial problems.

### United States

In Houston, Hess employees have partnered with Habitat for Humanity and are building



Habitat for Humanity project near Houston, Texas

126 homes for disadvantaged families in a new development 10 miles south of Houston. Habitat for Humanity projects have been making a real difference in the lives of Houston families for nearly 20 years. Hess has supported this program for several years and has made it a permanent element of its Social Responsibility Program.

Nearly 60 Hess employees and their family members in Woodbridge, N.J., and New York City joined with their communities in two different Making Strides Against Breast Cancer Walks in October 2007. Hess participants raised funds for the American Cancer Society's research, education, advocacy and patient service programs.

Working through the U.S. Marine Toys for Tots Foundation, Hess donated its 2007 Toy Trucks, a perennial holiday favorite, to thousands of low-income children

along the U.S. Eastern Seaboard from Massachusetts to Florida. Hundreds more were given to children near Hess operations in St. Croix and St. Lucia, and to the children of some New York City police officers, including those who have died in the line of duty.

With its sponsorship of the annual Arthur Ashe Kids Day, the kickoff event for the United States Open Tennis Championship in Queens, New York, Hess was once again able to include thousands of low-income children in the fun. In addition, employees at Hess Express Retail operations along the U.S. East Coast rallied with in-store promotions to raise funds for the March of Dimes and St. Jude's Children's Hospital.



### HOVENSA, ST. CROIX

In 2007, HOVENSA spent \$3 million on social investment programs, with more than \$2.2 million dedicated to education and \$0.7 million dedicated to community projects. The Industrial Craft Training Program was established in 2007 by HOVENSA, a refining joint venture between Hess and Petroleos de Venezuela (PDVSA), in collaboration with the Virgin Islands Board of Vocational Education and the Virgin Islands Department of Education.

Every year thirty local students – 10 per craft – will be offered technical courses at the St. Croix Career and Technical Education Center while attending high school to earn a nationally recognized certificate as an industrial electrician, instrument mechanic or millwright. In 2007, HOVENSA spent \$1.5 million on the Craft Training Program and has made a commitment to annually place 20 graduates of the four-year program in jobs at the refinery. This program should

provide an incentive for students to stay in school and help counter the high dropout rate of high school students in St. Croix. HOVENSA also funded numerous community projects including agricultural and student art fairs and charitable events sponsored by the Women's Coalition and the United Way.

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We remain committed to improving the social well-being of the communities where we operate and continue to enhance our partnership activities with our host countries.

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Classroom in Asonga Model School near Bata, Equatorial Guinea



# Social Responsibility in Action: Prodege



Doña Pilar and her class

Doña Pilar Bengobsam Ndong is a third year teacher at Asonga Model School in Bata, the Republic of Equatorial Guinea (EG). Six months ago, her school was, as she describes, simply “a house with walls.” There were no desks or educational materials, “only benches where children sat in twos and threes,” and teachers had limited knowledge and experience.

Today, she teaches in a renovated facility where classrooms have desks and chairs. Children sit around a table with six or seven other students, who each have their own workbooks, and the walls are filled with colorful learning aids.

Doña Pilar has seen quite a change at the school since it joined Prodege, a program established by Hess Corporation and the EG government to improve the country's education system over the next 10 years. The partners are each investing \$20 million in the first five years. They have engaged the Academy for Educational Development (AED), a Washington D.C.-based organization with extensive experience in education and international development, to provide technical assistance.

“Prodege trained us in active learning teaching methods, lesson planning and involving parents and community members in the classroom,” she said during a recent interview. “This new approach is helping the students.”

Only one year into the program, the children are already making great progress. Little things like signing a daily attendance sheet are instilling greater responsibility in the classroom while the new seating arrangement is helping them learn from each other and work as part of a team.

Doña Pilar says she sees an increase in literacy and cooperation among the older and younger children and that has given them confidence to speak up in class and become more active. “Change is difficult,” she said, “but I am very optimistic and I feel that I am becoming a better teacher.”

“I know that in the long term Prodege will be very good for the students, especially for the younger ones who are just beginning school. In the long run, they will do very well and will be able to reach the university,” she said.

Doña Pilar admits that the changes are difficult for some. And though her own life is full — she farms and sees to her family of five children and four grandchildren — she is confident and feels her hard work has paid off. “I see teachers becoming more accepting of the new program,” she said. “It continues to improve and is helping the children to learn.”

In many ways, Doña Pilar is a role model for the future of Equatorial Guinea. Two of her children are studying at the Teacher Training College of the University of Equatorial Guinea, where she earned her degree. Her youngest child, who is in his last year of high school, hopes to study medicine.

## Prodege Program Elements:

- Active Learning Curriculum
- Model Schools
- Accelerated Teacher Certification
- Skills strengthening at the Ministry of Education
- 2 national quality teaching laboratories
- 1,200 teachers training in the new methodology

## 2007 Accomplishments

- 1,000 school directors trained
- National school census conducted
- School furniture procured locally
- 2 schools refurbished and 3 underway
- 1,200 teachers enrolled in a diploma equivalency course
- Quality teaching laboratory built in Bata

# GLOBAL COMPACT

The UN Global Compact (UNGC) is an international initiative that brings together companies, UN agencies, labor organizations and civil society in support of 10 principles covering human rights, labor, the environment and corruption. The 10 principles are based on the Universal Declaration of Human Rights; the International

Labour Organization's Declaration of the Fundamental Principles and Rights at Work; and the Rio Declaration on Environment and Development.

As a signatory of the Global Compact, we believe that our business policies are in accordance with the 10 principles. We participate in Global Compact meetings in the U.S..

Here we provide an index to our performance in demonstrating the Global Compact's 10 principles in our work. This index cross-references to relevant IPIECA/API and GRI G3 indicators. Further information is available throughout this report and on our website .

GLOBAL COMPACT PRINCIPLES	IPIECA/API Indicators	GRI Indicators	Report Section	Page
1. Businesses should support and respect the protection of international proclaimed human rights within their sphere of influence.	SOC-1 SOC-4	HR1, HR2	Voluntary Commitments, Supporting Human Rights	6,12 40-41
2. Businesses should make sure that they are not complicit in human rights abuses.		HR1, HR2, HR3	Voluntary Commitments, Supporting Human Rights	6,12 40-41
3. Businesses should uphold the freedom of association and the effective recognition to the right to collective bargaining.	SOC-7	HR5	Voluntary Commitments, Supporting Human Rights	6,12 40
4. Businesses should uphold the elimination of all forms of forced and compulsory labor.	SOC-7	HR7	Voluntary Commitments, Supporting Human Rights	6,12 40
5. Businesses should uphold the effective abolition of child labor.	SOC-6	HR1, LA4, LA5	Voluntary Commitments, Supporting Human Rights	6,12 40
6. Businesses should eliminate discrimination in respect of employment and occupation.	SOC-4	HR1, LA13, LA14	Voluntary Commitments, Equal Employment Opportunity	6,12 39-41
7. Businesses should support a precautionary approach to environmental challenges.			Environmental Performance, Global Climate Change, Environmental Stewardship and Biodiversity	6,9,17 29-35
8. Businesses should undertake initiatives to promote greater environmental responsibility.	ENV-1, ENV-2, ENV-3, ENV-5, ENV-9, ENV-A1, ENV-A2, ENV-A3, ENV-A4, ENV-A6, ENV-A7	EN1-EN30	Environmental Performance, Global Climate Change, Air Emissions, Oil Spills and Releases, Resource Use, Environmental Stewardship and Biodiversity	29-35
9. Businesses should encourage the development and diffusion of environmentally friendly technologies.		EN6, EN7	Global Climate Change, Renewable Energy, Environmental Stewardship and Biodiversity, Liquefied Natural Gas, Product Stewardship	29-35
10. Businesses should work against all forms of corruption, including extortion and bribery.	SOC-2	SO2, SO3, SO4	Voluntary Commitments Ethical Business Conduct, Transparency	6,12-16



# GRI INDEX

This index refers to Global Reporting Initiative (GRI) indicators on which we have fully or partially reported.

Some of the information regarding these indicators appears in the Web version of this report.

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<b>ORGANIZATIONAL PROFILE</b>			
		2.1-2.10	1-5, 6-7, 9-14, 19-21
<b>REPORT PARAMETERS</b>			
Report Profile		3.1-3.4	Scope, Inside Back Cover
Report Scope and Boundary		3.5-3.11	Scope, 26
GRI Content Index		3.12	49
Assurance		3.13	50
<b>GOVERNANCE, COMMITMENTS AND ENGAGEMENT</b>			
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Stakeholder Engagement		4.14-4.17	9-13, 21
<b>MANAGEMENT APPROACH AND PERFORMANCE INDICATORS</b>			
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	Indirect Economic Impacts	EC8, EC9	21
Environmental	Materials	EN1, EN2	7, 19, 20
	Energy	EN3, EN4, EN5, EN6, EN7	7, 31
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	Biodiversity	EN11, EN12, EN13, EN14, EN15	33-35
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	Public Policy	SO5, SO6	9-13
	Anti-Competitive Behavior	SO7	13-14
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<b>PRODUCT RESPONSIBILITY</b>			
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	Product & Service Labeling	PR3, PR4, PR5	35
	Marketing Communications	PR6, PR7	
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	Compliance	PR9	15-17



## SCOPE AND OBJECTIVES

ERM Certification & Verification Services (ERM CVS) was commissioned by Hess Corporation to undertake verification of its 2007 Corporate Sustainability Report (the Report). The objective of the verification was to establish that the information presented is a reliable representation of Hess Corporation's performance and programs, and that the data presented conform to the Global Reporting Initiative (GRI) G3 and also the IPEICA/API Reporting Framework guidelines.

The Management of Hess Corporation is responsible for the information contained within the Report.

## VERIFICATION APPROACH

We based our work on Hess Corporation's internal guidance and definitions for the reported metrics. Our assurance approach was developed with reference to the International Standard for Assurance Engagements 3000: Assurance Engagements other than Audits or Reviews of Historical Information issued by the International Auditing and Assurance Standards Board (ISAE 3000); as well as principles that ERM CVS has developed and refined for report assurance assessments. Our work involved detailed challenge of the data through selected interrogation of both source and consolidated data information in conjunction with interviews with operational and corporate staff with responsibilities for data management and report content. Substantiation of a sample of statements and claims made in the Report has been undertaken.

Our activities included review of activities and source data at the following Hess operations: exploration and production operations in Phu Horm, Thailand; Erath, Louisiana, USA (Sea Robin Gas Plant); South Arne (North Sea Platform), Denmark; and marketing and refining operations at the Charleston Terminal in South Carolina and First Reserve Terminal in New Jersey, USA; and two representative Hess Express convenience stores in New Jersey, USA. The review also included visits to offices in Thailand, Denmark, Houston, Texas, and Woodbridge, New Jersey to assess and review data collection, data management and internal review processes.

## OPINION & RECOMMENDATIONS

In the opinion of ERM CVS, Hess Corporation has continued to improve the quality, breadth of information and overall presentation of the sustainability data and we are not aware of the exclusion of any material issues or of any misstatements made in relation to the information presented. ERM CVS has evaluated the Report for conformance to GRI Sustainability Reporting Guidelines and supports Hess Corporation's assertion that the Report meets the GRI application level B+.

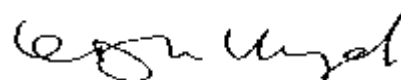
Our key observations build on those provided by ERM CVS previously and the work that Hess Corporation has accomplished this year and is committed to pursuing further. These are to:

- Continue to develop consistent and reliable methodologies and processes to capture data across all operations and support this with the provision of user guidance related to the data collection requirements.
- Include some discussion of key stakeholder views and concerns, and how the Company is responding to these inputs;
- For metrics that are currently not reported review the materiality of these periodically for the potential for future inclusion in the Report.
- Where relevant, the measurable targets Hess Corporation is pursuing in relation to its sustainability objectives should be considered for representation in the Report.
- Consider adding a section on the key challenges that face Hess Corporation in relation to achieving the sustainability objectives in order to provide greater context.

A full report of the result of the verification activities has been presented to Hess Corporation.

## OUR INDEPENDENCE

ERM CVS, responsible for reporting to Hess Corporation on its assurance conclusions, is a member of the ERM Group. This is the sixth year that ERM CVS has been engaged by Hess Corporation in this role. The work that ERM CVS conducts for clients is solely related to independent assurance activities and training programmes related to auditing techniques and approaches. Our processes are designed to ensure that the work we undertake with clients is free from bias and conflict of interest. ERM CVS staff that have undertaken work on this assurance exercise provide no consultancy related services to Hess Corporation in any respect.



Leigh Lloyd, Managing Director  
5 June 2008

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## OPINION & RECOMMENDATIONS

For copies of our Environment, Health and Safety Policy and our Corporate Social Responsibility Policy, or for more information regarding our operations, please visit our Web site at [www.hess.com](http://www.hess.com).







We invite your questions, comments and suggestions regarding this report. To send us your questions or comments, or request more information or additional copies of this report, please contact:

Vice President,  
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You can also send us an e-mail at [ehs@hess.com](mailto:ehs@hess.com).

Sandy Alexander Inc., an ISO 14001:2004 certified printer with Forest Stewardship Council (FSC) Chain of Custody printed the Hess Annual Corporate Sustainability Report with the use of renewable wind power resulting in nearly zero volatile organic compound (VOC) emissions. This report was printed on FSC-certified Mohawk Options paper, a process-chlorine-free 100 percent post-consumer waste (PCW) paper manufactured entirely with 100 percent certified wind energy and containing 100 percent post-consumer recycled fiber.

The savings below are achieved when PC recycled fiber is used in place of virgin fiber.

118.98 trees		preserved for the future
343.57 lbs		waterborne waste not created
50,541 gallons		wastewater flow saved
5,592 lbs		solid waste not generated
11,011 lbs		net greenhouse gases prevented
84,279,200 BTUs		energy not consumed

Savings from the use of emission-free wind-generated electricity:

5,721 lbs		air emissions not generated
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In other words your savings from the use of wind-generated electricity are equivalent to:

Not driving		6,197 miles
Planting		387 trees





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