

# SOCIAL AND ENVIRONMENTAL REPORT 2006





**ANA MARIA ALVES DE SOUZA**  
Farm worker in castor bean and  
bean crops in the Family Agriculture  
Production and Marketing  
Cooperative of Bahia (Coopaf)  
— Morro do Chapéu, Bahia State

**OUTLOOK:** A better future for me  
and my children.

“We believe the climate is very important, because drought ruins the plantation. By making biodiesel, Petrobras is helping to take care of the environment and improve our region. I hope that Coopaf continues.”



# Summary

Message from the CEO **02**

## **Petrobras**

The Petrobras profile **08**

Performance in 2006 **13**

Key indicators **18**

## **Social and Environmental Report**

Commitments and strategies **22**

Methodology **28**

## **Human Rights**

**PRINCIPLE 1** Businesses should support and respect the protection of internationally proclaimed human rights **32**

**PRINCIPLE 2** Businesses should make sure they are not complicit in human rights abuses **53**

## **Labor Standards**

**PRINCIPLE 3** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining **68**

**PRINCIPLE 4** Businesses should uphold the elimination of all forms of forced and compulsory labor **72**

**PRINCIPLE 5** Businesses should uphold the effective abolition of child labor **74**

**PRINCIPLE 6** Businesses should uphold the elimination of discrimination in respect of employment and occupation **77**

## **Environment**

**PRINCIPLE 7** Businesses should support a precautionary approach to environmental challenges **86**

**PRINCIPLE 8** Businesses should undertake initiatives to promote greater environmental responsibility **98**

**PRINCIPLE 9** Businesses should encourage the development and diffusion of environmentally friendly technologies **116**

## **Transparency**

**PRINCIPLE 10** Businesses should work against corruption in all its forms **120**

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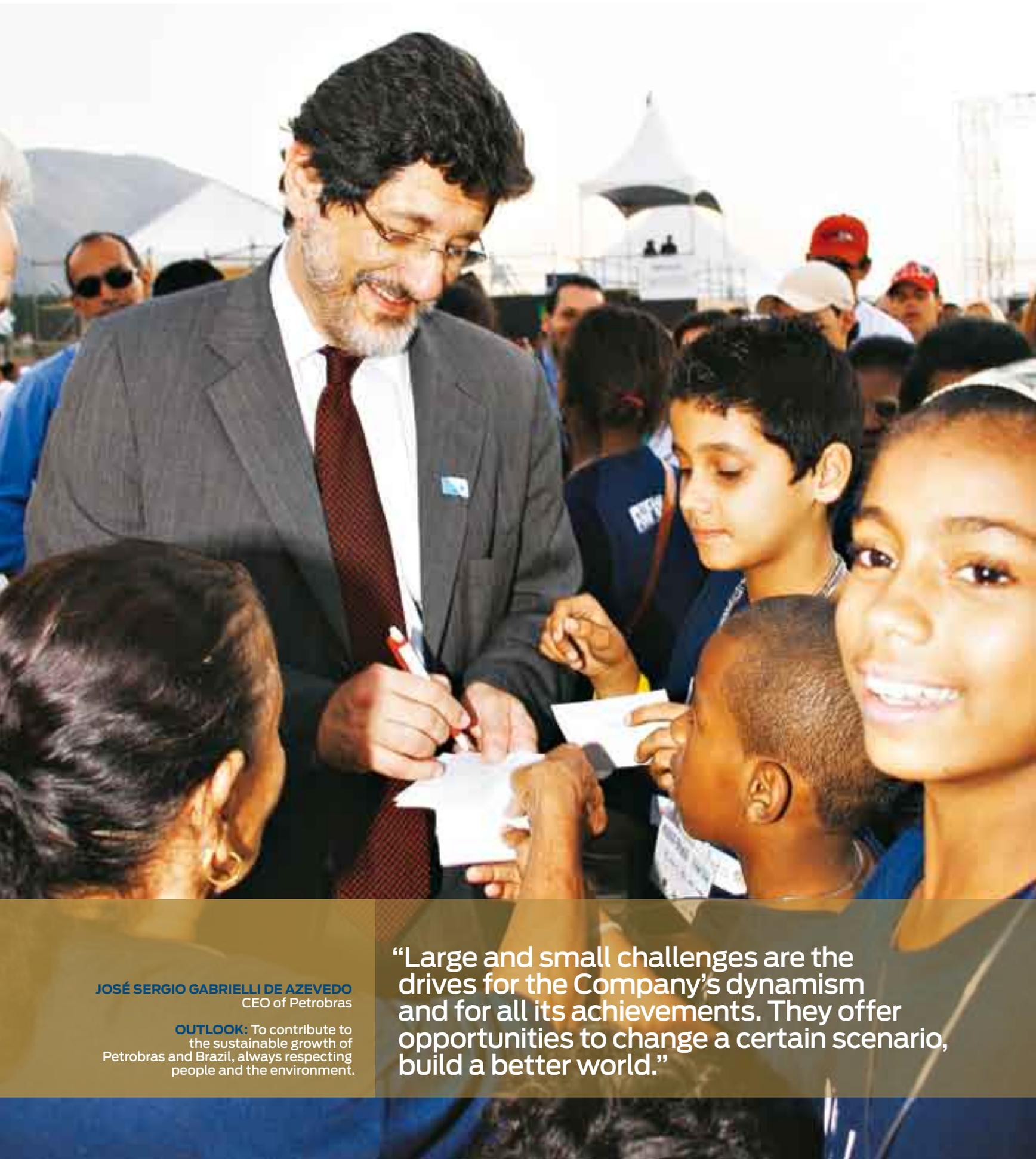
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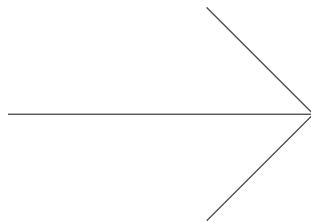


**JOSÉ SERGIO GABRIELLI DE AZEVEDO**  
CEO of Petrobras

**OUTLOOK:** To contribute to the sustainable growth of Petrobras and Brazil, always respecting people and the environment.

“Large and small challenges are the drives for the Company’s dynamism and for all its achievements. They offer opportunities to change a certain scenario, build a better world.”

# Message from the CEO



**P**etrobras closed the year of 2006 with major achievements. They were milestones, such as the highest profit in any corporation in Latin America, alongside the achievements in the field of social and environmental responsibility.

This positive performance is an evidence of the right strategies adopted, always with the objective of improving the quality of its products and services and also promoting an ethical management, transparent and with respect for the environment and the various stakeholders with which Petrobras relates. It is worth mentioning that nothing would be possible without the joint effort of the entire Company striving for excellence with sustainability.

Petrobras has played its social and environmental role on the basis of the ten principles of the UN Global Compact since 2003. Accordingly, it actively participates in the dissemination of these values in the business world, by believing that sustainable development needs the contribution of the different segments of society and, of course, community participation. Moreover, last year, we strengthened our position by becoming a member of the Global Compact council and joining the World Business Council for Sustainable Development (WBCSD).

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**Two other achievements**, the results of dedication to be aligned with international social and environmental responsibility standards, made the Company even prouder: the admission to the Dow Jones Sustainability Index (DJSI) and to São Paulo Stock Exchange (Bovespa) Corporate Sustainability Index (ISE). These indices are a parameter for investors to be able to analyze the economic, social and environmental issues. With them Petrobras is now recognized as one of the world's 13 oil and gas majors and one of the most sustainable Brazilian companies.

In its ongoing search to promote internal diversity, Petrobras signed an agreement for equal treatment between men and women. Through the Gender Commission, the Company voluntarily joined the federal government For Gender Equality Program, which aims to adopt people management policies that valorize gender equality. Due to the good progress of projects on this issue, in December 2006 Petrobras was awarded the “For Gender Equality Seal” by the Special Secretariat for Women’s Policies. That same month the Commission was then structured as the Diversity Commission to extend its working scope.

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**In its commitment** to development of society, its investment in cultural, environmental, social and sports projects was significant, totaling more than R\$ 591 million. This figure includes the transfer to the Fund for Childhood and Adolescence, in which around R\$ 48 million will be invested during 2007 in projects to protect the child and adolescent in a social or personal risk situation.

In 2006 alone, 742 projects were sponsored through the Petrobras Zero Hunger Program, with investments of more than R\$ 176 million. Since 2003, when the program was created, 2,058 projects and 18,035 partnerships were based on multi-institutional aspects and the leading social role of citizens, always along the lines of education and professional eligibility of the young and adults, job and income generation, and guarantee of the rights of the child and adolescent.

Environmental actions were also taken in a cascade effect. The vast list starts with the development of cleaner fuels, namely Podium diesel, which demonstrates the Company’s commitment to invest in preserving the environment. The International Seminar on Carbon Capture and Climate Change in the Company’s head office was a major event that attracted companies and the scien-

In its commitment to developing society, **the investment in cultural, environmental, social and sport projects was significant, totaling more than R\$ 591 million.** From this value comes the transfer to the Fund for Childhood and Adolescence, around R\$ 48 million of which would be invested during 2007 in child and adolescent protection projects in social or personal situations of risk.

tific community from 17 countries in search of solutions to reduce to a minimum the atmospheric greenhouse gas emissions, such as geological carbon sequestration, for example.

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**Another outstanding project** in 2006 was the H-Bio refining process, successfully tested on a pilot scale. It consists of producing diesel by mixing a part of vegetable or animal oil with petroleum byproducts during the refining process. This results in a less polluting fuel with lower sulfur content.

The Company has also been producing biodiesel from vegetable oils, directly from the castor bean or Brazilian oil seeds. Research in the biofuel area promises positive impacts, including the social and economic development of the rural areas of Brazil. In association with incentive programs for family agriculture, they could generate more work and income when combined with subsistence farming already existing in these communities.

The following pages of this Social and Environmental Report will show the major achievements in 2006 that confirm that the work over the past few years has produced positive results for the Company, society and the environment. And it is with great pride and admiration that I present it to you.

**JOSÉ SERGIO GABRIELLI DE AZEVEDO**

CEO, Petrobras



Chico Mendes robot, monitoring the Amazon environment



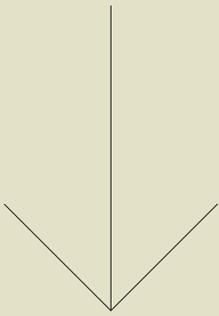
**JULIANE CAETANO VALERIO SILVA**  
Operator, Engineering and Operation  
area of Cenes pilot-projects  
– Rio de Janeiro State

**OUTLOOK:** To believe that a better  
country is possible.

“Petrobras invests in developing new technologies and looks for new energy sources, without forgetting sustainable development and social responsibility.”



# Petrobras



The year 2006 was a landmark for Brazil when it achieved petroleum self-sufficiency. It was also the year when Petrobras, known worldwide for its excellence in producing oil, natural gas and byproducts, joined the select list of companies in the Dow Jones Sustainability Index (DJSI), the top world index for assessing corporate performance relating to social and environmental responsibility. Its best ever profit of R\$ 25.9 billion, around 9% more than 2005, was the highest among Latin American business corporations. With results that confirm that the strategies were the right ones, 2006 beat many other records, such as the investment of R\$ 33.69 billion, 31% up from the previous year's R\$ 25.71 billion. Petrobras is leader in the Latin American energy sector and achieved the necessary conditions to increase investments, with focus on biofuels and further marketing of ethanol. In the field of affirmative actions, the Company increased women's participation in every area of its business — a 30.7% growth in its employees compared to the female employees in 2005 — and was awarded the 2007 For Gender Equality Seal.

# Petrobras PROFILE

## An integrated energy corporation

PETROBRAS WAS FOUNDED IN BRAZIL IN 1953 AND IS TODAY A LISTED COMPANY OPERATING ON AN INTEGRATED AND SPECIALIZED BASIS IN THE OIL, GAS AND ENERGY SECTOR, INCLUDING RESEARCH AND DEVELOPMENT, PRODUCTION, REFINING, TRADE, TRANSPORTATION AND DISTRIBUTION. IT PARTICIPATES DIRECTLY OR THROUGH ITS OVERSEAS SUBSIDIARIES IN INTERNATIONAL TRADE OF PETROLEUM AND BYPRODUCTS, PERFORMING WELL IN MAJOR WORLD-WIDE STOCK EXCHANGES. TWO OF THE COMPANY'S TOP BRANDS AND PRODUCTS WORTH MENTIONING ARE PODIUM FUEL AND LUBRAX LUBES.

Petrobras is managed by a board of directors with a decision-making role and by an executive board. The board of directors consists of nine members elected by the General Shareholders' Meeting, responsible for guidance and senior management of the Company, while the executive board consists of the CEO and its six directors elected by the board of directors.

Only one of the members of the board of directors — the Company CEO — has an executive position in Petrobras. Since 1999, the chairman of the board of directors has been a member with no executive functions or any other ties to Petrobras. In addition to the board of directors, Petrobras has a permanent statutory audit committee, consisting of five members also elected by the Shareholders' General Meeting, and responsible, among other duties, for supervising the acts of the administrators and examining the financial statements.

In the Company's internal culture, values include questions such as stakeholder involvement, entrepreneurship and over-



Merluza 1 platform  
– Santos Basin, São Paulo State



## COMMITTED TO NEW TIMES

### MISSION

To perform in a safe and profitable manner, with social and environmental responsibility, in the oil, gas and energy industry, in domestic and international markets, providing goods and services that meet its customers' needs and contribute toward the development of Brazil and countries where the Company operates.

### OUTLOOK

Petrobras will be an integrated energy company with strong international presence and a leader in Latin America, focusing on profitability and on social and environmental responsibility.

### CORPORATE STRATEGY

To become leader in the Latin American oil, natural gas, byproduct and biofuel market, operating as an integrated energy Company with selective growth in petrochemicals, renewable energy and international activity.

## MANAGEMENT COMMITTEES

- Information technology
- Downstream
- Exploration & Production
- Gas & Energy
- Human Resources
- Health, Safety & Environment (HSE)
- Organization and Management Analysis
- Internal Controls
- Risks
- Petrobras Technology
- Social and Environmental Responsibility
- Marketing and Brands

coming challenges, striving for leadership, competitiveness and technological skills, in addition to focusing on achieving excellent results. The principles include business ethics, decent labor and cooperation, follow-up of results and anti-corruption. These principles are expressed in the Company's code of ethics, the document that ratifies the commitment of Petrobras and guides its internal public relations.

Some of the corporate policies are Corporate Performance, Capital Discipline, New Business Development, Communication, Human Resources, Health, Safety and Environment (HSE) and Telecommunications.

### CORPORATE GOVERNANCE

The role of Petrobras and its growing participation in the internal and external markets, have been accompanied by significant improvement in the quality of Petrobras administration, principally with regard to its corporate governance model, which is being enhanced since the deregulation process of the oil sector in Brazil and since the Company went public. So the adoption by Petrobras of the best corporate governance practices enabled it to be in line with the rules of the American Sarbanes-Oxley Act (SOX) that covers the companies listed in the New York Stock Exchange, causing a positive impact on the capital market and contributing to strengthening the Company.

The governance model adopted also provided the creation of management committees made up of the Company's executive managers. These committees act as forums for a more mature and in-depth approach to the most relevant topics and for structuring the information to the business committee that furthers alignment between business development and company administration, according to the guidelines of the 2015 Petrobras Strategic Plan.

The corporate governance guidelines state that the board of

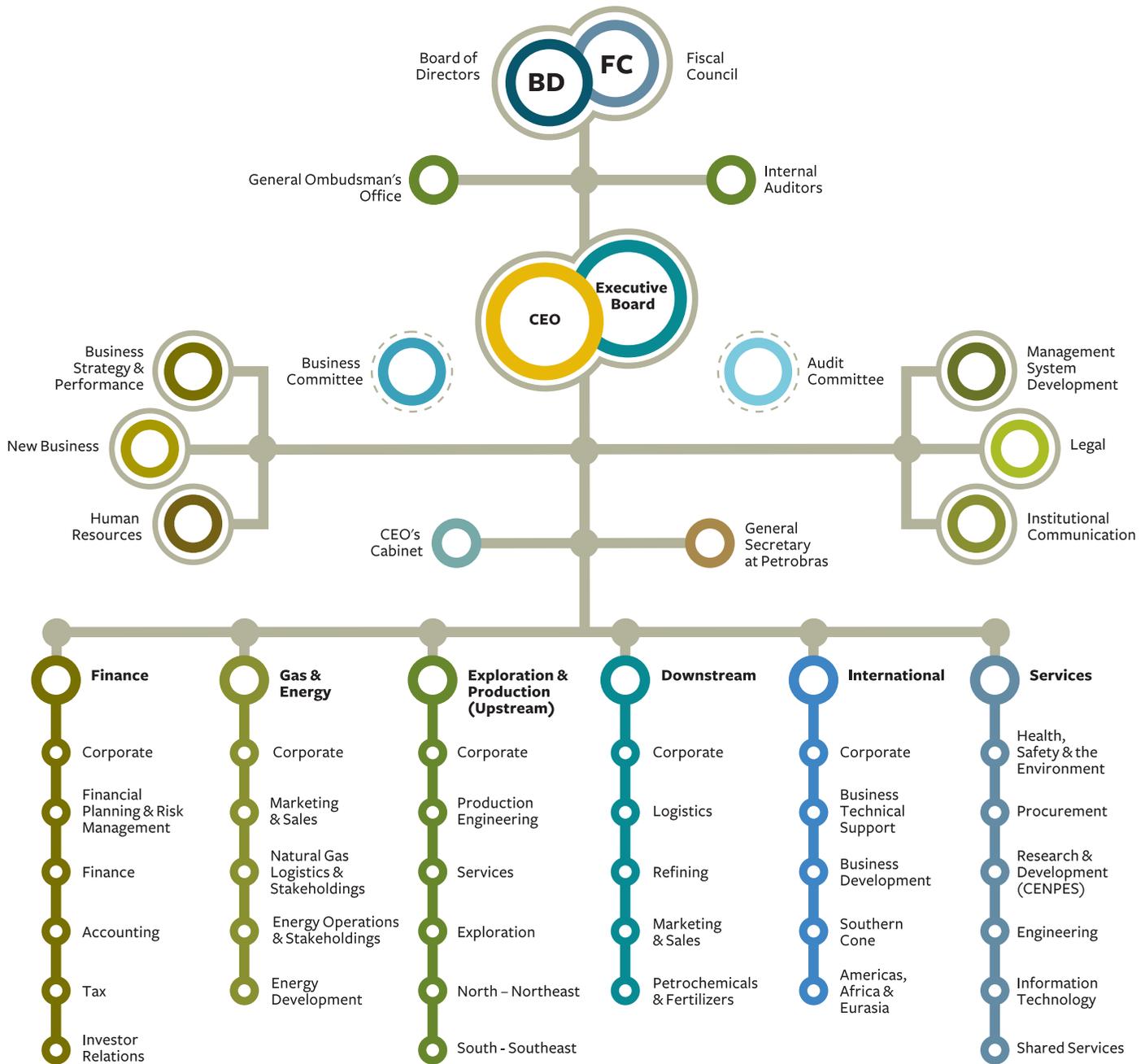
directors must do an annual self-assessment on its performance in order to continuously improve. The board must also under a six-monthly assessment of the performance of the CEO and directors to ensure that the role of the executive board members is in line with the long-term objectives of the shareholders.

The corporate governance guidelines also include the skills and experience expected of the directors, such as personal integrity, no conflicts of interest, time availability, motivation, affinity with company values, familiarity with the best corporate governance practices, experience as a top executive, knowledge of the energy sector, and strategic vision, for example. Petrobras has the Good Practices Code, which guides the conduct of the senior officers and members of the Petrobras top management, in order to prevent conflicts of interest and the occurrence of any situation that may affect its business and operations.

Petrobras bylaws set limits for the relationship between remuneration of the directors of the Board and of the Fiscal Council, and requires a statement of remuneration paid to the members when rendering the Company's annual accounts.

The highest remuneration in 2006 among the senior executives was R\$ 45.315,45 (December-based). Each year its directors and all employees in Petrobras receive, in addition to their fixed salary, profit and income sharing (PLR), whose value is bargained with employee representatives and linked to the achievement of business goals. The registered results reinforce the commitments to social and environmental responsibility, groundbreaking technology and management excellence. They also consolidate the corporate governance policy, guaranteeing the protection of the shareholders and other stakeholders. ✨

# Petrobras Organization Model



## IMPROVEMENT OF THE ORGANIZATIONAL STRUCTURE

The Petrobras organization model, approved by the board of directors in October 2000 is being constantly streamlined to adapt to the Company's Strategic Plan. Changes in the structure resulted, for example, in reorganizing the Gas and Energy business area and creating the Santos Basin

Exploration and Production business unit. Reassessments were, moreover, made on the organizational and management model of the Worldwide Business area and on some structures of business units abroad, as well as implementing a new organizational structure for the Finance area.



Fueling an aircraft at Tom Jobim International Airport – Rio de Janeiro State

## THE PETROBRAS BRAND

The growing internationalization of Petrobras as it joins new business segments and increases the competition in certain sectors has led the Company to streamline and introduce new management processes of the Petrobras brand, considered to be a strategic asset.

The assessment and direction of the Company's key strategic issues have the participation of a Marketing and Brand Committee and a Brand Commission subordinated to the former. The new processes also involved the creation of global-focusing product brands, interacting with the different business areas involved, reinforcing the definition of the brand strategy and its implementation. The Company strategy for brand registration and protection has also improved against undue use.

Petrobras is developing the Corporate Image Monitoring System (Sismico) based on a quantitative study involving company stakeholders in order to evaluate the perception of its image, follow up the evolution of the Brand in order to constantly improve the corporate strategy.

The Petrobras Brand received R\$ 723.406.185,10 during the year for communication investments in advertising, cultural and sports sponsorships, events in Brazil and abroad — and for the development and management of the Brand itself. This value does not correspond to the actual total expenditure and is considered only the minimum invested, since there are other numerous investments in the Brand, such as: opening new Petrobras service stations, enhancing

services at the points of sale and so on.

The value of the Petrobras Brand, estimated and publicly announced by Interbrand, was US\$ 554 million in 2005. Interbrand is an international consulting firm specializing in brand research as a basis for the "World's 100 Most Valuable Brands" ranking. This figure should only be a reference, since it is an independent study that is based on the Company's public information.

Petrobras won the Folha Top of Mind award in the fuel category for the third year running. In 2006, 5,333 consumers were interviewed in 127 counties all over Brazil and the Petrobras brand had most recall by the consumers interviewed by the Datafolha Institute.

Petrobras Distribuidora commissioned Focus Institute for a survey in July to assess its image with customers who fill their cars up at its service stations. The result shows Petrobras as the consumer's favorite banner in 11 Brazilian cities in the survey, with 40.6% interviewee reference — in December 2004 this percentage was 36.4%.

Another survey carried out by Petrobras Distribuidora, also in partnership with Focus Institute, assessed brand loyalty. The Petrobras customer satisfaction survey at urban Petrobras service stations certified by the "Watching the Fuel" program produced significant results. The total of liquid fuel consumers (excluding vehicle natural gas) considered in favor of and loyal to the Petrobras Brand was 78.9%.

# Petrobras

## PERFORMANCE IN 2006

### A landmark year

PETROBRAS HAS REACHED NEW MILESTONES IN 2006, A RESULT INFLUENCED BY ECONOMIC VARIABLES IN BRAZIL AND ABROAD. THE YEAR WAS MARKED BY A BREAK IN THE UPWARD TREND OF OIL PRICES ON THE INTERNATIONAL MARKET, WHICH BEGAN IN 2002. ALTHOUGH THE BRENT BARREL WAS US\$78.63 IN AUGUST, PRICES DROPPED 25% AT THE END OF THE YEAR. ON AVERAGE, THE VALUE OF THE BARREL WAS US\$11 HIGHER THAN THE PREVIOUS YEAR. THE INCREASED DEMAND FOR ENERGY SOURCES, ESPECIALLY PETROLEUM, WAS LINKED TO SOARING GROWTH RATES OF THE MAJOR WORLD ECONOMIC CENTERS, CAUSING POSITIVE EXTERNALITIES ON LATIN AMERICAN ECONOMIES.

The USA economy grew 3.3%, the European Union 3.4%; Japan 2.2%, completing seven years running of positive growth; and in China — the new booster of the world economy — 10.7%, achieving over 10% for three years running. These significant growth rates helped increase the international reserves of the developing countries and improve their current account balances.

The fair winds of the world economy were reflected in the Brazilian trade balance. The balance was US\$ 46 billion for the year, the result of exports of US\$ 137 billion and imports of US\$ 91 billion — an increase of 16% and 24%, respectively, compared to the same period the year before.

The positive atmosphere also helped reduce the Brazil-Risk, which closed the year 36% lower than in 2005. The favorable internal and external economic conjunctures culminated in an increase in the Gross Domestic Product (GDP), which was 2.9% in 2006, boosted by an increased domestic consumer demand for durable goods. Cattle-raising and industrial sectors had above-average rises



Ilha Redonda  
shipping  
terminal  
— Guanabara  
Bay, Rio de  
Janeiro State

**33.7 billion**  
 REAIS OF INVESTMENT  
 IN THE YEAR, 31% MORE THAN  
 THAT INVESTED IN 2005

of 3.2% and 3%, respectively. The highlight in the primary sectors was agribusiness, namely sugarcane, the feedstock for ethanol.

The year was also marked by a significant growth in the world economy that reflected positively on the economic variables of the developing countries, namely Brazil. Petrobras had some of its best ever records at the year end with regard to increased demand and world expansion and to the rise in commodity prices especially petroleum.

**MARKET VALUE UP 33%**

Rated by the Petroleum Intelligence Weekly (PIW) — a publication specializing in annual rankings in the oil and gas sector — as the world’s 14th largest corporation in the sector, Petrobras had a record net income of R\$ 25.9 billion and cash earnings (EBITDA) of R\$ 52.1 billion, which assured resources for investment of R\$ 33.7 billion, 31% more than invested in 2005.

The Company had a consolidated net operating income of R\$ 158,239 billion for the year, 16% more than the R\$ 136,605 billion the year before. But it was through its investments in Research and Development (R&D) that the Company conveyed its future outlook as an integrated energy Company, with prospects that will strengthen its presence worldwide. In this area, the Company almost doubled its invested resources, soaring from R\$ 935 million in 2005 to R\$ 1.58 billion in 2006.

At the end of 2006, the market value of Petrobras increased R\$ 230.4 billion, representing 33% up from the R\$ 173.6 billion in 2005. The equity valor was R\$ 97.6 billion, a 24% increase over the R\$ 78.8 billion for the same period the previous year.

The Company’s total oil and gas production increased 4% against 2005, reaching 2,297,000 barrels of oil equivalent a day (boed). Despite the drop in production in the international area due to contract amendments in Venezuela, the Company had a rise





The P-52 module under construction – Angra dos Reis, Rio de Janeiro State

## COMPERJ AND THE NORTHEAST REFINERY

The Rio de Janeiro Petrochemical Complex (Comperj) to be built in Itaboraí municipality, is a major economic and social project. Its purpose is to process national heavy crude and produce in Brazil the currently imported petrochemical inputs. With expected investments of US\$ 8.3 billion, the project will generate jobs and create a social infrastructure and conditions for the region to be able to sustain local development. It is estimated that during the works 212,000 direct and indirect jobs will be generated, plus 200,000 places when implementing the second-generation plants.

The construction of Comperj is also important because of the production of petrochemical inputs not only for power generation but also in everyday products for the Brazilian population.

The joint venture between the Venezuelan national oil company PDVSA and Petrobras together with the Abreu e Lima Refinery, also known as the northeast Refinery, will be built in Pernambuco with a processing capacity of 200,000 bpd heavy crude from both countries. With a budget of US\$ 2.8 billion, the refinery should generate approximately 230,000 direct, indirect and income-effect jobs while under construction and 1,500 jobs when operating.

The enterprise is expected to start operating in the second half of 2011, with the main objective to meet the growing demand for byproducts in Northeast Brazil. The Company seeks to increase diesel fuel and LPG (liquefied petroleum gas) production and thereby reduce these fuel imports.



Petrobras office  
in Nigeria

in its consolidated total. In the Exploration and Production area, the highlights were the start up of the P-50 — a milestone in the achievement of Brazil's self-sufficiency in petroleum —, and the P-34, both in the Campos Basin, and the Capixaba FPSOs (Floating Production Storage and Offloading) in the Espirito Santo Basin, as well as finding significant light oil reserves in Santos Basin.

In 2006 Petrobras also registered a 3% rise in its byproduct production, with 1.9 million barrels processed a day. The net petroleum and byproduct exports were 93,000 barrels a day (bpd), a 21% increase in relation to 2005.

In June, the Company started work on the Urucu-Manaus gas pipeline, which will extend for around 670 kilometers and will carry the natural gas from the oil bearing province of Urucu to the Amazon capital in North Brazil. The project is responsible for generating around 3,400 direct and 10,000 indirect jobs and should be completed in March 2008.

In June the extraordinary shareholders' meeting approved the operation where Petrobras incorporated the shares of Petrobras Química (Petroquisa), increasing the total number of Petrobras shares (ON and PN) from 4,386,151,700 to 4,387,038,370.

December saw the launching of Podium Diesel, with fewer particle and smoke emissions and a sulfur content of 200 parts per million. The fuel gives a better performance and allows faster overtaking for safer driving.

A new diesel fuel production process was also announced in 2006 called H-Bio, obtained from processing vegetable oil mixed with mineral oil in the Petrobras refineries, resulting in a more efficient and cleaner fuel, with less sulfur content.

## WORLDWIDE GROWTH

Increased international activities have been a decisive factor in the recognition of the high operating standard, technological advance

and management excellence of Petrobras. With investments of R\$ 7.161 billion in the international area in 2006, the Company has a large share of the operating chain of the Latin American oil, natural gas and power industry, while at the same time extends its participation in projects to North America, Africa and Asia.

In the 18 countries where Petrobras is present, it consolidates its position as an international integrated energy company. The activities cover oil and gas exploration and production in Argentina, Angola, Bolivia, Colombia, Ecuador, Equatorial Guinea, Iran, Libya, Mexico, Mozambique, Nigeria, Paraguay, Peru, Tanzania, Turkey, Uruguay, USA and Venezuela.

In 2006 the Company began operating in the US refining sector when it acquired 50% of the Pasadena Refinery belonging to Astra Oil company, subsidiary of the Belgian group Compagnie Nationale a Portefeuille S.A., with an investment of around US\$ 360 million. In international refining, the goal is to extend operations by investing in expansion and conversion of this refinery and prospecting others abroad. The aim is to offer the market a package of more value added and better quality products.

In Paraguay, the Company joined the byproduct distribution segment equipped with a network of 131 service stations and 45 convenience stores, after taking over Shell assets. Annual product sales are around 317,000m<sup>3</sup>. Some of the assets acquired are facilities for the sale of liquefied petroleum gas (LPG) and aviation products.

In Uruguay, Petrobras is now involved in byproduct distribution, taking over 89 services stations also from the purchase of Shell assets, with sales of 330,000 m<sup>3</sup> a year, trading asphalt, bunkering and aviation products. It also distributes natural gas in Montevideo and upcountry, with total trading of 120,000 m<sup>3</sup> a day. In Chile, Petrobras continues to prospect business opportunities and its annual Lubrax lube sales for 2006 were 848 m<sup>3</sup>.

Petrobras participates in a large part of the operations chain of the oil, natural gas and energy industry in Latin America — **and increases its share in the projects in North America, Africa and Asia.**

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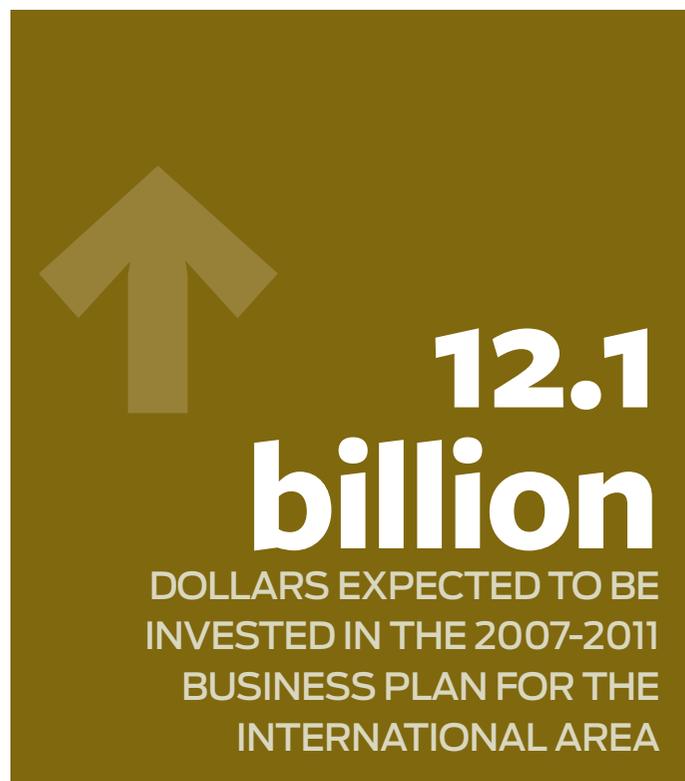
Also in 2006 Petrobras acquired exploratory blocks in Turkey and Mozambique. In Turkey, it became a partner with the Turkish national oil company TPAO for exploration and production in two blocks with potentially large reserves in the Black Sea. In Mozambique, it has interests in the offshore area of the Zambezi Delta block.

In October, the Company signed an agreement with Yacimientos Petrolíferos Fiscales Bolivianos (YPFB), under which it continues to be responsible for operations in the San Alberto and San Antonio fields, while YPFB plays a stronger role in the trade of the hydrocarbon products. Current assets still belong to Petrobras until the end of the contract (30 years), when they will then be transferred to YPFB.

### **INTERNATIONALIZATION GOALS**

International strategies include operating in new areas with major Exploration and Product (E&P) potential, internationalization and valorization of the Petrobras brand, and extending the downstream activity in profitable and growth potential markets. The Company estimates investments abroad to be US\$ 12.1 billion in the 2007-2011 Business Plan. Some of the internationalization goals worth mentioning, with focus on further production in the Gulf of Mexico and Nigeria, are the production of 383,000 bpd of oil and Liquefied natural gas (LNG) and 185,000 boed of natural gas. Also for 2011, it is expected to have 499,000 bpd of processed load in refineries abroad.

The 2015 forecast for international production is 742,000 bpd of oil and LNG and 278,000 boed of natural gas. The inclusion of natural gas reserves and LNG in the market are some of the many strategic actions planned to consolidate these achievements. ✨



# Petrobras

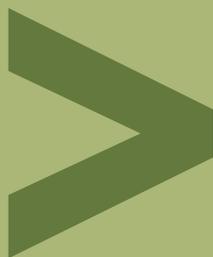
## MAIN INDICATORS

Net Income (R\$ million)	25,919
Investments in Research & Development (R&D) (R\$ million)	1,580
Dividends distributed to investors (R\$ million)	7,897
Tax contributions (R\$ million)	54,730
→ Subtotal – Brazil (R\$ million)	50,944
→ Economic contribution – abroad (R\$ million)	3,786
Wages & charges (R\$ million)	10,395
Total outsourcees	176,810

WORKERS	
Number of employees per country or region	
<b>Brazil – Petrobras Holding</b>	<b>47,955</b>
North	1,160
Northeast	11,978
Central west	87
South	1,673
Southeast	33,057
<b>Brazil – subsidiaries (total value)</b>	<b>7,454</b>
Countries in international area	
Angola	15
Paraguay	116
Uruguay	284
Argentina	5,128
Bolivia	841
Colombia	274
Nigeria	21
USA	164
Libya	14
<b>Total international area</b>	<b>6,857</b>
<b>Total employees</b>	<b>62,266</b>

ADDED VALUE STATEMENT		
For years ending December 2006 and 2005 (IN MILLION REAIS)		
	2006	2005
<b>Description</b>		
Sales of products and services and non-operational result *	206,285	179,391
Raw materials consumed	(10,018)	(4,004)
Products for resale	(45,862)	(36,104)
Materials, energy, services and other	(22,597)	(23,594)
<b>Generated added value</b>	<b>127,808</b>	<b>115,689</b>
Depreciation and amortization	(9,823)	(8,035)
Holding in associated companies and positive and negative goodwill	(233)	(250)
Financial revenue	2,388	239
Rent and royalties	555	598
<b>Total added value to be distributed</b>	<b>120,695</b>	<b>108,241</b>
<b>Distribution of added value</b>		
<b>Personnel</b>		
Wages, benefits and charges	10,395	9,643
	10,395	9,643
<b>Government agencies</b>		
Tax, levies and contributions	54,730	49,336
Government holdings	17,311	14,474
	72,041	63,810
<b>Financial institutions and suppliers</b>		
Interest, exchange and monetary variations	3,720	4,915
Rent and charter expenses	7,164	5,158
	10,884	10,073
Share of non-controlling shareholders	1,593	1,023
<b>Shareholders</b>		
Dividends / Interest on own capital	7,897	7,018
Withheld earnings	17,885	16,674
	25,782	23,692
	27,375	24,715
<b>Distributed added value</b>	<b>120,695</b>	<b>108,241</b>

\*Net of provision for credits of doubtful settlement. Some values relating to previous periods were reclassified to adapt to the statements for the current period, for easier comparison



247,580  
SHAREHOLDERS

63  
DRILLING RIGS (42 OFFSHORE)

15 billion  
OF BARRELS OF OIL EQUIVALENT  
— RESERVES (SPE CRITERION)<sup>(1)(2)</sup>

12,895  
PRODUCTION WELLS<sup>(1)</sup>

103  
PRODUCTION PLATFORMS

1,920,000  
BARRELS PER DAY OF OIL AND LNG<sup>(1)</sup>

378,000  
BARRELS PER DAY OF OIL AND NATURAL GAS

16  
REFINERIES

1,892,000  
BARRELS A DAY — REFINERY YIELD<sup>(2)</sup>

9,958 km  
OF PIPELINES IN BRAZIL

155  
SHIPS (51 BELONGING TO PETROBRAS)

5,870  
SERVICE STATIONS, 638 OWNED BY PETROBRAS

3  
FERTILIZER PLANTS<sup>(1)</sup>

(1) Includes information from abroad, corresponding to the Petrobras share in the partnerships  
(2) Proven reserves measured according to the SPE criterion (Society of Petroleum Engineers)

#### RESERVES AND PRODUCTION

Reserve/Production ratio in Brazil SPE criterion (Society of Petroleum Engineers)	19.5 years
Reserve Replacement Index in Brazil	174%
Oil and natural gas Reserve Life Index (RLI)	14.5
Average finding and development costs (F&D) in US\$/boe	3.44
Percentage of proven natural gas reserves (developed and non-developed) in relation to total proven reserves in 2006	6.04% and 9.09%, respectively
Percentage of natural gas production in relation to total oil and gas production	16.44
Natural gas production volume	377,700 b poe a day
Percentage of income with regard to LNG in relation to total revenue*	0
Average natural gas trade (m <sup>3</sup> /day)	R\$ 38.7 million
Percentage of increase in average natural gas trade against previous year	7
Tax incentive received by government**	R\$ 8,317,783.43

\* GasLocal, joint venture between Petrobras (via Gaspetro) and White Martins to sell LNG, started up in August 2006 and income calculated at December 2006 was R\$3,053,823.30.

\*\* Sum referring to Freight Added for Renewal of Merchant Navy Fleet.

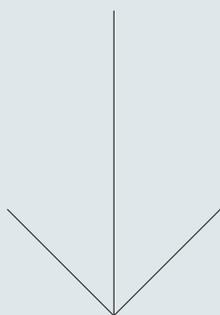


**ANGELO ANTONIO DE CARVALHO RODRIGUES**  
Percussion instructor and Afrolata drummer – Rio de Janeiro State

**OUTLOOK:** To keep drumming

“Since I joined the project I’ve had an opportunity to visit various different places. My life is much better both from personal and professional view: today I’m a better drummer and the cachet always helps”.

# Social and Environmental Report



In 2006 Petrobras consolidated various results of its strategies focusing on environmental and social responsibility, principally of those adopted since 2003 when it signed the United Nations Global Compact. One example was the participation of the Company CEO at the board of the Global Compact as the only representative of a Latin American corporation. Since its Social and Environmental Report 2003, the Company communicates its progress as a member of the Global Compact in an editorially structured report based on the latter's principles, including the guarantee of human rights, respect for labor standards, environmental protection and anti-corruption. In 2006, the Social and Environmental Report 2005 was evaluated by Global Compact directors as a notable report and example to be followed by other companies. The year 2006 was also decisive for the Management Committee for Social and Environmental Responsibility, engaged in more in-depth discussions, formulating new proposals and assessing the routes taken by the Petrobras System. Emphasis was given to the progress during the year in addressing issues such as diversity, employee and supplier engagement in environmental and social responsibility, discussion about environmental and social indicators for the Company's strategic planning, and the reinforcement of the role of the Social and Environmental Report as a management tool.

# Social and Environmental Report

## COMMITMENTS AND STRATEGIES

### The challenges of SER management

IN 2006 PETROBRAS MAINTAINED ITS COMMITMENTS TOWARD SOCIAL AND ENVIRONMENTAL RESPONSIBILITY AND THE STRATEGIES TOWARDS THAT DIRECTION.

The main driving force in the discussion and decision on corporate actions of social and environmental responsibility in Petrobras is the Management Committee for Social and Environmental Responsibility, created in 2004 and consisting of 12 senior managers from different areas in the Company, plus the Ombudsman's office, a consultant to the CEO and directors of subsidiaries (Petrobras Distributor, Petroquisa and Transpetro).

One of the actions taken by the Management Committee in 2006 was to widen the working scope of the Gender Commission in November, now called Diversity Commission. This change increases the committee's role, in line with Company commitments to recognize the principles of non-discrimination and promote equality, regardless of race, creed, social, cultural, linguistic, political, aesthetic, age, physical, mental and psychic conditions, gender, sexual orientation, and so on.

In addition to the Diversity Commission and working group for indicators and certification, the Management Committee is also responsible for the Commission for social and environmental responsibility reports. One of the topics addressed this commission periodical meetings was the preparation of the vulnerability map to provide support for the improvement plan on social and environmental responsibility management.

Also worth mentioning is the role of the working group for indicators and certification in defining the requirements of excellence in SER, by analyzing the main national and international



Children from the Upanema community, Rio Grande do Norte State – Watering the Earth project

## MILLENNIUM DEVELOPMENT GOALS

- 1 Eradicate extreme poverty and hunger;
- 2 Achieve universal primary education;
- 3 Promote gender equality and empower women;
- 4 Reduce child mortality;
- 5 Improve maternal health;
- 6 Combat HIV/AIDS, malaria and other diseases;
- 7 Ensure environmental sustainability;
- 8 Develop a global partnership for development



SER indicators, comparing them to those used by other oil and gas majors. The outcome of the work will define in 2007 not only the essential requirements for excellence in the SER of Petrobras, but also the Company's self-declaration procedure as a socially responsible corporation.

The necessary improvements in its administration are made by Petrobras using the management quality improvement and assessment process, adopting the concepts and regulations in the Petrobras Guide to Management for Excellence, consisting of the criteria of excellence of the National Quality Prize and corporate requirements expressed in the 2015 Petrobras Strategic Plan. This policy involves not only economic performance but also behavior toward the environment and society. A decision, for example, is only adopted after careful assessment of the risks involved and compliance with internationally agreed standards, codes of conduct and the principles regulating its activities.

In its constant striving to create and disseminate a socially and environmentally responsible culture, Petrobras began the project of management training in corporate social responsibility. The purpose of the project is to imbue in its managers values and practices of social and environmental responsibility in line with corporate management. The project, under an agreement with Uniethos, seeks to present the fundamental principles of SER, its impacts on the energy sector and its implications in the Company's performance in relation to risks and opportunities. The training included the board of directors, the executive board and the Management Committee for social and environmental responsibility. Training will be given to the other senior officers and general managers of the Petrobras Units in 2007. Uniethos is an institution linked to the Ethos Institute, which focuses on education for social responsibility and sustainable development.

Another agreement for leadership training was signed by

74

was Petrobras score at DJSI. The average score for the oil and gas sector was 50.

the Company with the European Foundation for Management Development (EFMD), an organization based in Brussels, with over 600 member organizations throughout the world. Since 2004, Petrobras has been participating in a working group supported by the UN Global Compact and EFMD to perform a set of studies and discussions on globally responsible leadership.

The Company was chosen to develop a new methodology based on the conclusions and recommendations prepared by the group through its corporate Petrobras University. During 2006 a series of interviews was applied to senior officers of the Company to help build a diagnosis on the subject. After interviewing its leaders in Brazil and abroad, the methods prepared by Petrobras will be available to companies and business schools linked to the Global Compact or EFMD.

## SUPPORT FOR PRINCIPLES AND INITIATIVES

In 2003 Petrobras signed the UN Global Compact, an initiative involving various institutions to foster corporate social and environmental responsibility. It is based on respect for human rights, labor standards, environment, transparency and anti-corruption. The Company's participation in the Global Compact is founded on its commitment to include these principles in its working strategy in the countries where it operates.

In April 2006, Petrobras CEO José Sergio Gabrielli was invited to join the Global Compact Board, consisting of 25 members including representatives from companies, business and worker associations, and other civil society organizations. Petrobras is the first Latin American Company to be a member of the group. In Brazil, the Company has been a member of the Brazilian Global Compact Committee since 2003 and now in 2006 occupies its business vice-presidency.

In the second half of the year, Petrobras began an articulation process to join the World Business Council for Sustainable Development (WBCSD), an alliance of approximately 180 international companies with focus on sustainability, whose purpose is to take actions for effective change worldwide, through corporate leadership, policies that further good practices and programs, and worldwide projects.

As industry expert at the Brazilian delegation for the discussion of ISO 26000 — future international guideline for social responsibility — Petrobras actively participated in meetings, study groups and national plenary sessions held by the Brazilian mirror committee during the year, and also attended the 3rd International ISO WGSR Meeting in Lisbon in May. In Brazil, the partnership with the Brazilian Technical Standards Association (ABNT) promoted a round of seminars in five Brazilian cities — Brasilia, Rio de Janeiro, São Paulo, Recife and Porto Alegre — to disseminate the Brazilian role in creating the ISO 26000.

Petrobras occupies one of the two directorates in the Brazilian Corporate Council for Sustainable Development (CEBDS), besides the vice-presidency of the institution's corporate responsibility committee. The Company also holds the vice-presidency of the social responsibility committee of the Brazilian Petroleum Institute (IBP). It is a partner with Ethos Institute and the Inter-American Development Bank (IDB) to disseminate social and environmental responsibility in small and midsize companies in the value chain of strategic companies. And is also a member of the corporate council for social responsibility of the Firjan System — Rio de Janeiro State Federation of Industries.

Petrobras is a member of Arpel — Regional Association of Oil and Natural Gas Companies in Latin America and the Caribbean —, occupying the chair of the corporate social responsibility committee and has a seat in the working group on rela-

Athlete in Manguera Olympic Village – Rio de Janeiro State



## INTERNATIONAL RECOGNITION

Another landmark of the year was the Company's admission to the Dow Jones Sustainability Index (DJSI) in September, which rated it as one of the 13 oil and gas majors in the world with major focus on sustainability. Its admission to DJSI increases its access to a potential market of investors in socially and environmentally responsible companies, assessed by the UN at more than four trillion dollars. Petrobras had 74 out of maximum 100 points set by the DJSI. The average score in the oil and gas sector was 50 points. Petrobras was considered a benchmark in the following requisites: customer relations, brand management, environmental performance, human resources development and corporate citizenship. And the topics that most increased their scores in 2006 were brand management, transparency, social impact on communities, occupational health and safety and spills.

In December, Petrobras joined the group of companies whose shares comprise the Corporate Sustainability Index (ISE) of the São Paulo stock exchange (Bovespa). The index focuses on the degree of commitment to sustainability and social and environmental responsibility. Petrobras common and preference shares total 25% of ISE participation.

### DJSI SCORING





**Farmers in the Family Agriculture along Pipelines project – Baixada Fluminense region, Rio de Janeiro State**

tions with indigenous peoples. Another worthwhile action of the Company to guarantee the rights of children and adolescents is its partnership with the United Nations Children’s Fund (Unicef) to cooperate in low-income communities in Latin America and the Caribbean. The work involves technical planning, research, communication and fundraising. The Company signed an agreement with the Latin America Andi network to improve press coverage on issues relating to the guarantee of rights of the child and adolescent in 14 Latin American countries.

In 2005 Petrobras signed the Partnering against Corruption Initiative (Paci), a joint venture against corruption. In 2006, it hosted a meeting of the organization in Rio de Janeiro and was invited to sit on its communication committee and attend the

meeting in Dallas (Texas, USA) in October. Paci’s mission is to develop principles and practices involving various sectors of the industry and which result in a competitive environment based on integrity, equality and ethical conduct.

In December, Petrobras formalized its support to the Extractive Industry Transparency Initiative (Eiti). The Company had already been participating in the meetings of the Eiti international advisory group since 2005, and attended the meetings in Nigeria in February and in Norway in October. One of the project requirements is to show the past series of government payments by Petrobras on its site on the Investors’ Relations page, in taxation terms.

Petrobras moreover agreed to make efforts of consciousness toward climate change and identifying and adopting policies and

## PRINCÍPIOS DO PACTO GLOBAL

**PRINCIPLE 1** Businesses should support and respect the protection of internationally proclaimed human rights;

**PRINCIPLE 2** Businesses should make sure that they are not complicit in human rights abuses;

**PRINCIPLE 3** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

**PRINCIPLE 4** Businesses should uphold the elimination of all forms of forced and compulsory labor;

**PRINCIPLE 5** Businesses should uphold the effective abolition of child labor;

**PRINCIPLE 6** Businesses should uphold the elimination of discrimination in respect of employment and occupation;

**PRINCIPLE 7** Businesses should support a precautionary approach to environmental challenges;

**PRINCIPLE 8** Businesses should undertake initiatives to promote greater environmental responsibility;

**PRINCIPLE 9** Businesses should encourage the development and diffusion of environmentally friendly technologies;

**PRINCIPLE 10** Businesses should work against all forms of corruption, including extortion and bribery.

measures to diminish greenhouse gas emissions when it was part of the Statement of G8 Climate Change Roundtable.

In late 2006, the Company became a member of the International Petroleum Industry Environmental Conservation Association (Ipieca) — a worldwide group of oil majors and business associations — to further consensus and good practices for health, safety and environment (HSE). Ipieca discusses topics such as climate change, biodiversity, its response to oil spills, health and social responsibility.

Petrobras supports the Millennium Development Goals and its operations are designed to comply with the guidelines of the International Labor Organization (ILO). Petrobras and Petrobras Distribuidora signed the National Pact to Eradicate Slave Labor in Brazil, a project by the Ethos Institute in conjunction with ILO, which resulted in a clause in its contracts banning the use of labor force in degrading working conditions. The guidelines of the Organization for Economic Cooperation and Development (OECD) are being studied by the Company with a view to compliance. Although Brazil is not a member country of the organization, Petrobras seeks to adapt to its decisions and recommendations. ✨

## PETROBRAS ASSESSED IN INTERNATIONAL REPORTS

In addition to being included in the Dow Jones Sustainability Index and the corporate sustainability index of São Paulo stock exchange (Bovespa), the social and environmental role of Petrobras is assessed by other international reports.

Management & Excellence (M&E), a Spanish consulting firm specializing in corporate ethics ratings, pointed Petrobras as the world's second most sustainable oil and gas corporation in 2006. The survey considers Petrobras to be the company that most developed in the past three years, climbing to seventh place in 2005, improving its ratings to 89.64, less than half a point behind the top ranking.

The M&E study uses more than 386 indicators to assess the corporate performance in ethical management, corporate social responsibility, sustainability, corporate governance and transparency.

In the report, Petrobras is considered outstanding in sustainability, top ranking in this requisite, due to the high replacement rate of reserves and its state-of-the-art technology in deepwater extraction. In terms of transparency, M&E highlighted as an example the on-line procurement system, in which suppliers are obliged to fulfill a series of requirements of social and environmental responsibility and governance in order to participate in bids.

In its report on sustainable investments in the energy sector in 2005 Goldman Sachs announced in 2006 that Petrobras ranked among the six energy Companies recommended for sustainable investment.

In the assessment, the Company came first in governance and third in future investment, also having high ratings in the social and environmental index. Petrobras is leader in all categories among the regional companies in emerging markets.

# Social and Environmental Report

## METHODOLOGY

### Building its own model

THE PETROBRAS SOCIAL AND ENVIRONMENTAL REPORT IS THE MAIN INSTRUMENT TO RENDER ACCOUNTS TO SOCIETY OF THE COMPANY'S SOCIAL AND ENVIRONMENTAL PERFORMANCE IN THE COUNTRIES WHERE IT OPERATES. IT IS PUBLISHED EACH YEAR AND AIMS TO DISCLOSE THE COMPANY'S ACTIONS AND PRACTICES DURING THE YEAR PRIOR TO ITS PUBLICATION. THE REPORT IS DRAFTED BY THE COMMISSION FOR SOCIAL AND ENVIRONMENTAL RESPONSIBILITY REPORTS AND IS COORDINATED BY THE INSTITUTIONAL COMMUNICATION EXECUTIVE MANAGEMENT.

The 2005 Social and Environmental Report was emphasized by the UN Global Compact as a notable report and an example to be followed by other companies, since it used as a reference the ten principles of the international initiative. This recognition contributed to reaffirming the Company's decision to prepare the Report based on consolidated data of the activities throughout the Petrobras System — holding, subsidiaries and Business Units — in the countries where it operates.

This Report model imposes the challenge to include data from the entire operating chain of Petrobras, a corporation with widespread influence and role in various segments of the oil, gas and energy sector. The task of the Commission for SER Reports is to meet the challenge of collecting and centralizing the information from these various sources.

The report's scope is defined by five different groups of social and environmental responsibility indicators, as follows:



## SER 2005: THE BEST OF THE COMPANIES IN IBOVESPA

With a 97.73% score the 2005 Petrobras Social and Environmental Report was indicated by Management & Excellence as the best report of the 45 companies in Ibovespa, according to the survey “Best Sustainability and Social Responsibility Reports in 2006 in Brazil”. The survey showed that the SER 2005 was a benchmark in the transparency item, with a score of 100%.

Global Reporting Initiative (GRI); Dow Jones Sustainability Index (DJSI); Brazilian Institute of Social and Economic Analyses (Ibase); Ethos Institute of Businesses and Social Responsibility; and sector indicators of corporate responsibility in the oil and gas sector — Ethos Institute and Brazilian Oil and Gas Institute (Ethos-IBP). Until 2005 it also used the indicators of CEBDS, which changed to the GRI indicators as reference in 2006.

In the 2006 Social and Environmental Report, the third generation of GRI indicators has been adopted, also known as G3, launched in October 2006, at the Amsterdam Global Conference on Sustainability and Transparency, of which Petrobras was master sponsor.

The diversity of indicators contributes to a more comprehensive Report, incorporating topics on economic, environmental and social aspects, including quantitative and qualitative data, in addition to challenges, goals, results and impacts considered unfavorable.

This matrix of indicators provides information on the main demands for information about social and environmental responsibility, and the key points on the topic for a more efficient corporate management. Since 2005, the Report has been drafted using the integrated system of social responsibility indicators, designed to unify the data collection process throughout the Petrobras chain of activities. The System is guided by the matrix of indicators and for the 2006 Report involved a network of 259 collaborators from 24 areas in the Company. The result of the inquiry is consolidated for all the areas that responded and is included in a permanent database of Petrobras social and environmental responsibility activities.

The Petrobras Social and Environmental Report is a key improvement tool for corporate management, through the analyses of the vulnerability map, a critical study of the Company's position evidenced in the answers to the SER indicators. The vul-

nerability map is used by the Management Committee for social and environmental responsibility to identify gaps and opportunities for developing and defining actions.

The Petrobras Social and Environmental Report undergoes an external analysis by means of a survey with the stakeholders, including representatives of the federal government, press, NGOs, clients and suppliers, as well as undergoing an audit/review by an independent firm, as specified in the Indicators Matrix. Petrobras was one of the first companies in Brazil to hire an external company to check and review the information in its progress reports, even in advance of the Federal Accounting Council requirements. The report, based on the Ibase model, has also become part of the set of accounting data sent to the Securities and Exchange Commission (CVM).

Four simplified versions of the Social and Environmental Report are launched specific for different segments of public: work force, press, investors and the general public. The Report is published in three languages: Portuguese, Spanish and English.

Since 2004 Petrobras has been sponsoring and is a member of the jury of the Social Report Prize in Brazil, the purpose of which is to further discussion on the preparation of SER reports in the areas of communication, financial market, businesses and civil society. It also sponsors the Social Report Forum together with the institutions that award the prize: Brazilian Corporate Communication Association (Aberje), Association of Capital Market Investment Analysts and Professionals (Apimec), Institute Foundation for Corporate and Social Development (Fides), Ibase and Ethos Institute of Businesses and Social Responsibility. ✨



**RINGO CASTRO DA SILVA**  
Student in Industrial Maintenance  
Electrician's course,  
Young Apprentice project

**OUTLOOK:** To have better job  
opportunities after  
completing the course.

“Petrobras is concerned with our future, giving many young people the opportunity that they need to grow. I’ve already changed a lot since I started the course. It’s very good to learn new things. I’m even helping my mother more.”

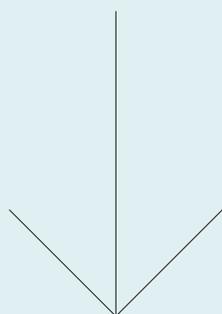
# Human Rights

## PRINCIPLE 1 **32**

Businesses should support and respect the protection of internationally proclaimed human rights

## PRINCIPLE 2 **53**

Business should make sure they are not complicit in human rights abuses



Wherever Petrobras operates, in Brazil or abroad, it reinforces the mechanisms contributing to economic, environmental and social development, giving priority to community participation in the process. The Company operates on the basis of respect for local cultures and identities, and fosters involvement of community leaders. In 2006, Petrobras invested a total R\$ 546.4 million in sport, cultural and social projects. This is 15% up from 2005 and reflects the Company's ever growing commitment to contribute toward growth and progress in society. Since the creation of the Petrobras Zero Hunger Program (PPFZ) in 2003 it has been combining corporate efforts against poverty and hunger, keeping its focus in 2006 on the lines of education and professional training, job and income generation and guaranteeing the rights of the child and adolescent. In its four years, the PPFZ has attended more than ten million people directly and indirectly throughout Brazil, taking actions that have been helping transform the social reality of a large part of the population, focusing on development with citizenship. During this period more than 18,000 governmental and non-governmental partnerships have been set up to undertake more than 2,000 projects.

# Human Rights COMMUNITIES

**PRINCIPLE 1** Businesses should support and respect the protection of internationally proclaimed human rights

## LOCAL PARTNERSHIPS TO REDUCE RISKS

THE MORE THE PETROBRAS COMMUNITY-RELATIONS PROGRAMS MULTIPLY THE MORE THE COMPANY HAS TO FACE UP TO NEW CHALLENGES. PERMANENT INFORMATION AND COMMUNICATION SYSTEMS AND THE PARTICIPATION OF LOCAL LEADERS LOOK TO REDUCE RISKS, PREVENT NEGATIVE SOCIAL IMPACTS AND PRODUCE POSITIVE RESULTS.

Different communication tools are used in the process of community relations. Dialogue is ongoing and assessed in quantitative and qualitative terms. Petrobras has corporate regulation for actions relating to health, safety and environment (HSE) with the neighboring communities. Compliance with this regulation defines a methodology for receiving, addressing and answering complaints and claims, guaranteeing the effective participation of the community at the different stages of the project, ranging from planning and implantation to closure. Committees participate in the process to bring together community and public authorities.

Petrobras undertakes preliminary environmental and social impact studies, and every investment project undergoes financial, risk, strategic feasibility, quality, health, safety and environmental analyses. Wherever the Company operates, it respects the legal mechanisms, namely compensation for land occupation, compensation measures for future social and environmental impacts on communities, and completion of operations, with the approval of local authorities.

The processes and tools developed and implemented to record the impacts of Petrobras activities in communities resulted



→ Petrobras, with its focus on social inclusion and citizenship, continues to provide capacity building and professional training of the local manpower in the communities where it operates, and contributes to opening up new opportunities on the market.



Petrobras Mosaic project: actions for sustainable development of the artisan fishing communities in Campos Basin – Arraial do Cabo, Rio de Janeiro State

in an in-depth knowledge of local scenarios. The dialogue with communities and the existence of a formal policy to anticipate their claims make it possible to inform local leaders about measures to be taken and about plans and impacts. This helps involve the communities in settling these questions. A number of other actions involve affirming dignity, restoring citizenship, improving the quality of life, and promoting economic and social inclusion.

In the Company's constantly monitored Business Units, simulated exercises for addressing emergency situations, with community participation, contribute to furthering awareness of possible risks. Petrobras encourages interaction among the surrounding population when it demonstrates the social, economic and environmental impacts of the projects and the measures taken, settling doubts and receiving criticism and suggestions from the social groups involved. The participants of talks, meetings and other presentations are asked to complete a form to help examine the activities. During and at the end of the construction of its projects, Petrobras presents a satisfaction poll questionnaire, which intends to evaluate the possible effects on the local population.

In its oil, byproduct and natural gas transportation operations, actions are taken to assess risks and reduce to the minimum impacts on the life of the communities around the terminals and vast pipeline network. These actions involve communication channels and environmental protection and safety procedures. The risk communication program, for example, enables major interaction with the communities. Risk analysis studies are used in the organized meetings, visits and investigation of local impacts.

## LOCAL DEVELOPMENT

The Petrobras Business Plan for the period 2007-2011 shows that investments of US\$ 49.9 billion for projects in Brazil, namely, 66% of the total value in the country, will attend the Brazilian

supplier market. The outcome should generate an annual average of approximately 840,000 jobs, 225,000 of which are direct. More than 970,000 jobs — direct, indirect and income-effect — are expected in 2007.

Petrobras, with its focus on social inclusion and citizenship, continues to provide capacity building and professional training of the local manpower in the communities where it operates, as well as contributing to opening up new opportunities on the market. To continue to do so, the Company runs programs in partnership with private businesses, governments, research and learning institutions, involving the communities in question.

When the Coari-Manaus gas pipeline was laid in the Brazilian Amazon, 70% of the workers on the project lived in that region. In some countries, local legal regulations are adopted, which indicates a minimum percentage for hiring local labor, such as Angola, for example, where 70% of the workforce must be Angolans.

Local hiring procedures in the international units include selection processes that consider various stages, such as receiving résumés, examining the qualifications, group dynamics, psycho-technical test, personal interview and, when necessary, language tests.

The proportion of senior officers recruited from the local community varies from business unit to business unit. In Venezuela, 90% are Venezuelan nationals. In Uruguay 69% are nationals and in Paraguay 65%.

Respect for interests and cultures of local communities, expressed in the Company's code of ethics, is transferred to cultural and social programs, with the community's own characteristics, always in partnership with local leaders. Projects to strengthen community identity and sustainability programs are undertaken in the business units.

In the Petrobras unit in Nigeria, for example, some of the actions taken are the construction of the water tank for the

## OIL AND GAS MARKET DEMAND CHANGES SCENE

Petrobras, in conjunction with the Brazilian government, coordinates the Program for Mobilizing the National Oil and Gas Industry (Prominp), in order to develop manpower and train national suppliers to provide for the market. There are also agreements with local public authorities and institutions of the S System (consisting of Brazilian organizations created by productive sectors, including industry, commerce, agriculture, transportation and cooperatives, for professional advancement and development of their workers). Technical training courses to meet the demands of each project or operation offer the local population conditions to become apt to compete for vacancies in the project.

The prime focus of investments in infrastructure as well as the services offered is the development of society. According to Prominp data, the nationalization rate of projects in progress in the third quarter of 2006 was 75.38%, well above the goal of 59.46% for the same period.

The indicator reflects the commitment of Petrobras to develop and use national industry. The investments cover the entire oil and gas industry, assuring direct social gains in job and income generation, progress in eligibility and development of Brazilian companies, and opening up new opportunities. Based on this investment plan, after identifying the need for 70,000 workers in different skills, Prominp promotes the training for the industry through the National Personnel Training Program (PNQP).



Ivaporunduva Quilombo sustainable development project – Ribeira valley, São Paulo State

Gbagada General Hospital in Lagos, and donation of school material to secondary schools and the Presidential Library, in support of a project of the Nigerian federal government. Diseases such as polio and malaria were direct targets for some of these investments, and their rates have now dropped considerably.

### PREFERENCE FOR LOCAL SUPPLIERS

The business policy adopted by Petrobras defends the use of goods and service locally based. Around 80% of the contracts are signed with Brazilian companies. The general hiring principle is to first hold a bidding process to select the best bid for the Company. The selected companies, in general, are those registered in a corporate suppliers list, in compliance with legal and standard requirements.

Actions for competitive and sustainable inclusion of the small and very small businesses in the oil, gas and energy production chain are priorities in the business units. The Company maintains a close relationship with the businesses in the vicinity of its plants in different parts of the country. Instructions are that, in the case of minor services, preference should be given to local suppliers. In the case of bio-diesel plants with a Social Fuel Seal, the initial goal of 50% is set for spending on local suppliers from family agriculture in relation to total procurement value of raw material used by the plant. There are also discussions that the other 50% procurement is allocated to local companies, whenever possible.

### SUPPORT FOR REGIONAL ENTERPRISE

Petrobras is guided by its management committee for social and environmental responsibility when discussing social and environmental issues. In line with such guidance the Company develops and supports enterprises in different regions, contributing toward local development as well as disseminating the adoption of its

policies relating to respect for human rights.

To reinforce its role in social and environmental responsibility, Petrobras encourages networking in partnerships with other companies, associations or public authorities in developing these projects. The Company works with local governments and children’s rights councils in support of various projects caring for children and adolescents in Brazil, by contributions each year to the Fund for Childhood and Adolescence (FIA). The strategic platform of Petrobras in social action in Latin America is to guarantee the rights of children and adolescents. The actions taken are aligned with the Company’s commitment to the United Nations Children’s Fund (Unicef) and have the support of the Latin American Andi network.

In Ecuador, 25% of the income tax is allocated to social and environmental projects granted to local governments and state councils to perform public works or to universities for incentive education or scientific development programs.

In Colombia, Petrobras was invited to head committees of oil companies because of its social management in the country. The Presidential High Commission for the hydrocarbon sector participates in these groups to discuss the need and effectiveness of government actions and policies in the development of the national oil industry. ✨

# PETROBRAS ZERO HUNGER PROGRAM

## A successful case of social investment

THE PETROBRAS ZERO HUNGER PROGRAM (PPFZ) WAS LAUNCHED IN SEPTEMBER 2003, IN LINE WITH PUBLIC POLICIES TO FIGHT AGAINST POVERTY AND HUNGER IN BRAZIL, AND IS ONE OF THE BEST SUCCESSFUL CASES IN SOCIAL INVESTMENT IN THE COUNTRY. WITH INITIAL INVESTMENT GOALS OF AT LEAST R\$ 303 MILLION UNTIL THE END OF 2006, THE PROGRAM REACHED THE MARK OF AROUND R\$ 386 MILLION IN SUPPORT OF A TOTAL 2,058 PROJECTS ALL OVER BRAZIL. IN 2006 MORE THAN R\$ 176 MILLION WAS INVESTED IN 742 PROJECTS.

In order to change the reality of the communities involved and with the key concept of “development with citizenship”, PPFZ encourages playing a leading social role and joint responsibility in this process. This contributes to organizing society and establishes a relationship of solidarity and mutual respect, which enables better living conditions. Since its creation, the Program has attended approximately 10.7 million people — 2.4 million directly and 8.3 million indirectly.

The PPFZ lines of action are youth and adult education and professional training, job and income generation, guaranteeing the rights of the child and adolescent, social undertakings and corporate volunteer. These lines are imbued with respect for diversity.

In order to take strategic actions based on multi-institutional aspects, the sponsored projects are developed in different social fields and seek to enroll partnership with governmental, non-governmental and community organizations in the third sector. Between 2003 and 2006 more than 18,000 partnerships were established.



Artisan from the Regional Cooperative of Fiber Crafts of the Sertão (Cooperafis) – sisal area of Valente and Araci, Bahia State



**10.7**  
MILLION PEOPLE WERE ASSISTED BY THE PETROBRAS ZERO HUNGER PROGRAM SINCE ITS CREATION



PETROBRAS ZERO HUNGER PROGRAM INVESTMENTS IN 2006		
Area	No. of Projects	Invested (R\$)
Youth and adult education and professional training	123	63,616,464.14
Income and job generation	115	24,621,419.26
Guarantee of rights of the child and adolescent	26	7,800,183.83
Transfer to the Fund for Childhood and Adolescence	351	48,634,200.23
Social undertakings (business units)	101	31,471,985.91
Corporate volunteer	26	21,000.00
<b>Total</b>	<b>742</b>	<b>176,165,253.37</b>

**RESOURCES AND ATTRIBUTES**

Petrobras performs quantitative and qualitative surveys of its social investments. The periodic assessment of the social actions is done by the project managers who interact with the responsible organizations and the public attended by the projects. In 2006 Petrobras, in conjunction with the consulting services of Fonte Institute, began a process to upgrade the measurement, administration and monitoring of the results. These improvements, planned to start in 2007, include the creation of new indicators that are a better guide to the Company's social investment strategy. Periodic assessment of the social actions is done by the project managers, who interact with the organizations in charge and the public involved in the projects.

Petrobras started **19 projects for reapplying social technologies**, on its own or in partnership with other RTS participants, with a total investment of around R\$ 7.4 million

## SOCIAL TECHNOLOGIES

Social technologies are defined as the potential of some products, techniques and methodologies to be reapplied in interaction with communities to achieve social transformation.

They are the basis of the work of the Social Technology Network (RTS), which brings together 444 businesses and governmental and non-governmental organizations, with the prime goal to disseminate them throughout Brazil. Petrobras took part in setting up the network in 2005, and today is a member of the RTS coordinating committee as one of its maintainer institutions.

The need to disseminate the concept of social technology and include the topic in the agenda of the national press caused Petrobras in 2006 to form an alliance with the News Agency for Children's Rights and Bank of Brazil Foundation to sponsor workshops in eight capitals. The result was published in the book "Desafios da Sustentabilidade: Tecnologia Social no foco dos jornais brasileiros" [Challenges of sustainability: Social technology in the focus of the Brazilian press]

Social technologies focusing on job and income generation were identified in 2006 as the central theme to resume actions. The emphasis was on priority territories such as the semi-arid and dryland region of the São Francisco valley; Legal Amazon; and the fringes of large urban centers with a population of over 200,000. Petrobras started up 19 projects during the year re-applying social technologies, on its own or in partnership with other RTS participants, involving a total investment of R\$ 7,403,282.28 million.

One of these projects is Pro-Recife, to incubate a cooperative of garbage in Pernambuco, for the social and economic inclusion of collectors of recyclable materials. The project was idealized by Aliança Intergate, in partnership with the national movement of garbage pickers in the Pernambuco section, Pangea and Aspan It is hoped, by setting up the cooperative infrastructure, to increase

the quantity of collected material, omitting the existing structures of middlemen, so that each collector can earn an average income of two minimum wages, and 100 jobs can be generated in a year.

The Certificação Sócio-participativa de Produtos Agroextrativistas project [Socio-participative certification of agro-extractivist products], in partnership with the Amazon working group (GTA), promotes economic valorization of the family agro-extractivist production in the Amazon. The idea is to valorize family production based on production chains from agro-extractivism in the Legal Amazon, disseminating good management practices that can guarantee the certificate of environmentally sustainable and socially fair origin.

## PUBLIC SELECTION OF PROJECTS

Direct community participation in the Petrobras Zero Hunger Program reinforces the actions to improve the quality of life of the population and promote citizenship and autonomy. The annual public selection processes are important for defining new projects to be sponsored.

The program's third selection process held in 2006 received sponsorship applications from governmental and community organizations, NGOs, institutions and universities. Seventy-six social projects were selected from all over Brazil. The public selection adopted the PPFZ lines of action.

Between May and July, 4,517 applications were received from all Brazilian states. They were then assessed, involving criteria such as project sustainability, feasibility and social impact. Company representatives and professionals with renowned expertise in the third sector and the academic field participated in the assessment process.

This year R\$ 20 million was allocated to the selected projects, with a sponsorship of up to R\$ 660,000 a year for each proj-



Amazon honey project  
 – Boavista do Ramo,  
 Amazonas State

ect, renewable for up to two years. The projects with good assessment but were unable to receive the sponsorship because of the limited resources, are now included in the project portfolio of the Petrobras social responsibility network. The portfolio, defined by the deliberative council of the PPFZ public selection, seeks to encourage actions with corporate partners, customers and suppliers. In 2006, it included 68 projects.

**PETROBRAS ZERO HUNGER PROGRAM**

	2004	2005	2006
Number of applications	5,884	3,232	4,517
Projects selected	73	74	76

**PROJECTS ACCEPTED BY THE 2006 PPFZ PUBLIC SELECTION ACCORDING TO PUBLIC INVOLVED**

Afro-descendants	2	2.6%
Recyclable material collectors	5	6.6%
Fishing communities	1	1.3%
Cooperative members	5	6.6%
Children and adolescents	9	11.8%
Households	2	2.6%
Youth	8	10.5%
Women	7	9.2%
Disable	4	5.3%
HIV/AIDS	1	1.3%
Settlement population	6	7.9%
Indigenous population	3	3.9%
Rural population/ family agriculture	22	28.9%
Workers in a situation analogous to slavery	1	1.3%
<b>Total</b>	76	100%

## LINES OF ACTION

### 1. EDUCATION AND PROFESSIONAL SKILLS

The purpose of the Empreiteira Escola Lua Nova project [Lua Nova entrepreneurial school] project in upstate São Paulo is to meet the demands of low-income households so that young mothers in the region can continue to learn about civil construction and to build their own homes. The purpose of the project developed by the Lua Nova Reeducation and Training Association is to start up and manage a factory to produce 1.6 million ecological bricks, and for self-help groups to build homes for those attended in the project.

In Rio de Janeiro, Terreirão Cultural [Cultural Yard] mobilizes the low-income community living along and near the Tachas Canal (Terreirão) for social inclusion of 60 adults, 120 young people and 125 children by offering various courses. The project seeks to encourage youth empowerment with training in cultural activities, such as theater, dance and handicraft, for example, and to help a network of young people trained in art and culture, acting as multiplying agents in the communities.

### 2. JOB AND INCOME GENERATION

The main aim of the Mulheres na Produção Artesanal em Caroalina project [Women producing Caroalina handicraft] in Pernambuco State, is to manufacture paper and goods based on the caroa pulp, a type of bromeliad. The results obtained with the group of women involve job and income generation in work such as handmade products from caroa and using the plant to treat diseases. The investments consider training the group involved and developing the design and marketing areas and management systems.

With focus on developing new sources of income for traditional communities on the Paraná coast, the Cultimar project uses the concept of sustainable household seafood farming without



Women in Caroalina  
handicraft production,  
Pernambuco State

# 1.6

million ecological bricks  
used by self-help groups  
to build homes

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detracting from the natural environment. The project involves 40 educational and technical training workshops, in addition to direct participation of 150 households and another 1,000 people involved indirectly in the productive chain links. The modules are models for multiplying elsewhere in Brazil.

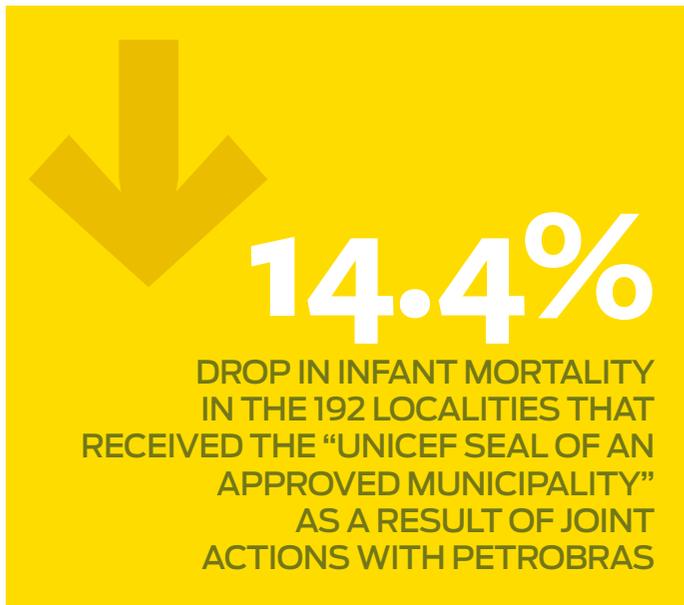
With the Mato Grosso project *Permacultura: espaço e multiuso de envolvimento comunitário e inclusão socioambiental* [Permaculture: space and multiuse of community involvement and socio-environmental inclusion], the Company furthers social and digital inclusion, networking and disseminating the principles of permaculture, a summary of traditional farming practices with frontline solutions. It is expected to directly attend 915 people. The project involves professionals from food and organic compost producer cooperatives and seamstresses for dressmaking.

Also in the field of job and income generation, Petrobras contributes toward the production and marketing of the material produced by the projects supported through the Social Gifts Items project. When procuring promotional items used by the Company, priority is given to those made by sponsored projects, which in 2006 mobilized a market of around 100,000 people throughout Brazil involved in the handicraft chain.

The internal public of Petrobras is encouraged to collaborate with this process. Contacts for purchasing social gifts items are found on the Petrobras website ([www.petrobras.com.br/responsabilidadesocial/brindessociais](http://www.petrobras.com.br/responsabilidadesocial/brindessociais))

### 3. GUARANTEEING THE RIGHTS OF CHILDREN AND ADOLESCENTS

Petrobras sponsors projects and enterprises that further the child's and adolescent's rights, encouraging and supporting public policies on the issue. One of these actions, *Navegando nos Direitos* [Navigating the Rights] project that began in Paraná, in the southern



region of Brazil, involves communication and education actions. It is run in partnership with the News Agency of the Rights of Childhood and Adolescence (Ciranda), which is part of the Andi network. The project takes actions to mobilize and prevent sexual violence against children and adolescents, and addresses issues such as sexually transmissible diseases, sexuality, pregnancy and drugs. It also keeps watch against sexual violence against children and adolescents, in conjunction with the Department of Justice.

Also in the fight against this kind of violence, the *Eu nunca contei a ninguém* project [I never told anyone] developed in Pará since 2004, addresses the social inclusion of adolescents and young people who experience domestic violence. The project, in partnership with the women’s support movement (Moprom), organizes handicraft workshops in Belem to make gift boxes and wrapping paper using recyclable paper, dried leaves, seeds and roots from the Amazon, and also to make chocolate bonbons.

In São Paulo, the *Associação Apoio ao Projeto Quixote* [Quixote project support association] approaches teenagers attended using elements of everyday life of young people in poor communities, such as graffiti art, for example. Around a hundred apprentices attend workshops on graffiti techniques, information technology, citizenship, break dance, and aspects of the working market. The apprentices then replicated what they learned to another 240 young people in their community. The project also plans to publish a book on the graffiti experience, affirming art as a way to recovery and social inclusion.

Petrobras has been a partner in the United National Children’s Fund (Unicef) since 2004, when it signed the commitment letter of the National Pact “A World for Children and Adolescents in the Semi-Arid region”.

In November 2006 the results of the joint actions between Petrobras, civil society agencies, governments and community

were confirmed when 192 counties were awarded the “Unicef Seal of an Approved Municipality”, for their major advances in the living conditions of children and adolescents. These results included a 14.4% drop in infant mortality and 13.3% rise in access to education. Around 24,000 children were also free from malnutrition.

#### 4. SOCIAL UNDERTAKINGS

The line of PPFZ social projects brings together the social projects supported by the Petrobras business units. It is expected in the process of community relations during engineering operations, for example, to have direct community participation when defining the projects supported by the Company. Communities requirements are examined and actions taken based on a socioeconomic diagnosis of the region of influence of the operations. These projects are discussed with the community to obtain its consent.

*Canteiro de São Roque do Paraguaçu* [São Roque do Paraguaçu Jobsite] is a project in Maragojipe Municipality in Bahia State, which has around 8,000 people with a high unemployment rate. The aim of the project is to help the population achieve professional skills so that it can do its own projects for local development to increase the household income. One of the courses, for example, was “Learning to be an Entrepreneur” given with the support of Sebrae.

The *Carnaúba Viva* [Carnauba palm] project, in partnership with the Potiguar Organization of Art, Culture, Sports and Environment, organizes a network for inclusion and social development in 12 municipalities in the States of Rio Grande do Norte and Ceará, in Northeast Brazil. It originated from the need to make straw mats from the Brazilian carnauba fan palm, which grows in the region, to replace the aluminum as a protection cover for steam pipes with temperatures of up to 300°C. Its economic edge lies in the use of easily available materials from renewable sources,



Students in the Tabor community educational center – São Paulo State

using local labor and furthering the sustainable development in the region. The technological solution cuts the cost of the cover and solves the common problem of the theft of aluminum. It involves 351 low income households and the project valorizes the mats, previously used generally for packing handmade food products, with little significance in the local market.

Another notable social project is Apoyo a la Producción de Artesanía de Caraguata project [Supporting chaguar handicraft], developed in Bolivia to promote sustainable management and secure the supply of chaguar (*Bromelia serra* Griseb). This plant is from the bromeliad family and used as raw material for the handicraft of the Capirendita indigenous community, one of the main economic activities in the region. The community is given an area to cultivate this crop, training, technical assistance and support for selling its products.

## 5. CORPORATE VOLUNTEER

The Company encourages its employees and pensioners to develop their own projects or participate in social projects as volunteers in their spare time, under the guidance of the Petrobras Zero Hunger Volunteer Handbook. The Company has a list of around 2,000 volunteers in 11 Brazilian states.

An example of corporate volunteer work is found in Quissamã, a town in the state of Rio de Janeiro, with the project Resgate da Auto Estima [Restoring Self-Esteem]. The sale of handicraft using coconut fiber, ranging from dolls to accessories, such as social promotional items, and piassava brooms contributes to the economic growth of low-income families in the municipalities.

Volunteers are also encouraged in the international units. In Ecuador, the volunteer program with the Junior Achievement Foundation enabled 20 volunteers to participate in two annual programs in Quito and Coca, contributing with 12 weeks, one hour

a week for each employee. In Colombia, 4% of the employees do volunteer work and 25% contribute financially.

## RESPECTING DIVERSITY

Alongside the PPFZ lines of operation, Petrobras supports the social projects based on respect for diversity as a permeating topic. Various projects focus on the valorization of differences and inclusion of groups with little recognition in the social construction process. These are projects addressing the elderly, Afro-descendants, indigenous groups, women and disabled people.

## VALORIZING THE ELDERLY

The idea of the Petrobras support for the project Quitutes da Nona [Nona's Tidbits] in Espirito Santo is to include elderly women in the production process. The project aims to train elderly women to produce food with pasta to sell on the local market, increase their household income and raise their self-esteem and quality of life. The project began in the Alegria Group consisting of 410 elderly people, including 269 women. The group's culinary workshop, originally run by 12 women now has 40 participants. The project is part of the Ciranda Capixaba, a network of projects selected within the area of influence of Petrobras in Espirito Santo, which seeks to disseminate their experiences and methodologies, based on furthering the sustainability of their communities.

## RACIAL EQUALITY

The purpose of the Incubadora de Projetos de Profissionais e Empreendedores Egressos do Sistema Penitenciário project [incubator for professionals and entrepreneurs prison leavers] is to directly develop the management capacity of 25 professionals and entrepreneurs leaving prison. Each incubated project is responsible for creating around ten job opportunities. The central focus

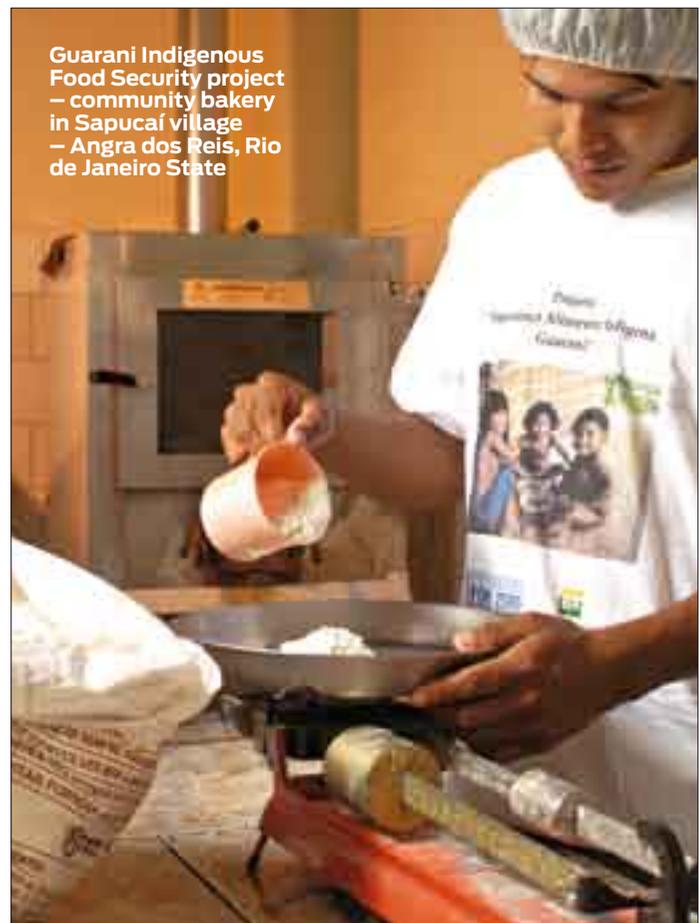
of the incubation project is to develop functional skills required in the labor market. The project has various partners, namely, the National Secretariat of Justice through the National Penitentiary Department (Depen). It is expected that such initiative will influence the formulation of public policies on job and income generation for prison leavers. The project is the direct result of the Afro-Brazilian incubator, which encourages the entrepreneurialism of 450 Afro-Brazilian professionals in Rio de Janeiro, and seeks to articulate job and income generation, education, professional training and ethnic diversity in order to increase the competitiveness of the Afro-descendant in the business field. The Afro-Brazilian Incubator considers ten production chains, focusing on the trade and service sectors focusing on the tourism segment.

In the Ribeira valley, São Paulo, in the area of Atlantic rainforest, the idea of the project *Cultura da Banana em Comunidades Quilombolas* [Growing Bananas in Quilombolas Communities] is to generate jobs and income in the Sapatú and Nhungara quilombola communities (originally villages founded by fugitive slaves), by setting up two community banana processing plants. The project aims to train 40 local dwellers and place the production on the market, sold with an organic certification and social seal, for inclusion in the European market.

## INDIGENOUS RIGHTS

Respect for the indigenous peoples and their traditions, in partnership with indigenist institutions and agencies, labels the performance of Petrobras in identifying the communities close to its operations and working together with local leaders. In 2006 no case (proceeding or public civil inquest) of violation against the rights of indigenous peoples was registered.

The *Segurança Alimentar Indígena Guarani* [Guarani Indigenous Food Security] project in Rio de Janeiro seeks to train



**Guarani Indigenous Food Security project – community bakery in Sapucaí village – Angra dos Reis, Rio de Janeiro State**

indigenous educators to work and attend 12 families in the joapyguá — large family nuclei —, attending a total of 305 people. The project combines food education actions that reinforce the Guarani traditions and fix new low-cost habits with high nutritional values. It is carried out in partnership with Rio de Janeiro State University (Uerj). Also part of the project involves reinforcing food production within the joapyguá, organizing the rehabilitation of plantations

# 742

## projects implemented in the Petrobras Zero Hunger Program in 2006

already in existence and implementing an income earning program in the ecological and cultural tourism area.

In order to recover, revive and valorize the handicraft tradition of Kaingang basketry by the community artisans using various natural fibers and colors, the project *Desenvolvimento de Ações para Sustentabilidade do Povo Kaingang da Terra Indígena Apucarantina* [taking actions for sustainability of the Kaingang people in the indigenous land of Apucarantina] directly involves 30 Kaingang women from the Tibagi river basin in South Brazil. It is run by the indigenous health research and intervention center (Cipsi), in partnership with Londrina local government and the University of North Paraná (Unopar). The project facilitates the trade of quality goods in primitive colors and paints, and has produced a catalogue with the basketry models made there. Each piece has a certificate with the project logo and name of the artisan who made it, which contributes to reinforcing the cultural identity of the indigenous group.

### GENDER EQUALITY

A considerable number of projects were supported by PPFZ in 2006 to further gender equality and women's empowerment. The purpose of the project *Mãos Femininas da Floresta — Combatendo Desigualdades* [Women's Hands in the Forest — Fighting Inequalities] in North Brazil is to adopt public policies on giving priority to women extractivists in the rural areas and on urban fringes. The project directly attends 1,300 of these women in the Upper Juruá, and in the Lower and Upper Acre regions, and aims to diminish the gender inequalities and optimize women's participation in the state sustainable development plan, with job and income generation for the population.

The *Formação Profissional em Corte e Costura na Penitenciária Talavera Bruce* project [Talavera Bruce Prison Professional Dressmaking Classes] in Rio de Janeiro, in partnership with the

Santa Cabrini Foundation, hopes to teach dressmaking to 36 females prisoners. The idea is to include them in the work opportunities created in the prison unit and, after completing their sentence, to work and earn an income. The National Industrial Apprenticeship Service (Senai) participates in the project by training and issuing a certificate recognized on the market. After the women are trained they will then go on to be multiplying agents of the project, transferring their know-how to others.

### THE DISABLED

Petrobras, in its commitment to diversity, sponsors various projects of support and social inclusion for the disabled. One of these projects *Inclusão de Deficientes Auditivos* [Inclusion of the hearing impaired] in Paraíba do Sul, State of Rio de Janeiro, guarantees the continuity of the work done free of charge by the Paraíba do Sul Hearing Impaired Association (Adaps). Besides providing teaching and school reinforcement for hearing impaired children with learning difficulties in the region, the project seeks to increase the number of services, such as the EOA — the neonatal test for early diagnosis of loss of hearing. The plan is to increase the tests from 30 to 200 a month.

The purpose of the *Arte por Toda Parte — Associação Elos da Vida* project [Art everywhere — Links with Life Association] in Ceará is to contribute toward a better quality of life and full development of 200 children and adolescents, with or without disabilities, in a situation of extreme poverty. The work done on the issues are practicing citizen's rights, value learning, respecting differences, and so on. The project undertakes some inclusive activities on education, complementary learning, involving dance, music, plastic arts, sports and digital inclusion. The project offers guidance for the families of those attended and encourages communities to create a culture of social inclusion and protection of the rights of the child and adolescent. ✨

# PETROBRAS CULTURAL PROGRAM

## Supporting the diversity of Brazilian culture

PETROBRAS REAFFIRMED ITS COMMITMENT IN 2006 TO REINFORCE CULTURAL WORKS AND EXPRESSIONS IN THE VARIOUS COUNTRIES WHERE IT OPERATES. INVESTMENTS DURING THE YEAR WERE R\$ 288.6 MILLION.

The Petrobras Cultural Program (PPC) was created in 2003 and became the most important mechanism for cultural investment management in the Company. The PPC is the largest sponsorship program ever launched in Brazil and includes actions by the Petrobras Holding and Petrobras Distribuidora.

In order to increase access to certain cultural assets, the Program encourages projects of public interest, which consider all the ethnic and regional diversity of Brazilian culture, as well as furthering reflection on culture and ideas in Brazil.

The program had an investment of a total R\$ 62 million for the year 2005-2006, and was launched in November 2005. The period 2006-2007 was given a record investment of R\$ 80 million. This total consists of 75% of projects chosen by an annual public selection process for projects in the various cultural segments. The remaining 25% is allocated to projects selected directly by the Petrobras Cultural Council.

Each public selection is launched in November and defines the projects to be contracted the following year. The applications for public selection of the PPC 2006/2007 are closed in March and the result is expected by the end of the first half of the year.



**80 million**  
**REAIS:**  
**RECORD SUM ALLOCATED TO THE 2006/2007 PROGRAM**



Armando Prazeres  
 Petrobras Children's  
 Orchestra – Cintra  
 Hill community – Rio  
 de Janeiro State

## LINES OF ACTION

### 1. CINEMA

In order to guarantee the preservation of part of Brazilian history through cinema, the Memória da Censura no Cinema Brasileiro project [Memory of Censure in the Brazilian Cinema] is based on thorough research of the movie-censoring processes from 1964 to 1988, marked by the early years of the military dictatorship until the enactment of the current Brazilian Constitution. In addition to the documentation of the entire production of 26 Brazilian filmmakers, the collection includes material on the processes of confiscating works, files from the Department of Political and Social Order (Dops), news cuttings and interviews with filmmakers, descendants of deceased filmmakers and with a government censor. The content is available on Internet and in CD versions.

The concern to democratize the public's access to cultural assets is the hallmark of the Petrobras Cultural Program and is confirmed with the Cinema Nacional Legendado project [Subtitled Brazilian movies]. This project is the first of its kind in Brazil and encourages accessibility of Brazilian films with closed captions (closed captioning technology, which transforms audio in captions) to people with impaired hearing. This technique permits them to accompany the dialogues, the mood of the scene and noise indication, sounds and music. A total of 100 sets, each with 60 Brazilian films, were distributed to institutions throughout Brazil.

In order to encourage film making, Petrobras sponsored the movie *The year my parents went on vacation* by director Cao Hamburger, set in Brazil of the 1970s. On one hand, it brings together the proliferation of military dictatorships in South America and, on the other, the dream of the main character 12-year old Mauro, and a million Brazilians to see the country three-times world soccer champion. Forced to separate from his parents,

**Petrobras is sponsor of the Tom Jobim Center,** where artists, environmentalists and opinion makers meet for discussions on the environment and its relationship with culture.

then in hiding, the boy survives in a new world, repeating the saga of his Jewish immigrant grandparents.

## 2. SCENIC ARTS

The Armatrix Theater Group was founded in 1991 to create different forms of dialogue with an annual public of over 30,000 people, and to help train new performers, by disseminating and democratizing the art with performances in public spaces. The group presents its shows in the street, conventional theater, alternative spaces, such as warehouses and stilt houses, hospitals and on video.

Every two years the Anjos do Picadeiro project [Circus Ring Angels] attracts to Brazil hundreds of clowns and scholars to discuss ideas and the different creative processes, with advanced workshops and shows. The project is part of the Latin American circus meet network, and includes a convention of circus, street and traveling performers, as well as an official show which enables exchange between artistes and producers in the area of humor, circus and folk theater.

## 3. HISTORIC MONUMENTS

The first stage of the Tom Jobim Center — Culture and Environment, in tribute to the Brazilian maestro and one of the creators of bossa nova, was inaugurated in April 2006 and is flourishing as a center for cultural activities in the heart of Jardim Botânico, Rio de Janeiro. The space is designed for artists, environmentalists and opinion makers to meet for discussions on environment and its relationship with culture. Petrobras is sponsor of the Tom Jobim Center and the digitalization project of the Tom Jobim collection, available permanently in one of the annexes. The collections of the maestro consist of sheets of music, texts, manuscripts, photos, statements, videos and drawings, and express his thoughts, admiration and concern for the environment.



## INVESTMENT OF THE PETROBRAS CULTURAL PROGRAM IN 2006 (IN R\$)

**42,672,233.42**  
CINEMA

**40,623,371.55**  
MUSIC

**52,772,942.11**  
SCENIC ARTS

**16,266,636.52**  
VISUAL ARTS

**28,724,079.36**  
CULTURE AND SOCIETY, IMMATERIAL HERITAGE, SPACE, FORUMS

**9,046,021.09**  
LITERATURE AND LITERARY EVENTS

**53,828,020.97**  
HISTORIC MONUMENTS, MUSEUMS AND BUILDINGS

**2,160,000.00**  
ARCHEOLOGY

**15,000,000.00**  
OTHER

**261,093,305.02**  
TOTAL

The Iberê Camargo Museum in Rio Grande do Sul, now in the third stage of its construction, is designed to preserve and disseminate the work of the Brazilian painter and writer Iberê Camargo. The museum offers exhibitions and debates on modern and contemporary art and houses a reference and research center on the artist's work, with a specialized library, video collection and newspaper and periodicals library.

#### 4. IMMATERIAL HERITAGE AND VISUAL ARTS

The affirmation of national culture is summed up in numerous actions of the Petrobras Cultural Program to revive the history of the Afro-descendants in Brazil, as occurs in the Encontro de Jongueiros project [Jongo Dancers' Meeting]. In 2006, the topic was celebrated in recognition of the jongo (a type of ring dance accompanied by drums) by the National Institute of Historic and Architectural Monuments (Iphan) as Brazilian heritage. The 11th Meeting of Jongo Dancers and the 3rd Seminar of Jongo Community Leaders were both held at the same time, giving visibility to the art of the jongo groups throughout Brazil and creating a space to exchange and renew these cultural practices. The meetings in the state of Rio de Janeiro include the participation of 14 jongo groups from all over the country.

On combining the symphonic presentation of videogame soundtracks in tune with real images of videogame successes, the Live Video Games show brought to a young Brazilian public a mix of symphonic music, opera, digital technology, lights and actors in the roles of the leading characters in popular games. The videogame is one of the main forms of entertainment and art enjoyed by children and adolescents worldwide, which enabled easy interaction of the public of the show and their access to symphonic music. One of the presentations of the Live Video Game is the Petrobras Symphonic Orchestra, also supported by the Company.

Regional folk festivals gain new spaces and consolidate through their characters, in projects such as Art Everywhere in Olinda, Northeast Brazil, now in its sixth year, organized by Olinda town hall and the Mobiliza Institute — Education, Culture and Citizenship. In 2006, the project paid tribute to Bajado, a local artist who, although he died ten years earlier, is still very present in the minds and customs of the town. Visitors were able to go on a cultural excursion, with studios open to the public, free transportation and serenades.

#### 5. MUSIC

The project Choro Carioca — Música do Brasil [Rio Choro — Brazilian Music] collects works by 85 Brazilian composers between 1880 and 1900, with major participation in the history of 20th-century choro. It has been registered in a series of nine titles organized in three triple boxes to give continuity to the work "The origins of choro" begun in 2001. The collection aims to offer the public some of Brazil's musical history not previously available, preserved in time only in sheet music. Some outstanding discoveries are compositions by relatives of famous musicians, for example, the grandfather of Villa-Lobos and Pixinguinha's father. The collection has not only recordings but also biographical texts, photos of composers and pictures from that period.

In order to valorize regional culture, Petrobras sponsored the dance and music show Nove de Freveireiro - Centenário do Frevo [Ninth of Freveireiro — A Hundred Years of the Frevo], in reference to the "Day of the Frevo". The project advanced the 2007 centennial commemorations of the popular folk dance with shows in São Paulo and Rio de Janeiro in 2006 between October and December. The show was conceived by musician and researcher of Brazilian folk culture Antonio Nobrega, with a team of around 40 people — artistes, production team and technicians — from Recife and

São Paulo. Workshops and CD and DVD recordings are planned.

Another landmark in the current history of movements of cultural resistance is the Afro Reggae Cultural Group, which takes actions for social inclusion and practicing citizenship through art and education in the Rio de Janeiro community of Vigário Geral. The project focuses on young people in a situation of social risk, trains apprentices and creates groups of artistes to develop various rhythms, such as African music, original samba, funk, samba-reggae and rock, as well as a theater troupe that discusses such issues as health, for example.

## MEMORY, CULTURAL IDENTITY AND VALORIZING TRADITIONS

The purpose of the Petrobras Cultural Program to contribute toward building and restoring the Brazilian cultural memory includes projects to preserve library, documentary and music collections belonging to public and private museums, libraries and archives. The program retrieves, restores, organizes and registers the material and immaterial cultural collections as priority for the endangered heritage.

At the same time support is given to projects focusing on identifying, valorizing and preserving the culture of different groups and communities. An example in the area of promoting black culture is the Afro-Brazil Museum, where more than 3,000 works are catalogued today and are part of the Afro-Brazilian history. Others worth mentioning are the Xingó Archeological Museum in Sergipe; the Capybara Sierra National Park in Piauí; Museum of Portuguese Language and the Mindlin Library in São Paulo; and the Museum of Arts and Trades in Belo Horizonte. ✨

Group of Community  
Dance project – Sesc,  
São Paulo State



# PETROBRAS SPORTS PROGRAM

## Project helps Brazil to shape champions

PETROBRAS IS TRADITIONALLY ONE OF THE COMPANIES THAT MOST CONTRIBUTE TO FURTHERING SPORT IN BRAZIL. IN 2006, THE COMPANY INVESTED AROUND R\$ 58 MILLION IN VARIOUS KINDS OF SPORT, DIVIDED IN PERFORMANCE SPORT (SURFING, TENNIS, HANDBALL AND SO ON) AND MOTOR SPORTS.

To encourage the practice of sports as a basic element of people's education, in 2006 Petrobras began to sponsor the Pan-American Games to be held in 2007 in Rio de Janeiro. The project called Pan Rio 2007 is organized by the Rio 2007 Pan-American Games Organizing Committee, directed by the Brazilian Olympic Committee (COB). The Games, a continental version of the Olympics, were first held in 1951 and every four years thereafter. Today the competitors come from all 42 countries in the Americas, and the games encourage discipline, dedication, teamwork, solidarity and fair play.

Petrobras Motor Sports are held at home and abroad in various motor sport categories ranging from Kart to Formula 1. The various sponsorships involved are used as test laboratories for Petrobras products when testing them under the most extreme conditions, such as the heat of African deserts and cars racing at over 300km/h. The results are used by the Company to develop new products, including fuel and lubes, to offer vehicles better performance and cause less impact on the environment.

Petrobras was given the challenge by sponsoring the Williams F1 team to develop a hi-tech fuel for better engine performance in trials and races. The partnership also helped develop the Podium gasoline, one of the best car fuels in the world.





**Petrobras Lubrax team in Dakar Rally**

In Stock Car, the main category of Brazilian car racing, Petrobras will develop a special cleaner and safer fuel for races during the 2007 season. The Petrobras Lubrax team participates in some of the main rallies in the world, namely the Paris-Dakar Rally and International Rally of the Sertões, for example. In 2006, Petrobras supported the eighth year of the Petrobras Kart Selective, first held in 1999 to encourage new talents in Brazilian car racing. The Company is also present in prototype competitions (Formula SAE and SAE Baja) and in the Formula Truck race, where Petrobras develops and provides fuel and lubes for the whole category.

The Petrobras support for handball, in partnership with the Brazilian Handball Confederation (CBHb) is designed to develop and strengthen the sport by sponsoring the men's and women's Brazilian Olympic teams (adult, junior, juvenile and cadet categories) and the National League, also promoting further exchange with many of the main national handball teams. The idea is to increase Brazilian participation in international championships and program exchanges with European teams.

The role of Petrobras in tennis is played through the Petrobras Tennis Cup, which has become an important instrument in the internationalizing process of the Company in strategic South American markets. In 2006, the event visited some South American countries (Colombia, Uruguay, Brazil, Argentina and

Paraguay) in October and November. The Petrobras Tennis Cup is now in its third year and is already recognized as the best professional circuit of the Latin American Challenger series of the Professional Tennis Players' Association (ATP).

Petrobras also invests in the Petrobras Women's Surfing Circuit, Petrobras Longboard Classic, Petrobras Men's Surfing Selective, and Petrobras Surfing Festival. Given its close relationship with the sea - after all, most of its oil fields are offshore -, since 2002 Petrobras has been sponsoring the Petrobras Sailing Sports Program. Ecological consciousness and environmental preservation are two of the things always in the mind of the surfer and Petrobras. The Company believes that surfing uses pure energy, which perfectly describes the union between nature and humankind. ✨

# Human Rights

## SUPPLIER RELATIONS

**PRINCIPLE 2** Business should make sure they are not complicit in human rights abuses

### Contracts require standards compliance

RESPECT FOR HUMAN RIGHTS IS PART OF ITS COMMITMENT TO SOCIAL AND ENVIRONMENTAL RESPONSIBILITY AND AN ONGOING CONCERN IN THE PETROBRAS SYSTEM. THE IMPORTANCE OF THE TOPIC MAKES THE COMPANY INCREASE THIS CONCERN AMONG ITS STAKEHOLDERS, INCLUDING ITS BUSINESS CHAIN, PRINCIPALLY ENCOURAGING ITS SUPPLIERS TO TAKE ACTIONS TO FURTHER HUMAN RIGHTS AND BE ENGAGED IN FIGHTING AGAINST ABUSE AND VIOLATIONS.

This involvement permeates every stage of in working with suppliers. Every contract includes clauses referring to human rights, such as clause 5.1.6 in the Material Supply Conditions. This states that, whenever necessary, the supplier must provide documentary evidence of its compliance with its labor, taxation and social security obligations and the employees' severance indemnity fund (FGTS) payments.

In the Materials area, all contractors are assessed by Petrobras beforehand on compliance with labor, social security and fiscal legislation. Inspection is undertaken by registration or during bidding or contracting stages. Hiring is only effected after standards compliance. All goods and service agreements have an inspector responsible for auditing the contractual clauses using a checklist and performance assessment report.

Petrobras has specific regulations against child labor and forced labor in its contracts with suppliers, under the Brazilian Constitution, on penalty of rescission of contract. Only companies



Farmer in a castor bean plantation – Morro do Chapéu, Bahia State

## CAPACITY BUILDING IN HUMAN RIGHTS AND SOCIAL RESPONSIBILITY

Petrobras University is a key instrument for the Company to train its employees in alignment with its Strategic Plan, and aims to create and implant an organizational structure for human resources development, capacitate managers to be global administrators of HR development and set up an integrated management system. The University, as an educational system, links its work to the Company's business strategies, encouraging development of critical consciousness and providing a more democratic access to knowledge.

In 2006 alone, Petrobras University had 2,843 employees in training in the area of social and environmental responsibility, which is a total 111,659 men-hours of work (MHW). During the year the University undertook the following:

- 56 classes on principles and concepts (Introduction to social and environmental responsibility);
- 12 classes on certifications and tools (SA8000, AA1000, Social Audit, Social Report, GRI, Ethos indicators and tools, NBR 1601);
- 11 classes on community relations;
- 30 seminars, conferences and special projects;
- one class on sustainable human development;
- five classes on volunteer work: ethics, HSE and Petrobras volunteer guidelines;
- three post-graduate classes (Master's in management system with focus on SER, specialization in social responsibility and the third sector, specialization in development management and social responsibility).

All Petrobras security guards and managers have undergone training in policies or procedures involving respect for human rights. Also, around 30% of the Property Security staff has been trained in port security.

that state that they do not use these forms of labor are accepted.

Moreover, the Company requires proper sourcing, respect for environmental issues and compliance with human rights and labor laws for every contractor.

### SOCIAL AND ENVIRONMENTAL RESPONSIBILITY PROGRAMS

Not only do suppliers have to respect the law and specific criteria of social and environmental responsibility defined by Petrobras, but they also are encouraged to adopt the level of standards used by the Company. One of the Engineering guidelines is to instruct the suppliers to guarantee their results related to corporate social responsibility in their periodic reports.

Petrobras seeks to participate in various projects and agreements in order for the companies in its supplier chain to be committed to actions of social and environmental responsibility. The objective of the Tear — Tecendo Redes Sustentáveis program [Weaving Sustainable Networks], an agreement between Ethos Institute and the Inter-American Development Bank (BID) is to enhance sustainability, productivity and the market opportunities for small and very small Brazilian businesses. The program's performance involves disseminating good practices of corporate social responsibility and has the direct cooperation of nine major companies — anchor firms — operating in strategic sectors of the economy.

Petrobras is the “anchor firm” in the oil and gas sector, responsible for working with small and very small businesses in its value chain, incorporating and increasing socially responsible management in the internal processes and stakeholder relations.

Petrobras, in partnership with the Brazilian Support Service for Small and Very Small Companies (Sebrae), seeks to include these firms in the production chain of oil, gas and energy on a com-



Class in the Who reads life reads best project

petitive and sustainable basis. The Petrobras/Sebrae Agreement focuses on drawing up local development plans, on forming and interacting with cooperation networks of oil companies and local suppliers, and on capacity building and developing small and very small companies to be eligible as potential local suppliers. Companies in 12 Brazilian states that explore and produce or refine petroleum and are based in an area of Petrobras influence participate in the process.

The Responsible Partnership Prize, first instated in March 2006, by the Petrobras Supply area, encourages sharing management practices and spreading Petrobras values through the supply chain. During the year work was done to orient 72 suppliers of key inputs, responsible for more than 90% of the outlay. At the end of the year, these companies were assessed to check their current status.

The purpose of the Labor Development Program (PDMO), developed by Engineering area, is to increase learning, certification and technical skills with a view to the suppliers' workforce. The program is structured on three modules (literacy, training and certification) and graduated 127 people in 2006. Petrobras provides the teaching infrastructure (teacher, content and supervision) and the contractor supplies the physical infrastructure (room, school material, transportation and meals).

## IMPROVEMENTS IN PROCESS

Petrobras contracts are supervised and include visits to check compliance with the health, safety and environment requirements. A deadline is set for improvements to be made in the event of discrepancies. In the Materials area, these visits are made to firms that are most important to the Company, approximately 20% of all contractors. In the Engineering area, assessments are made periodically by contract inspectors and checklists used.

With regard to ethical processes involving management of private information obtained in customer relations or in the market in general, Petrobras drafts agreements on secrecy and confidentiality, and in contracts has a specific clause on the topic. The importance of this issue is evident, since the Company participates in projects involving groundbreaking technology for the commercial manufacture of frontline equipment to meet the requirements of the Company's operations or investment programs.

## SUPPLIER MANAGEMENT

The use of the Supplier Management Program (Progefe), was created by Engineering area in order to adopt Ethos indicators and HSE criteria to assess the suppliers, was extended throughout Petrobras and incorporated to the general materials procurement management. It now acts as eligibility regulations for admission to the Central Materials Register.

The program entails the stipulation of clauses such as the obligation not to permit practices of child labor, forced labor or measures such as physical, mental, hierarchic coercion, verbal abuse and so on. The program is divided into distinct phases of assessment. The self-assessment includes fulfillment of the social and environmental responsibility requirements of the Ethos Institute by the supplier company. Then the head office assessment and onsite assessment. The final stage — consolidation — analyses and combines the results. ✨

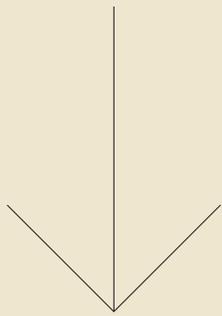


**JEAN FRANCISCO ALVES**  
Supervisor of P-52 operations  
– Campos Basin, Rio de Janeiro State

**OUTLOOK:** My priority is to see my two kids graduating from university.

“The renewable energy area must soon have worldwide boom because of the ecological issues. Petrobras may be invited for partnerships all over the world, because of its projects in this area”.

# Labor



## **PRINCIPLE 3 68**

Businesses should uphold freedom of association and the effective recognition of the right to collective bargaining

## **PRINCIPLE 4 72**

Businesses should uphold the elimination of all forms of forced or compulsory labor

## **PRINCIPLE 5 74**

Businesses should uphold the effective abolition of child labor

## **PRINCIPLE 6 77**

Businesses should eliminate discrimination in relation to employment and occupation

Satisfaction and commitment of the internal public to the company are benchmarks for any organization, particularly for those that are constantly expanding their activities, as Petrobras does. In 2006, the results of its Organizational Ambience Study suggest that the Company progresses in challenging goals, considering expectations and increasingly valorizing its employees. The survey, answered on a voluntary and confidential basis by more than 36,000 employees involves a universe corresponding to 80% of the internal public. The answers pointed to an increase of two percentual points in the Employee Satisfaction Index (ISE) and an increase of one percentual point in the Level of Commitment to the Company (NCE). The indices are the same as those for 2004, the highest in the history of the annual survey. The significant growth in all indicators is an evidence of the existence of an integrated action to valorize the internal public. The assessment of the benefits granted, for example, increased four percentual points. The communication, teamwork and leadership factors also had good appraisals, increasing another three percentual points.

## Labor

# HEALTH, SAFETY AND QUALITY OF LIFE

## HSE: 27 clauses in the collective agreement

THE PETROBRAS CORPORATE POLICY AND GUIDELINES FOR HEALTH, SAFETY AND ENVIRONMENT (HSE) SEEK TO ASSURE NOT ONLY SAFETY OF THE OPERATIONS AND PLANT, BUT ALSO THE PHYSICAL INTEGRITY AND HEALTH OF ITS EMPLOYEES AND OUTSOURCEES. THE STRATEGIC PROJECT OF EXCELLENCE IN HSE, DEVELOPED IN EVERY COMPANY UNIT, INCLUDES AMONG ITS OBJECTIVES THE HEALTH OF THE WORKERS AND ACCIDENT, INCIDENT AND DEVIATION PREVENTION.

The accident frequency rate with leave (TFCA) and lost time percentage (PTP) are some indicators comprising the Petrobras corporate strategic map, monitored monthly by senior management. Annual admissible maximum limits are fixed to indicate the course of the intended improvement.

The questions involving health and safety of the workforce are priority for Petrobras. Every Petrobras Unit that has its environmental management system certified under standard ISO 14001 also has certification of its health and safety management systems, according to standard OHSAS 18001.

In 2006 the executive board approved a new corporate standard for better HSE management in the hired services, applicable to all stages in the process of contracting outsourced services. Safety and health of the workers are the subject of 27 clauses included in the 2005-2007 collective work agreement signed by Petrobras with the Oil Workers' Union Federation (FUP) and the 17 trade unions representing all employees.



**Cenpes asphalt  
production laboratory  
– Rio de Janeiro State**

→ Emphasis is placed on health management in Petrobras in its **actions toward prevention and better health.**

→ **The Petrobras System was one of the forerunners** in setting up programs for prevention and treatment of chemical dependence.



The Company provides a health management system for employees, based on epidemiological indicators, such as mortality rate, causes of morbidity, sick leave, special retirement causes, occupational disease rate, and relative coronary risk. Emphasis is placed on health management in Petrobras in its actions toward prevention and better health, rather than on disease control, by encouraging a healthy lifestyle and fighting against factors that may impair the workers' quality of life.

Some projects worth mentioning are annual campaigns against cancer and heart disease and for metabolic control of cholesterol and glycemia levels, plus the Health Week, which every year seek to stress, on a unified basis in the Company, relevant aspects such as healthy eating, anti-sedentary life, leisure, family and social coexistence and so on.

The Petrobras System was one of the forerunners in setting up programs on prevention and treatment of chemical dependence, through campaigning, seminars and talks on dates such as the International Anti-Drug Day (June 26) and the weeks for health and occupational accident prevention, with the help of health specialists and social workers.

The Company bans smoking in confined public areas in all its units and offers firm support to anyone who wishes to quit smoking, as well as undertaking consciousness campaigns pointing out the hazards of the addiction. Petrobras has an agreement with the National Cancer Institute (Inca) to train the Company's health professionals to work in the anti-smoking programs. Anti-flu vaccination campaigns are held every year for all Petrobras employees and outsourcees.

The results of annual periodic examinations of employees contribute to actions in the sphere of the better health program. The physical activity program, for example, encourages an active lifestyle and physical fitness of groups of employees exposed to

→ The TFCA registered in Petrobras in 2006 was **0.77**, below average values of the worldwide oil and gas industry, according to institutions representing the sector.

higher potential risks of disease. In support of this program the Petrobras units provide operational or administrative, health promotion centers with equipment and instructors trained in the practice of physical exercises and in providing nutritional guidance. The units without this infrastructure offer agreements with specialized gyms.

At the same time specific work-out programs are offered in the workplace to prevent injuries caused by wrong posture and repetitive movements. Petrobras also approved a corporate standard for ergonomics management to assure the comfort of the workforce and prevent occupational illnesses. The standard provides for ergonomics committees in the units and each year action plans will be drawn up for better ergonomic conditions in the workplace.

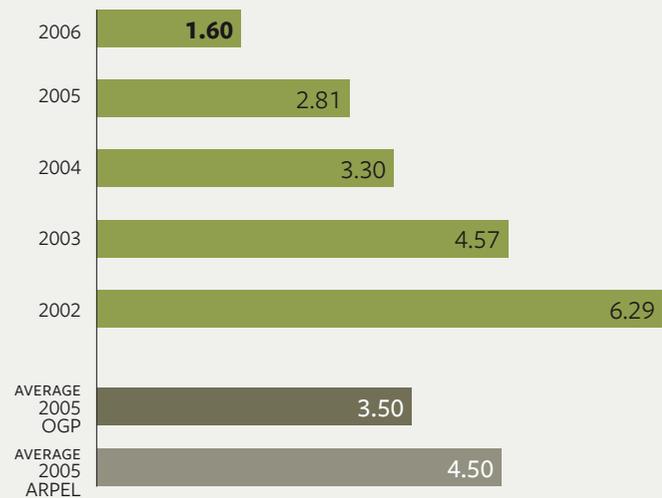
Another investment in the quality of life of the employees is to offer clubs as a recreational option. There are more than 30 Petrobras employee clubs (Cepes) all over Brazil, open also to retirees, pensioners and dependents. The clubs also run social inclusion projects, enabling participation and exchange with people from the surrounding communities.

## ACCIDENT AND HEALTH INDICATORS

The occupational safety indicators of the Petrobras workforce have been improving steadily in the past few years. The Company uses internationally standardized metrics to monitor this aspect, such as the Accident Frequency Rate with Leave (TFCA), the number of fatal occupational accidents, and the Fatal Accident Rate (TAF). These indicators are calculated in Petrobras on a compound basis, involving employees and outsourcees.

The TFCA considers the number of occupational accidents with sick leave per one million hours worked, and TAF calculates the number of fatal accidents per 100 million hours worked.

### FATAL ACCIDENT RATE (TAF)



Number of fatalities per 100 million men-hours of risk exposure, including own employees and outsourcees. Rates listed by region are available in the Company's HSE area.

According to the Petrobras Strategic Plan, the admissible maximum limit of TFCA is 0.5 for 2011. To achieve this objective, the Company has adopted safety regulations that even exceed legal compliance. In 2006 the implementation of the Process Safety Program (PSP) was concluded, which, based on HSE corporate guidelines, was designed to implement a corporate accident prevention culture, reflecting on the workers' behavior.

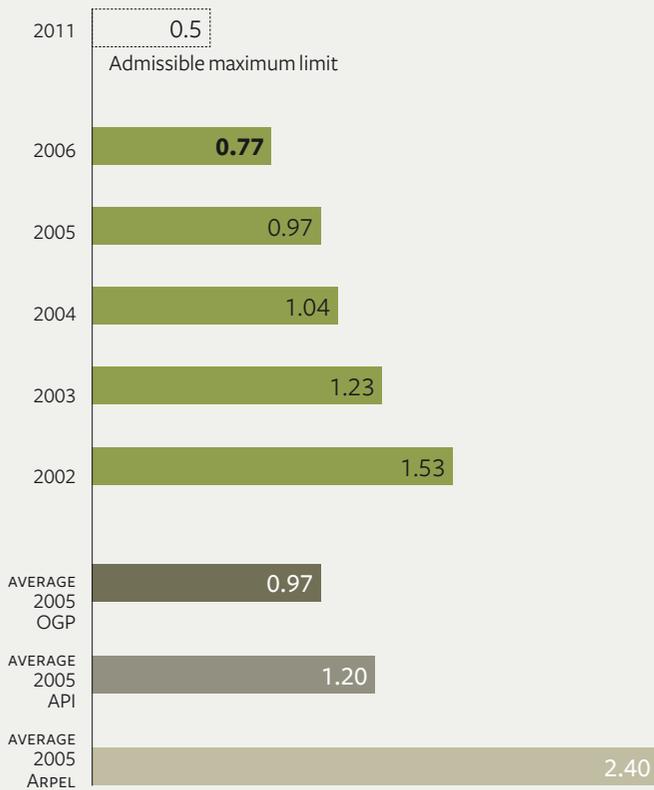
The TFCA registered in Petrobras in 2006 was 0.77, below the average figures for the worldwide oil and gas industry, in accordance with representative institutions in the sector, and 50% lower than the TFCA for 2002. It was also below its admissible maximum limit for the year at 0.81.



Fire brigade at Norte Capixaba terminal – São Mateus, Espírito Santo State

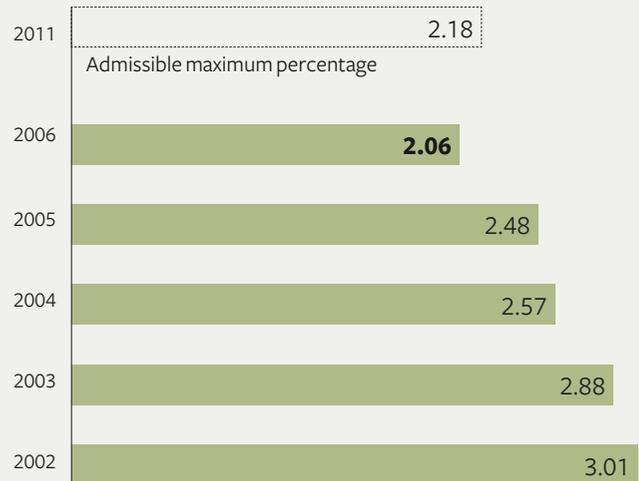
Labor

### ACCIDENT FREQUENCY RATE WITH LEAVE (TFCA) (COMPOUND TFCA)



Number of occupational casualties with leave per million men-hours of risk exposure, including own employees and outsourcers.  
 Source: OGP – Oil and Gas Producers – Safety performance indicators – 2005 data  
 API – American Petroleum Institute – 2005 Survey on Petroleum Industry Occupational Injuries, Illnesses, and Fatalities Summary Report  
 ARPEL – Association of Oil and Gas Companies in Latin America and the Caribbean – Accident statistics in the oil and gas industry for Latin America and the Caribbean 2005.

### LOST TIME PERCENTAGE (PTP)



Percentage of total working hours lost due to sick leave, caused by occupational illnesses or not, and by occupational accidents; calculated only for own employees. Rates listed by region are available in the Company's HSE area.

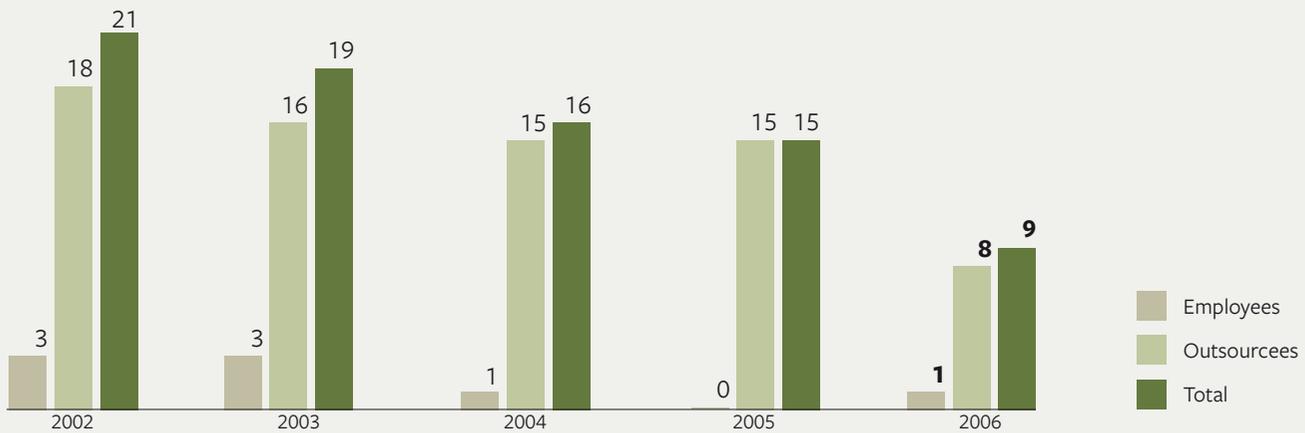
The number of fatalities and TAF has plummeted in recent years. This occurs despite the increase in number of hours worked, as a result of the increase in the Company activities. The figure in 2005 was 533 million men-hours. In 2006, this figure rose to 564 million. However, special efforts continue in this area, in line with the Company objective of zero fatal accidents.

Ninety-two employees took temporary leave in 2006 for more than 15 days because of accidents. The Lost Time Percentage (PTP) indicator counts absenteeism only of employees on sick leave, caused by occupational illnesses or not, and by occupational accidents. The result for 2006 confirmed the downward trend in the past few years and was below the admissible maxi-



Simulated exercise in the Presidente Vargas refinery – Araucaria, Paraná State

### NUMBER OF FATALITIES



Rates listed by region are available in the Company's HSE area.

num limit of 2.34 for the year.

Another indicator that contributes toward monitoring the quality of occupational life is the Incidence Rate of Occupational Illnesses (Tido) adopted in 2005. In 2006, the rate was 0.64 new cases of occupational illnesses diagnosed per group of 1000 employees, against a value of 0.95 registered in 2005.

In order to orient precautionary actions, Petrobras has a reporting, registering and investigation process of what are called almost-accidents, through the Corporate Accident Registration System (Sisin) installed in all Company units. Analysis of the information registered in Sisin permits taking corrective measures against deviations and anomalies that could possibly cause future accidents.

The information on employee health is consolidated in the corporate health management computer system – SD 2000. The system is the basis for epidemiological analyses and other assess-

ments that are able to take further actions for the workers' health.

The Internal Accident Prevention Committees (Cipas) set up in every Company unit in compliance with the Ministry Labor Regulation no. 5 (NR5) also inspect and follow up health and safety parameters. Cipa members are responsible, among other duties, for disclosing any information on occupational health and safety, for observing compliance with the regulations and for promoting the annual Internal Occupational Accident Prevention Week (Sipat).

The Cipas represent the employer and employees. The employee representatives, officers and their deputies are elected by secret vote. The Committee work involves the workers' participation to indicate risk situations and give suggestions for better working conditions.

Refresher courses in road safety and first aid for accident victims are held in the Company since 2001 when an agreement

# 7,700

employees and  
outsourcess given road  
safety and first aid courses

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was signed for consulting services with the Brazilian Accident Prevention Association (ABPA).

The target audience for training includes professional or amateur vehicle drivers. The group of training actions involves the internal public and communities close to the Petrobras plant. Talks are also given during the Sipats and support information prepared for the drivers.

During the term of the agreement, 7,700 employees and outsourcess were trained, 450 of them in 2006. In December 2006, a new partnership for providing road safety and education services was signed with the Social Transportation Service/National Transportation Apprenticeship Service (Sest/Senat). The five-year contract is expected to train 1,500 employees and outsourcess in the first year alone.

Sest-Senat is an institution specializing in training professional drivers. The institution's defensive driving course is accepted by the state traffic departments (Detrans) in a number of states during the driving license renewal process.

Petrobras is also preparing a corporate road safety standard and leaflets with the main recommendations to be followed by the internal public when driving anywhere. The Company also holds educational campaigns on Driver's Day on July 25, and during the National Traffic Week held in September every year. ✨

## STRESS MANAGEMENT

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In 2006, the Petrobras Better Health Program, designed to encourage the adoption of healthy personal habits, prioritized the Stress Management Project. Different actions were taken involving workshops, a study of internal and external practices, details of assessment methodologies and health pilot-projects. Even before this corporate decision, some units were already developing projects to identify causes of stress in the workplace and its relief, such as creating spaces to mitigate mental stress and for rest and to promote relaxation exercises based on Oriental techniques (shiatsu, tai-chi chuan and yoga).

# Labor

## REMUNERATION AND BENEFITS



Imboassica turbine shop – Macaé, Rio de Janeiro State

### Training helps attain goals

THE ANNUAL COLLECTIVE LABOR AGREEMENT BARGAINING BETWEEN PETROBRAS AND VARIOUS TRADE UNIONS HELPS TO BRING THE EMPLOYEES INTO THE DISCUSSIONS AND FORMULATIONS OF REMUNERATION AND BENEFIT POLICIES. THERE ARE ALSO COMMITTEES FOR FOLLOWING UP THE DEPLOYMENT OF THE ISSUES NEGOTIATED IN THESE COLLECTIVE AGREEMENTS. FOR PROFESSIONAL DEVELOPMENT, AN IMPORTANT INSTRUMENT USED IS PERFORMANCE MANAGEMENT, WHICH PERMITS THE EMPLOYEE TO NEGOTIATE WITH HIS MANAGER THE TRAINING COURSES REQUIRED TO ACHIEVE GOALS AND INDIVIDUAL TECHNICAL AND MANAGEMENT SKILLS.

Petrobras has a job plan and remuneration policy to assure the employee compensation fitting with his/her functional responsibilities. These plans are defined in accordance with legal provisions.

Basic wages are defined by the Company at different wage levels in ranges for each occupation group. The same wage class is grouped in these different ranges. In Petrobras Holding, the ratio of the highest remuneration to the lowest in kind is 36.30. In Petrobras Distribuidora, the proportion is 46.9.

In accordance with house policies, Petrobras Holding does not pay the variable remuneration based on individual performance. However, all Company employees receive remuneration relating to the share in profits and income (PLR) based on the corporate performance and negotiated with the employee representatives. Profit and income sharing relating to 2005 was distributed in two installments - January and July. In 2006, the PLR percentage referring to the gross payroll was 18.09%.

→ The employee's professional performance is **encouraged by the promotion and level advancement process**, which considers the results of the assessments during the year, based on individual goals and skills.

<b>PETROBRAS HOLDING (*)</b>			
	<b>2004</b>	<b>2005</b>	<b>2006</b>
Lowest wage	R\$ 818.55	R\$ 867.82	R\$ 1,085.30
Prevailing minimum wage for period	R\$ 260.00	R\$ 300.00	R\$ 350.00
Dividing lowest wage by prevailing minimum wage	3.15	2.89	3.10

(\*) Data from Petrobras Holding. In 2006 in Petrobras Distribuidora, the proportion was 3.92.

Employees are often informed about the corporate results relevant for distribution of the share in profit and income. Petrobras uses various media to announce its business results, such as its website, its intranet and internal organs. The Company's Strategic Plan, which regulates the development of work plans and goals of each employee is also widely disseminated.

The employee's professional performance is encouraged by the level advancement and promotion process, which considers the results of the assessments made during the year, based on individual goals and skills. These results are used as one of the criteria for career advancement.

Performance management is used to assess the possibility of level advancement and promotion of each employee in their careers. This process results in a wage increase for those considered with level advancement or promotion. Performance management involves bargaining stages, follow-up and final assessment of results achieved, times when a manager and employee can discuss the expected performance and compare it to that achieved.

One of the individual aptitudes asked from employees is ongoing learning. Petrobras valorizes the employee's determination to always strive to include new knowledge in his or her personal and organizational growth. Petrobras also gives its employees benefits that guarantee their maintaining proper standards of physical, psychic and social well being.

## PEOPLE DEVELOPMENT

The Human Resources area attends the Company's growth strategy by maintaining people development and retention policies. This development, by encouraging the corporate apprentice and motivating its employees, is undertaken by Petrobras University (UP).

A milestone record of 56,088 participations in courses offered by the University was achieved in 2006. In 2005, the number was 32,328. More than 3,500 courses and seminars were held on the UP campuses, in the cities of Salvador and Taquipe in Bahia, Rio de Janeiro and São Paulo, and in business units and at partner institutions. The Business and Administration School was responsible for 22,928 classroom students in the economic-financial areas, process and people management, social responsibility, and health, safety and environment.

In 2006 UP increased its partnerships with various institutions at home and abroad, such as the Federal University of Rio de Janeiro (UFRJ), Federal University of Bahia (UFBA), University of São Paulo (USP), Don Cabral Foundation, Oxford, Harvard, and European Foundation for Management Development (EFMD), for example.

The University offers training courses and ongoing education (advanced, specialization, Master's and PhD). One of the systematic activities undertaken is to build the capacity of new junior professionals recruited by public examination. Its training program was one of the five finalists in The Petroleum Economist Awards 2006, in the category for the "Best Educational Program

<b>PETROBRAS HOLDING TRAINING</b>	
<b>Employee</b>	<b>Men-Hours of Work (MHW)</b>
Management function	339,469
Other	5,352,839
<b>Total</b>	<b>5,692,308</b>



**Petros call center  
– Rio de Janeiro State**

for Young People in the Energy Industry”.

The Company valorizes skills and encourages the capacity to grow and develop new individual skills. These skills are applied to all employees according to their function. The Management Skills Index (ICG) and Individual Skills Index (ICI) are part of the Petrobras Balanced Scorecard (BSC), a methodology for accompanying the strategic plan using performance indicators.

Mapping and development of skills are defined by performance management, in which all employees are assessed by their immediate superior with regard to goal achievement and individual skills required for the function or position.

The Petros Plan, a complementary pension plan used by the Petrobras System, was conceived as a defined benefit, namely, it assures benefits calculated in relation to the pay received in the assets, as well as being supplementary to the social security.

In 2006, Petrobras presented the proposal for its new complementary pension model, a result of the joint efforts of the Company, Petros and employee representatives. The objectives of the proposal is to offer a financially balanced situation in the current Petros plan, which solves structural problems and makes it sustainable for the future, in addition to offering another complementary pension plan to the employees without it.

The new complementary pension plan, in its final stage of approval by the official jurisdictions, involves a variable or mixed contribution of a strictly provident nature. It has defined risk benefits, minimum benefit guarantee, option for lifelong income and a contribution defined annually by the participant.

The Petros Plan is closed to the participation of new employees, which have a life insurance contracted and paid by the Company, with term until a new complementary pension model is defined. Some of the services offered in the plan are retirement (disability, age, time of employment), sickness benefit, annual bonus

(Christmas bonus supplement), death pension, and so on.

The Multidisciplinary Health Care (AMS) is provided to employees, retirees and pensioners, including their dependents. It is part of a network with more than 20,000 accredited institutions in Brazil, including hospitals, clinics, laboratories and special medical units. The beneficiaries can also, in the free choice option, to choose professionals outside this accredited network. It also includes complementary services for diagnosis and high cost treatment, such as transplants and HIV/AIDS treatment.

In compliance with the Collective Labor Agreement, in December the Company introduced the pharmacy benefit, which offers special conditions for procuring medication, which may be bought in registered drugstores all over Brazil. Some of the special conditions are discounts, total or partial subsidy, discounting the expenses in the payroll or from retirement/pension proceeds of the benefit holder.

The Home Care Program (PAD) provides care in the home of the beneficiary, providing comfort, quality and safety. It is designed in cases where temporary special care is required, when it is not possible clinically to move the patient from the home to the accredited institution.

The Special Care Program (PAE) is offered to employees, retirees and pensioners to give a better quality of life to their disabled children and provide special care and educational resources. It attends children with disability (with physical, visual, hearing, mental and multiple impairment), with global development or attention-deficit hyperactivity disorders.

Petrobras offers various help programs to the employee with regard to physical and psychological health, retirement preparations, anti-stress and so on. The Petrobras educational allowance policy establishes criteria for giving aid toward the formation and instruction of the children of employees registered

in the Company. These benefits include an allowance for nursery daycare, companion, preschool assistance, and fundamental and secondary schooling.

The Company provides a rent guarantee letter to facilitate its employees to rent a place to live. When the beneficiary fails to pay the rent, it is discounted in favor of the landlord.

The aim of the Retirement Preparation Program (PPA) is to make it easier for the Company employee to decide when it is best for him or her to retire. The Program offers guidance and counsel, helping to eliminate fears and insecurities. The PPA has a basic structure that can be adapted, whenever required, to specific local conditions. In some cases, it includes follow-up after retirement or encourages entrepreneurialism to increase the possibility of new activities.

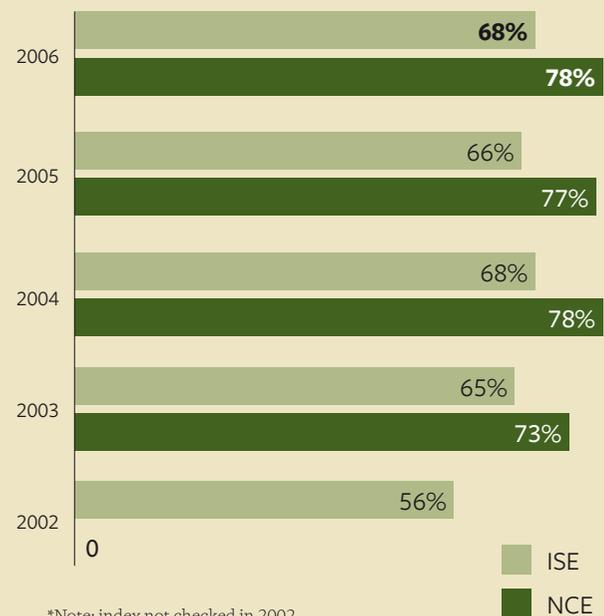
One of the AMS services is the Retiree Health Assessment Program (Pasa), created to encourage retirees to take care of their health. The program is undertaken using medical assessments that seek to detect diseases and alterations in the state of health in the early stages, in order to take measures in plenty of time to eliminate or minimize more serious problems or after effects. ✨

## ORGANIZATIONAL AMBIENCE SURVEY

The Organizational Ambience Survey 2006 recorded a significant increase in the Employee Satisfaction Index (ISE) and Commitment Level to Company (NCE), which were the same as the landmarks of 2004. The ISE, responsible for measuring the organizational environment in the Company was 68%, two percentage points more than in 2005. Every factor in the index increased in 2006. They are benefits, communication, team spirit, leadership, recognition and reward, working relationship, remuneration, health and safety in the Company, training and development. The NCE was up one percentage point to 78%.

More than 36,000 employees provided voluntary and confidential answers to the research, considered by the consulting firm of the Rio de Janeiro Catholic University (PUC-Rio) as the largest of its kind in the world. The survey offers room for free comments, which total 12,507 responses. The results are disclosed every year to the employees and analyzed for proposing improvements in the Company.

ISE AND NCE PERFORMANCE (2002-2006)\*



# Labor RESPECTING CLAIMS

**PRINCIPLE 3** Businesses should uphold freedom of association and the effective recognition of the right to collective bargaining

## Bargaining leading to collective agreement

THE COLLECTIVE LABOR AGREEMENTS (ACT) SIGNED BY PETROBRAS AND ITS SUBSIDIARIES WITH THEIR RESPECTIVE TRADE UNIONS COVER 100% OF EMPLOYEES IN BRAZIL. PETROBRAS HOLDING HAS ONGOING DIALOGUE WITH THE OIL WORKERS' UNION FEDERATION (FUP) THAT REPRESENTS THE 17 UNIONS OF THE PROFESSIONAL CATEGORIES IN PETROBRAS. THE CONTINUING BARGAINING PROCESS WITH THE TRADE UNIONS MEETS EMPLOYEE EXPECTATIONS FOR THE COMPANY TO BE ABLE TO ATTEND THEIR CLAIMS, WHICH FACILITATES SIGNING A SATISFACTORY COLLECTIVE LABOR AGREEMENT FOR BOTH PARTIES. BARGAINING WITH THE UNIONS PRODUCES JOINT SOLUTIONS AND TRANSPARENCY IN LONG-TERM OBJECTIVES AND IN DISSEMINATING THE RESULTS, AS PROVIDED IN THE COMPANY'S STRATEGIC PLAN.

In 2006, this process used the collective labor agreement signed the year before for a two-year term as reference, except for the economic clauses. This was the focus of the bargaining between Petrobras and employee representatives, who agreed to a wage adjustment of 2.80%, a level advancement in career for all employees and an 80% bonus of on the remuneration based on productivity. The index restored the wage losses incurred with inflation measured by the ICV-Dieese index. The committees for AMS, HSE, outsourcing, work regime and ACT follow-up, provided in the collective labor agreement, extended the ongoing bargaining process with the unions.

Internationally the percentage of employees under collective agreements varies according to the country. In Argentina, the



→ **The right to freedom of collective association is assured in Petrobras.** In item 2.5 of the Company's code of ethics explicitly acknowledges the right to free association of its employees.



Workers at the Duque de Caxias refinery (REDUC) – Rio de Janeiro State

index is 41.11%, that is, 1,823 employees are covered by these agreements. Trade unions in the workplace are permitted by law, and they play an important role in controlling work conditions. Given the prevailing laws of that country, some employees are union and others non-union members. The Company interacts with union representatives and participates in activities and bargaining when requested. In the case of non-union member employees, the possibility is assured of setting up committees and presenting proposals which are assessed. In Uruguay, this policy is in accordance with the country's prevailing legislation: the bargaining process is controlled by the Ministry of Labor, which negotiates with representatives of all categories. In the case of Petrobras employees, only the gas workers are union members. The other units and distributors have an agreement with each wage bargaining group. Collective agreements, therefore, cover 60% of Conecta and Montevideo Gas employees.

In Bolivia, union activities have only now begun, therefore, there still are no collective agreements. In Libya, they involve 26% of the employees. Angola has no trade unions. In the African country the Petrobras managerial staff adopted an "open door" policy for the internal public in order to create a dialogue channel with the workers. In Paraguay, the Company recognizes the free role of the trade union and provides the necessary information for discussions and bargaining.

Although there is an ongoing dialogue with its internal public through FUP and the trade unions, Petrobras Holding did not employee representatives participating in management committees or strategic decisions in 2006. In Petrobras Distribuidora, in addition to its trade union relations, periodical meetings are held between the subsidiary CEO and members of specific committees, for example, HSE. It is also customary to hold four monthly meetings with the Human Resources management. In Transpetro,

# 80%

of the remuneration was the percentage granted as a bonus for productivity.



union representation has an open communication channel with the Company and participates in the periodical collective agreement follow-up meetings. The policies can also vary in the rest of the world. In Colombia employees can participate in different management committees, while in Argentina the policy is the same as prevailing in Brazil. In 2006 no operations were found that would endanger the right of freedom of association and collective bargaining.

The Company always announces its operations and results, as well as the rights and duties of its internal public, in corporate house organs. Moreover, the Petrobras System has a code of ethics in which it publicly positions its values and commitments and defines the codes of conduct for employees and outsourcees, also adopted by the subsidiaries. The document, which is the subject of a massive publicity campaign, was distributed to all workers and can also be consulted on the web. Employees are also kept informed about profit and income sharing, wage agreement and promotions, and they participate in campaigns on occupational safety and information security.

The units abroad have their own information channels for internal public relations and disseminating their policies, as in the case of the units in Mexico, Ecuador and Libya. In Argentina, the employees can be informed about their rights and duties through the intranet, call center and messages, for example.

The processes also vary in the cases of Petrobras announcing operational changes in its units, in the terms of collective agreements. Petrobras Distribuidora has been informing, in the short run – one to three months – any operational change arising from decisions negotiated in a collective agreement. The unions, on the other hand, have 72 hours to inform Petrobras Holding about movements to stop activities.

In the international area, the communication deadlines by

Petrobras of any change in the operational units vary with local laws and regulations. In Peru, the deadline is 30 days. In Argentina, no minimum term has been formally established. But it can only apply immediately if the internal operational changes do not alter workforce relations. Otherwise the term is negotiated and changes are usually made 30 days after the end of the talks.

In the past three years there have been no strike movements in Petrobras Holding. There was only one strike movement in the international units in MontevideoGas in Uruguay, where a protest of the union stopped company sectors on a shift basis for about one hour. Stoppages occurred after the company decided to move 24 employees from the administrative area to new facilities in the general management building of the Petrobras Unit in Uruguay.

Petrobras is undergoing a situation of growth in all its areas. The continuing expansion process is intensifying the recruitment of new employees rather than layoffs. In this scenario, in the case of surplus personnel, Petrobras tries to reallocate the personnel in other departments of the Company, preferably in the region, or outside it, retraining when necessary, maintaining the standard incentives to facilitate mobilization of the employees from one region to another.

Commitments to the internal public involve questions involving layoff practices. There is a specific chapter in the collective labor agreement that addresses job security. The guarantee that the decisions are taken based on professional assessments and so as to assure the impartiality of the decision is also extended to the subsidiaries. In the event of having to downsize, the Company may adopt the retirement incentive program, offering advice for reallocation in the labor market and keeping benefits for a certain time for the worker laid-off without just cause. Abroad, the Company has Argentina as an example, which has a program to solve personnel layoff situations in the event of a

**NUMBER OF EMPLOYEES IN PETROBRAS HOLDING BY JOB TYPE**

<b>Senior Level</b>	<b>14,809</b>
<b>Intermediary Level</b>	<b>33,146</b>
Exploration/Fluids/Operation/Shale	12,400
Pipelines/Marine transport services/Shifting production	2
Operational support	13,739
Administrative support	6,112
Supplies	12
Offshore	881
<b>TOTAL</b>	<b>47,955</b>

Company decision or retirement

Some international units adopt specific procedures. In the USA, dismissal is discussed with the general manager of the unit and the reasons for the decision closely examined. In Angola, the decision is taken by a mixed committee consisting of local and expatriate employees to investigate possible functional irregularities. ✨

# Labor

## CONTRACTING IS BASED ON LEGAL CRITERIA

**PRINCIPLE 4** Businesses should uphold the elimination of all forms of forced or compulsory labor

### Official ban on forced labor

SLAVE LABOR AT ALL LEVELS IS BANNED IN PETROBRAS AND ANY UNFAIR COMPETITION PRACTICE, FORCED OR COMPULSORY LABOR IS REJECTED. IN THE SELECTION PROCESS FOR HIRING SUPPLIERS THE COMPANY ADOPTS STRICTLY LEGAL AND TECHNICAL CRITERIA OF QUALITY, REQUIRING AN ETHICAL PROFILE IN ITS PRACTICES OF MANAGEMENT AND OF SOCIAL AND ENVIRONMENTAL RESPONSIBILITY. MOREOVER, THE CONTRACT INSPECTOR PERIODICALLY CHECKS THE CONTRACTOR'S COMPLIANCE WITH ALL CONTRACTUAL CLAUSES. THERE IS NO FORCED OR SLAVE LABOR WITHIN THE PETROBRAS STRUCTURE, EVEN MORE SO DUE TO THE VERY NATURE OF ITS ACTIVITIES AND THE INTERNAL AND EXTERNAL CONTROLS, AS WELL AS ITS ACTIVE PARTICIPATION IN THE TRADE UNIONS.

Rejection of forced labor is also expressed in the Petrobras code of ethics and in regulatory documents, as, for example, in the items of the general material supply conditions. The international units adapt to the conducts expressed by the guidelines from the head office.

Petrobras Holding and Petrobras Distribuidora joined the National Pact for Eradicating Slave Labor in Brazil, a project of the Ethos Institute for Social Responsibility, in conjunction with the International Labor Organization (ILO). After joining, the clause was approved and included in all contracts signed by the Company, forbidding the use of manpower in degrading work.

In addition to the general regulations, each area of the Company may prepare its own mechanisms to ensure respect for the regulations set by the contractors. The Exploration and



Natural gas liquefying plant operated by GasLocal – Paulínia, São Paulo State



→ Rejection of forced labor is also expressed in the Petrobras code of ethics and in regulatory documents, such as, the general material supply conditions.

→ Petrobras signed the National Pact for Eradicating Slave Labor in Brazil, created by the Ethos Institute, in conjunction with ILO.

Production area, for example, set up a permanent Outsourced Company Inspection Committee (Cfet), consisting of representatives of Petrobras and the Oil Workers' Union (Sindipetro). This committee systematically undertakes onsite audits in the business unit facilities to check compliance of the contract clauses. ✨

## Labor

# GUARANTEEING THE RIGHTS OF THE CHILD AND ADOLESCENT

**PRINCIPLE 5** Businesses should uphold the effective abolition of child labor

## A child's place is in school

PETROBRAS BANS THE USE OF CHILD LABOR IN ITS OPERATIONS AND SUPPLIER CHAIN. MOREOVER, THE COMPANY, IN PARTNERSHIP WITH CIVIL SOCIETY ORGANIZATIONS AND PUBLIC AUTHORITIES, IN BRAZIL AND IN THE OTHER COUNTRIES WHERE IT OPERATES, INTEGRATES RESOURCES AND KNOW-HOW IN ORDER TO HELP OVERCOME POVERTY AND RE-AFFIRM RESPECT FOR HUMAN RIGHTS.

In 2006, Petrobras Holding and Petrobras Distribuidora reiterated this agreement when they were again awarded the seal of a “Child-Friendly Company” by Abrinq Foundation, for fulfilling the ten agreements to guarantee the rights of the child and adolescent. Through it the Company agrees to abolish any irregularities in its labor and commercial relations that fail to comply with the Foundation’s guidelines.

Another strong point is the Siga Bem Criança Program (On the Right Road). Since October 2003, in conjunction with the Special Human Rights Bureau (SEDH), the Company ran explanatory and awareness campaigns for truck drivers against child labor and sexual abuse on the highways, where there is a high incidence of this kind of crime.

### AGAINST CHILD ABUSE

Although Petrobras Holding does not find risk operations at its own facilities, the concern on the issue at all levels is permanent.

Petrobras agrees in its code of ethics to select suppliers and service providers that refuse practices of child labor and any other practices against its principles and values. Contracts





# 48.6 million

**REAIS:**  
RESOURCES TRANSFERRED  
FROM PETROBRAS TO FIA



**Young athletes from the Mangueira Olympic Village project – Rio de Janeiro**

with a specific clause on forbidding child labor require the same from the suppliers' production chain. Companies, for example, that fail to fulfill the regulations stipulated by the Company and Brazilian law are liable for fines and rescission of contract. To curb irregularities, Petrobras does periodic inspections to check full compliance of these requirements.

The Gas and Energy area, for example, has adopted a proactive attitude. Specific clauses guarantee that supply agreements for agricultural inputs in biodiesel production are free of any child exploitation. This means that the operations with a higher risk of using child labor, such as planting, harvesting, transporting and storing the harvest, will be guaranteed to have no irregularities.

The procedure is the same in the other countries where Petrobras operates. In Argentina, in 2004 Petrobras Energia signed the "Declaration of Argentinean companies against child labor".

## FUNDS FOR FIA

The Company, in conjunction with SEDH and the national, state and local councils on the rights of the child and adolescent, by transferring resources to the Fund for Childhood and Adolescence (FIA), supports various projects against child labor, child sexual abuse and to encourage the young to acquire professional skills, as well as actions to reduce the school dropout rate and include the disabled. The sum transferred to FIA in 2006 was R\$ 48.6 million. Some of the projects worth mentioning are:

The Caminho da Cidadania project (Road to Citizenship), developed in the town of Artur Nogueira, upstate São Paulo, in partnership with the Love and Charity Spiritualist Group, offers cultural, sports, psychosocial and educational activities for children and adolescents in the 6-13 age group. In 2006, 11,364 children were trained in the information technology area, 9,111 in handicraft, 6,684 in physical education, 7,026 in music, 5,139 in

## 10 AGREEMENTS OF THE “CHILD-FRIENDLY COMPANY” SEAL OF THE ABRINQ FOUNDATION

- 1. To say no to child labor, refusing to employ minors under 16-year old, except as apprentices from 14 years old on.
- 2. To respect the young worker, refusing to employ under 18-year olds in night, hazardous or unhealthy working conditions.
- 3. To warn its suppliers in a contractual clause or other instruments, that a proven complaint of child labor may break up the commercial relationship.
- 4. To provide a nursery daycare or nursery daycare allowance for employees’ children.
- 5. To ensure that employees enroll their children under 18 years old in fundamental schools and do their utmost for them all to attend school.
- 6. To encourage and help pregnant employees to do prenatal care and inform all female employees on the importance of this measure.
- 7. To encourage breastfeeding, providing conditions for employees to be able to nurse their children until at least six months old.
- 8. To instruct its employees to register the birth of their children.
- 9. To make a social investment in the child or adolescent compatible with the size of the business, as stated by Abrinq Foundation.
- 10. To contribute toward a Child and Adolescent Rights Fund with 1% equivalent of the income tax due, in accordance with the company’s estimated taxable profit for the year.

school reinforcement and 3,420 in reading.

The Paracuru Dance project in the town of Paracuru, Ceará state, in partnership with the Action, Art and Dance Association, trains more than 45 children and adolescents in dancing skills. Outstanding students are sent to the Dance Company that holds shows throughout the state.

### JOVEM APRENDIZ PROGRAM (YOUNG APPRENTICE)

The young, dependent on their professional emancipation and aware of the potential of personal development. This is the key idea of Petrobras Jovem Aprendiz program, which offers a space of new opportunities for professional training and occupational education. The program is based on Brazilian Law 10,097/2000, which forbids any work for under 16-year olds, except as apprentices with an agreement for a certain term, in which the employer guarantees apprenticeship and technical-professional training compatible with moral, physical and psychological development.

Regarding so, 2,555 young people from high social risk families in 15 states and 47 municipalities have all their labor rights guaranteed, such as the national minimum wage, travel and luncheon vouchers. All of them are hired by the Procefet Foundation in partnership with the Federal Technological Learning Center in Rio de Janeiro (Cefet-RJ), Abrinq Foundation, and the National Industrial Apprenticeship Service (Senai). The program involves 25 non-governmental organizations (NGOs) and 306 Petrobras employees acting as local coordinators and instructors. ✨

# Labor

## DIVERSITY AND EQUALITY

**PRINCIPLE 6** Businesses should uphold the elimination of discrimination in respect of employment and occupation

### No prejudice or discrimination

IN ACCORDANCE WITH THE COMPANY'S CODE OF ETHICS RELATING TO ITS EMPLOYEES, THE PETROBRAS SYSTEM AGREES TO "RESPECT AND UPHOLD DIVERSITY AND FIGHT AGAINST ALL FORMS OF PREJUDICE AND DISCRIMINATION, THROUGH A TRANSPARENT POLICY OF RECRUITMENT, TRAINING, CAREER ADVANCEMENT, OCCUPATIONAL PROMOTION AND DISMISSAL. NO ACTUAL OR POTENTIAL EMPLOYEE WILL BE TREATED IN A DISCRIMINATORY FASHION AS A RESULT OF RACE, COLOR OF SKIN, ETHNIC ORIGIN, NATIONALITY, SOCIAL STATUS, AGE, CREED, GENDER, SEXUAL ORIENTATION, PERSONAL APPEARANCE, MENTAL, PHYSICAL OR PSYCHIC CONDITION, MARITAL STATUS, OPINION, POLITICAL CONVICTIONS, OR ANY OTHER FACTOR OF INDIVIDUAL DIFFERENTIATION".

The Company promotes an integrated business culture, respecting values and with individual professional advancement in the various countries where it operates. Petrobras recruits employees in Brazil by means of a public selection process ruled by regulations complementary to the prevailing legislation that define criteria, guarantee fitness and fairness and make admission to the Company accessible to anyone who fulfills the set requirements.

Petrobras has a level advancement and promotion process that provides for all employees to participate, based on widely disseminated criteria. The code of ethics confirms that equal opportunities must be offered to all employees, in every policy, practice and procedure. It also states that individual merit, ruled by performance assessment, must be used as the sole criterion for job promotion. The preparation of the assessment criteria and job



Ilha d'Água terminal  
— Guanabara Bay,  
Rio de Janeiro

# 41,291

men and 6,664 women  
total the Petrobras  
Holding payroll

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progression is accessible to the employee, who is guaranteed the right to know about and be represented in the process.

In November 2006, the Petrobras Management Committee for social and environmental responsibility extended the Gender commission's coverage topic to now include, among its attributes, the diversity issue. Under the title of Diversity commission, it is in line with the Company's commitments toward protecting human rights, acknowledging the principles of non-discrimination and furthering equality. The commission continues under the coordination of the Petrobras Ombudsman's office and includes representatives from all business areas of Petrobras as well as Petrobras Distribuidora, Transpetro and Petros.

Today there is no specific policy for the promotion of women and other traditionally excluded groups.

The code of ethics states the agreement of Petrobras to provide official channels to collect and process suggestions from employees, in order to improve the internal management processes. The Ombudsman's office offers a confidential mean for employees, clients, suppliers and citizens to send any kind of opinion and request, including complaints and claims.

As an example of a response to accusations of discrimination, Petrobras Distribuidora, which had two registrations, created the "Citizen Debating Round". In turn, Transpetro received a complaint of discrimination against a hired employee, which was forwarded to the management responsible for the proper measures, with feedback to the complainant about the measures taken by the management. In the overseas Petrobras units there were no complaints of discrimination. In Petrobras Holding, they are added to the other requests received by the Ombudsman's office.

## MOBILIZATION AND CONSCIOUSNESS

Petrobras holds training courses and seminars for the internal pub-

lic in order to promote consciousness and respect for diversity. In September, the Petrobras Ombudsman's office organized the seminar on "Corporate Environments and Gender Equality: New Forms of Management and Relationship in the 21st century", in order to disseminate in the business world issues relating to furthering gender equality and its positive implications in the work place.

The Company agrees to open its internal communication channels to relevant articles on gender and diversity. All training, recycling and development courses of the supervisors include the topic.

The 1st Festival of Afro-Brazilian Culture, Dance and Music sponsored by Petrobras, from November 21 to 26 in Rio de Janeiro included in its program performances, cultural workshops, an art exhibition and the seminar "Inclusion and Reality". The seminar discussed the history, culture and reality of the Afro-descendants in Brazilian society.

The Company includes its production chain in activities valorizing diversity, involving it for a joint discussion on the subject. The seminar "Gender and Ethnicity: The Challenges of Social Responsibility" was held in November to discuss social responsibility with regard to race and gender inequalities, violence against women and all forms of discrimination and social exclusion. The event was organized by the Center for Documentation and Information on Women's Issues (Cedoicom), in partnership with Petrobras, and was open to the workers, companies and organized civil society.

The Company also sponsored the 1st Latin American Legal Media Seminar in October in Rio de Janeiro, with leaders from civil society, rights councils and the department of justice from 15 Brazilian states and nine South American countries. The purpose of the event, organized by the Escola de Gente - Comunicação em Inclusão (Our School - Communication in Inclusion) and the college of the federal department of justice (MPU), was to contribute

to building inclusive public policies on the region, enrolling the issue of discrimination, specially concerning childhood, as a crime and violation of human rights on the Ministry's agenda.

One of the results of the seminar was the collective production of the document 'It is a Crime to Discriminate'. The purpose of the charter written by 28 civil society organizations from six countries, three national councils and 19 representatives from South American departments of justice is to contribute so that countries honor non-discrimination treaties.

## INTERNAL DIVERSITY

In December 2006, Petrobras Holding began the Petrobras Census to obtain accurate data about its employees on questions of diversity by classifying certain social groups (social classes, households, regional origin, etc.). The census objectives are to collect key information for preparing policies and programs focusing on priority actions for management, updating the list of employees, and charting the socio-cultural diversity in the Company.

The result of this work is expected in 2007 and will provide information to help assess processes, policies, requirements, crisis situations or critical areas in relation to racial and gender equality. After the Petrobras Census is completed, it will be possible to have more accurate information, for example, on the percentage of Afro-descendent employees in the Company and their participation in executive, coordination and senior positions.

Of the total 47,955 employees Petrobras Holding has 41,291 men and 6,664 women on its payroll, plus a turnover of 8.92%. The turnover for men is 8.27% and for women 12.93%. The employees with the highest turnover are in the 26-30 age group (5.42%) and the lowest are over 60 years old (0.13%).

The turnover rate distinguished by region is available in the Company's Human Resources area. ✨

→ In November 2006, the **Management Committee for Social and Environmental Responsibility** extended the **Gender Commission coverage** to now include, among its attributes, the diversity issue

→ The **commission continues under the coordination of the Petrobras Ombudsman's office** and includes representatives from all business areas in Petrobras as well as Petrobras Distribuidora, Transpetro and Petros.

# Labor | PRINCIPLE 6 GENDER EQUALITY



Business unit  
laboratory  
for shale  
manufacturing  
— São Mateus do  
Sul, Paraná

## Focus on strategic areas

PETROBRAS IS IN LINE WITH THE GENDER POLICIES PROVIDED IN THE NATIONAL PLAN FOR WOMEN'S POLICIES (PNPM), WHICH ARE STRUCTURED AROUND FOUR STRATEGIC WORKING AREAS: AUTONOMY, EQUALITY IN THE WORKING WORLD AND CITIZENSHIP; INCLUSIVE NON-SEXIST EDUCATION; WOMEN'S HEALTH, SEXUAL AND REPRODUCTION RIGHTS; AND FIGHTING VIOLENCE AGAINST WOMEN. THE PLAN WAS BASED ON THE PRESIDENTIAL DECREE DATED JULY 15, 2004, WHICH CREATED AN INTER-MINISTERIAL WORKING GROUP. THE SET OF ACTIONS DEVELOPED IN THE PNPM WILL BE COMPLETED BY 2007.

The Company encourages fostering gender equality in its production chain and invests in projects in various communities for this purpose.

In June Petrobras signed the agreement to adopt the Pró-Equidade de Gênero Program (For Gender Equality), instituted by the Brazilian government through the Secretariat for Women's Special Policies (SPM). The objective of the program is to encourage development of new viewpoints in people management and a new culture to offer equal opportunities for men and women in the workforce. The involvement of Petrobras confirms its effort toward eliminating all forms of discrimination in access, remuneration, advancement and permanence in the job.

The Company participates actively in the Permanent Gender Committee of the Ministry of Mines and Energy and its affiliates. The committee has 14 public companies representing the electric power sector and aims to plan, develop and monitor policies and to install projects on the subject.

→ Petrobras did the **first gender survey of its kind among workers employed in the Brazilian oil and gas sector.** The survey was answered by 57.5% female and 47.9% male employees of the Company.

In recognition of the Company's actions in furthering equal opportunities for men and women, in December SPM awarded Petrobras and another ten companies in the public sector the For Gender Equality Seal 2007. The idea of the seal is to foster citizenship and spread good gender equality business practices.

The Petrobras Gender Survey was undertaken between January and February 2006 to learn more about the reality of its workers from the point of view of differences between men and women. The survey is the first of its kind among workers employed in the Brazilian oil and gas sector and was answered by 57.5% women and 47.9% men working for the Company.

The survey involved spontaneous participation and was by electronic media to guarantee anonymity of the respondents. Some of the topics addressed are harmonization of professional obligations and private life, knowledge about available channels and procedures in cases of discrimination, professional mobility and remuneration, moral and sexual harassment and domestic violence.

In Petrobras Holding, 13.9% of all employees are women and this means a considerable increase in women's participation compared to 2005 (12.6% of the total). In Petrobras Distribuidora, the figure is 22.87% and Transpetro has 8.96%. In Nigeria 43.5% of the total are women.

The board of directors is chaired by Dilma Vana Rousseff, the current Presidential Chief of Staff. The percentage of women on the board is 11.1%.

The base-wage proportion between men and women in Petrobras is quite balanced. The ratio is 50% for intermediary positions (50% for employees and 48% management positions) and 47% at a senior level (47% for employees and 48% management positions).

The benefit of the Multidisciplinary Health Care (AMS) has widespread coverage with women's health care, including special

medical care in gynecology, obstetrics, mastology and prevention, diagnosis and treatment of women's diseases. The periodic examinations have specific adaptations for attending women.

Legal compliance in terms of maternity protection is fulfilled and in some cases exceeded. Pursuant to clause 396 of the Labor Law Consolidation (CLT), the nursing employee is entitled to two half-hour rests a day, over a period of six months. Petrobras Distribuidora reduces their working day by two hours for employees in this situation over a two-month period. The policy against discriminations in Petrobras is comprehensive and guarantees pregnant women and employees with small children access to processes such as recruitment, promotion and internal mobility.

Company employees work flexi-hours, which enables them to manage their hours worked, within certain limits, and balance their free time. This flexibility permits them to meet some family requirements such as prenatal care and enjoying the children's early years.

Petrobras also offers educational benefits that contribute to the formation and education of the employees and their children. The nursery daycare and companion allowances are designed especially for female employees who return from maternity leave and for single, widowed, separated or divorced employees who have custody of their children.

In Colombia, the local law provides paternity leave so that the fathers can be away from work for two weeks to accompany their wives and children, within the 84-day maternity leave. In Bolivia, the law states that a pregnant woman receives a food subsidy from the fifth month of pregnancy until the baby is one year old.

## THE DISABLED

Petrobras complies with the 1999 Decree no. 3298, which reserves 5% of vacancies offered in the public selection processes to the

disabled. There are 1,009 disabled employees in Petrobras Holding in Brazil, Petrobras Distribuidora and Transpetro.

The Committee for Protection of the Disabled of the Rio de Janeiro State Legislature (Alerj) acknowledged the Company’s role in promoting the disabled by rewarding it the Alerj Efficient Corporate Partner of the Disabled Prize. The three main buildings of Petrobras in Rio de Janeiro (Edise, Horta Barbosa and Torre Almirante buildings) have been awarded the Alerj Top Grade Accessibility Certificate.

Petrobras offers the Special Care Program (PAE) to its AMS-registered employees, retirees and pensioners with disabled children. Every year the PAE workshops are run involving simultaneous activities in various Petrobras units to discuss the issue and integration of the workforce. The theme of the 2006 PAE workshop was “Capacity building to achieve – the world has a place for everyone “.

**HIV/AIDS**

In 2006, the Petrobras HIV/AIDS corporate policy was approved and disseminated, with the basic principles of non-discrimination in the workplace, confidentiality and counseling and health care, for example.

The policy provides directives on HIV/AIDS during occupational examinations, encourages the adoption of safe behaviors, provides basic information for the workforce and encourages spaces for reflection.

The tests for detecting the HIV virus are not carried out in Petrobras at the pre-recruitment assessments as a criterion of exclusion of candidates, nor as an integral part of routine aptitude tests for work. Petrobras arranges for diagnosis tests for employees and their dependents at their voluntary request.

Any health information of an employee with HIV/AIDS is

PERCENTAGE OF WOMEN			
	2004	2005	2006
Petrobras Holding	12.4	12.6	13.9
Petrobras Distribuidora	22.16	22,51	22,87
Transpetro	7.36	7.83	8.96

PERCENTAGE OF WOMEN IN RELATION TO TOTAL AVAILABLE POSITIONS		
	Senior positions	Coordination and command
Petrobras Holding	12	12.4
Petrobras Distribuidora	23.1	19.1
Transpetro	0	2

confidential, property of the individual and kept in the Petrobras health area. This employee must not be removed, and should remain in activities appropriate for his clinical condition, monitored by the Company’s health area, in agreement with his own physician. Petrobras pays 100% of the medication for HIV/AIDS treatment of AMS beneficiaries.

Petrobras offers all workers educational activities on the subject, as support for the official health authorities’ campaigns.

**OUTSOURCED WORKERS**

Petrobras has 176,810 outsourced workers and 686 interns. The Petrobras code of ethics has a set of specific provisions for relations with suppliers, service providers and interns. Thereby the Petrobras System agrees to provide the employees of service providers and its interns, during their work, the same occupational health and safety conditions offered to its own employees. Petrobras requires that all its contractors offer health plan coverage for their workers and dependents.



Citizenship through Sport project  
– Rio de Janeiro

Outsourced workers do not have access to the same benefits as employees. They are offered the rights and benefits given by the service providers. It is not up to Petrobras to negotiate a plan of positions and wages of its suppliers. The Company selects and hires suppliers and service providers based on strictly legal and technical criteria of quality, cost and punctuality. However, it also requires an ethical profile in their practices in management and social and environmental responsibility.

Physical plant and internal events, such as cultural shows and commemorative events are spaces where employees and outsourcees can integrate. ✨



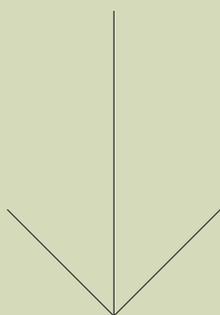
**MIRIAN M. IKEDA**

Biologist, educator for the IPE  
Environmental Education Program  
(Institute for Ecological Studies)  
— Pontal do Paranapanema,  
Sao Paulo State

**OUTLOOK:** To continue in the project,  
working to change the life of others,  
helping them to build their dreams.

“With Petrobras sponsorship we achieved the political commitment to preserve the environment, community participation, to generate income and even change the landscape. The project made Pontal a better place for everyone.”

# Environment



PRINCIPLE 7 **86**  
Businesses should support a precautionary approach to environmental challenges

PRINCIPLE 8 **98**  
Businesses should undertake initiatives to promote greater environmental responsibility

PRINCIPLE 9 **116**  
Businesses should encourage the development and diffusion of environmentally friendly technologies

The Petrobras strategy for environmental protection is based on reducing pollutant emissions in the atmosphere, increasing ecoefficiency of its internal production processes and developing alternative sources of energy. In 2006, the Company set annual corporate goals so that by 2011 it would prevent the emission of 18.5 million tons of CO<sub>2</sub> equivalent into the atmosphere. This year R\$ 1.3 billion was also invested in actions to improve the environmental aspects of the Company, in addition to investments in sponsorship for environmental projects in Brazil and abroad. The Company has a specific environmental policy that integrates its 2015 Strategic Plan and 15 corporate guidelines for the business performance striving for excellence. The directives are detailed in 79 environmental management requirements and are prepared for compliance with international standards. Petrobras believes that environmental responsibility — in addition to compliance with legal requirements — means investing in valorization, preservation and restoration of the environment and associating community and workforce well being with economic and technological development. Some examples are: Podium diesel, a fuel that produces less particulate and smoke emission; the new H-Bio refining process, which produces a less polluting diesel fuel; and ethanol production from vegetable waste, which also performs the task of creating conditions of economic development for the small producers.

# Environment

## PRESERVATION OF LIFE

**PRINCIPLE 7** Businesses should support a precautionary approach to environmental challenges

### A question of survival

THE YEAR 2006 WAS YET ANOTHER LANDMARK IN THE CONSCIOUSNESS OF SOCIETY TOWARD THE IMPACTS OF ENVIRONMENTAL DETERIORATION ON THE QUALITY OF LIFE AND EVEN ON THE SURVIVAL OF THE HUMAN SPECIES ON EARTH.

During this year, news and information about extreme climate events, fewer natural resources such as water, arable land, fish inventories and forests, biodiversity losses of a wide variety of ecosystems, as well as accumulation of scientific evidence holding a large part of human activities responsible for these phenomena, occupied even more space in newspapers, magazines, television, and even the movies.

Environmental topics, particularly global climate change, the predictable water shortage and biodiversity losses have in 2006 irreversibly increased their participation on the agenda of discussions of practically all organizations representing society, including governments, non-governmental organizations, professional associations and universities. The consciousness that the existence of our species depends on the quality of interactions with the environment has intensified, and actions of environmental preservation involving even new consumer habits must be adopted immediately.

At the same time, there is a clearer perception of the key role that businesses play and of the real contribution that they can offer to assure a healthy environment for the next generations. In 2006, there now is a deeper conviction that society, even more so by changes in market profiles, will grant and guarantee the “license to operate” only to those companies effectively com-



Piatam Project researchers  
– River Solimões, Amazonas State



AN INVESTMENT OF  
**1.3**  
**billion**  
REAIS DURING 2006 TO  
IMPROVE ENVIRONMENTAL  
ASPECTS OF THE  
COMPANY OPERATIONS



mitted to integrating the principles of social and environmental responsibility in their business.

Companies in the oil, gas and energy sector are particularly sensitive to such questions raised by society, because of the very characteristics, extent and social importance of their business. On the other hand, they are conscious of their potential impacts on aspects such as climate change, water resources and biodiversity and, at the same time, of their capacity in financial, managerial and technological terms to contribute effectively to environmental preservation and rehabilitation.

In this scenario, Petrobras reaffirms its strategic commitment to combine economic growth with protection of the ecosystems in every country where it operates, as expressed in its mission, vision and values. This definition is reflected in the adoption of corporate policies; planning systematics, approval and follow-up of investment projects; taking over new businesses; management of processes and activities; and the development of environment-protection programs and actions.

In 2006, around R\$ 1.3 billion was invested in improving the environmental side of the Company's operations, consolidating the clear-sighted form with which it monitors its industrial activities and seeking to streamline its management system.

The Company's Health, Safety and Environment (HSE) policy, adopted in 2002 and ratified in the 2015 Strategic Plan, permeates the entire organizational structure of the Petrobras System as an integral part of the whole life cycle of the projects, products and services. The Company also has 15 corporate guidelines created in 2001, which are detailed in 79 directives. A management standard was also prepared for each guideline, comprising the Health, Safety and Environment Management Handbook, still being implemented in the business units.

The conducts are applied to all markets where Petrobras

<b>TOTAL EXPENSES AND INVESTMENTS IN ENVIRONMENTAL PROTECTION</b>	
<b>Description</b>	<b>R\$'000</b>
Pollution-control equipment and systems	60,195
Risk assessment, programs against waste of raw materials and inputs, re-use and recycling, environmental expenditure on the Company's production/operation	116,117
Recovery, reforestation and other projects for degraded areas.	1,022,375
Other projects	142,320
Research & Development	18,421
<b>TOTAL</b>	<b>1,359,428</b>

Holding and its subsidiaries operate, also respecting the characteristics and peculiarities of the laws of the countries where the Petrobras System continues to operate.

HSE projects are integrated by their own governance system, consisting of specific managements, established at corporate levels of the areas, business units and subsidiaries, and a system of committees that also act in the different spheres. One of them worth mentioning is the Environment Committee, whose members are the chair of the board of directors and another two of its directors, with the goal to set up action lines and guidelines to integrate the HSE questions in the Company business.

These instructions permeate several items of the Company's code of ethics known to the entire workforce, in order to educate, train and commit the workers to the issues of health, safety and environment. Training courses, talks and meetings are held and intranet provides diversified information, including a link to fre-

## GUIDELINES FOR THE COMPANY'S HSE POLICY

The HSE corporate guidelines that are the basis for a series of relevant procedures and requirements in all dimensions of an oil, gas and energy company are:

1. Leadership and responsibility;
2. Legal compliance;
3. Risk assessment and management;
4. New projects;
5. Operation and maintenance;
6. Change management;
7. Goods and service procurement;
8. Capacity building, education and consciousness;
9. Information management;
10. Communication;
11. Contingency;
12. Community relations;
13. Accident and incident analysis;
14. Product management;
15. Process of ongoing improvement.



quently asked questions. Suppliers, communities, public agencies, organizations representing the workers and other stakeholders are also involved in consciousness and HSE management activities.

Adoption of corporate guidelines by the unit management systems is checked by the HSE Management Assessment Program (PAG-HSE), which also collects information about the necessary improvements. The analyses also provide support for the process of assessing compliance with the Sarbanes-Oxley Act, and evaluating fulfillment of the requirements of the international standards ISO 14001 and OHSAS 18001.

Besides taking precautionary actions — such as reducing to a minimum waste and emissions, assuring the workers' health and monitoring any deviation (non-conformities with procedures) and incident (events with impacts, but with little damage) —, Petrobras invests in guaranteeing readiness in emergencies.

The Company adopts the Principle of Precaution defined by the Rio Declaration on Environment and Development, sanctioned at the UN Conference on Environment and Development (Rio'92). One example of this is the impact assessment on climate change, which is being undertaken by Petrobras when analyzing new projects and moving its plant.

Emergency training programs are developed on a regional basis due to the large dimension of the Petrobras System. Each business unit has a local emergency plan covering the micro-region where it is located, in accordance with Resolution 293 of the National Environment Council (Conama). More serious accidents involve the six regional emergency plans for the whole of Brazil and include a number of the Company units.

In 2006, seven simulated exercises were carried out in Brazil and two in Argentina. In addition to the internal public, emergency training also relies on the participation of the civil defense, fire brigade, military police, environmental agencies, local govern-

ments and communities that may possibly be impacted.

In Brazil, the operating strategy is to integrate the local contingency resources with the vessels operating offshore and the Environmental Defense Centers (CDAs) of Petrobras. In a 24-hour operation throughout the week, the CDAs have skilled professionals and all the necessary equipment for rapid and efficient actions, such as oil collectors, and contention and absorption barriers. There are nine centers in the country, with six advanced bases in North, one in Northeast and two in Southeast Brazil.

The CDA close to the Governor Andre Franco Montoro international airport in São Paulo/Guarulhos has resources and logistics appropriate for supporting emergency actions in South American countries where the Company operates. Petrobras also keeps three vessels in ongoing operation dedicated to fighting emergencies in Guanabara Bay, offshore São Paulo and offshore Sergipe and Alagoas.

The Petrobras Emergency Response System uses the best international practices and standards in the market for crisis situations, and determines the responsibilities and attributes of the managers at different hierarchic levels, as well as the communication management procedures and care of victims and their relatives and communities in emergency situations. The disclosure practices follow the crisis communication policy in which the Company agrees to keep the public informed, with fast, objective and transparent communication on any situation implying risks for the community and environment.

The subsidiaries also participate in these programs. One example is Petrobras Distribuidora, which, because of the extent of its operating area, has around 140 local emergency plans, based on updated risk analyses and the standard defined by the Petrobras technical regulations. There is also the Emergency Transportation Plan (PET), which systematizes the combat against emergencies

→ Petrobras keeps the public informed in a fast, objective and transparent way on any situation implying risk for the community and environment.

in operations carrying fuel and lubes.

The Company also participates in Mutual Aid Plans (PAM), carried out to increase the operating capacity in the case of more serious accidents, forming a system in which a company can ask for help to others for rapid control in critical states of emergency. One example of this kind of initiative involving Petrobras System is the Belém PAM, in Pará, in which Transpetro and Petrobras Distribuidora subsidiaries are involved; Guanabara Bay (PEBG); Betim, in Minas Gerais; Campos Eliseos in Rio de Janeiro; and Araucária, in East Paraná.

In Northeast Brazil, Petrobras Holding and its subsidiaries Transpetro and Petrobras Distribuidora participate in the PAM in conjunction with the plants of the Camaçari Industry Committee (Cofic) in Bahia. And Lubnor, the Company's lube plant, works in conjunction with the plants situated in the area of Mucuripe port in Fortaleza, Ceará.

Similar care is taken to protect pipelines that carry significant portions of the Company's raw materials and products. The Pipeline Contingency Plans include companies that use the Transpetro and Brasken pipeline stretches and those situated along the Madre de Deus terminal in Landulpho Alves refinery (RLAM), where the partners are the town's civil defense, fire brigade and military and state highway police.

All international business units participate in PAM in the countries where they are located, such as, for example, Gulf Coast Association and Clean Caribbean Association, in the USA, and the contingency plan of Petróleos Mexicanos (Pemex) in Mexico.

To ensure the application of the environmental policy and corporate guidelines in its operating chain, Petrobras adopted a corporate standard for enhancing the HSE management in contracted services, applicable to every stage in the contracting process. In accordance with the directives, the inputs must not come

from illegal exploration of natural resources.

An assessment grade in HSE is given to each company enrolled in Petrobras, according to a self-assessment report submitted each year. This self-assessment process is based on a methodology developed around the Ethos Indicators and ISO 14001 and OHSAS 18001 standards, which also grade the company's performance in the area of social responsibility.

Compliance with these requirements is assessed at least four times a year by Petrobras inspectors, and the results are logged in a Performance Assessment Bulletin (BAD) and considered when selecting companies to be contracted as service providers. The companies to be hired to provide services rated with the highest HSE risk category shall be audited for their health, safety and environment management systems.

This same concern is expressed in procurement of raw materials, such as timber, which must carry a certificate of origin or be licensed. All timber used in business unit constructions are procured only from companies registered in the competent agencies and have the Document of Forest Origin (DOF). The Company's contract inspectors monitor compliance with this regulation and apply fines should any supplier be caught red-handed or fail to meet this requirement.

The international subsidiaries and business units adopt this conduct to valorize responsible companies in the environmental and social fields. Petrobras Distribuidora, for example, keeps a systematic assessment of the ethanol producing units. In product purchase agreements, besides requirements to meet social and environmental criteria, a study is performed with the Ministry of Labor to assess the existence of bad conduct in labor relations.

In addition to these activities, Petrobras invests in consolidating its HSE policy as an intrinsic value permeating oil and gas exploration and production, refining and distribution



Reduc environmental protection center (CDA) – Rio de Janeiro State

to the administrative, service, maintenance and logistics areas. Besides keeping a watch on the performance of HSE indicators and including them in the Balanced Scorecard, in 2006 the Company through its business committee approved the strategic project for excellence in HSE.

The set of actions is included in the Petrobras Strategic Agenda and distributed to six projects: HSE integrated management; eco-efficiency in operations and products; prevention of accidents, incidents and deviations; workers' health; alert for emergency situations and minimizing still existing risks and liabilities. The objective of the project is to raise corporate performance to levels equal to the best international oil and gas majors by 2015. ✨

# Environment | PRINCIPLE 7

## REDUCING IMPACTS

### Management systems must be certified

EVERY PETROBRAS UNIT OPERATES UNDER THE PREVAILING LAWS OF THE COUNTRIES AND REGIONS WHERE IT IS LOCATED. STRIVING FOR EXCELLENCE IN HEALTH, SAFETY AND ENVIRONMENT (HSE) MADE THE COMPANY ESTABLISH AS ONE OF THE GOALS THE INTERNATIONAL STANDARD ISO 14001 CERTIFICATION OF ITS UNITS' ENVIRONMENTAL MANAGEMENT SYSTEMS. IN 2006, 100% OF THE INTERNATIONAL UNITS AND 84% OF THE UNITS IN BRAZIL WERE ALREADY CERTIFIED.

Other certifications also considered by the operational units and processes to implement Company projects are the standards ISO 9001, whose purpose is to guarantee quality of the product right from its initial process, and OHSAS 18001, a set of specifications for occupational health and safety management.

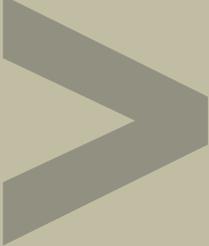
Through the HSE Management Assessment Program (PAG-HSE), Petrobras watches compliance with the HSE corporate guidelines, ISO 14001 and OHSAS 18001 in the operational units. During 2006, 96% of assessments planned for the year were completed. Occasional audits are also undertaken by independent external auditors to keep these certifications and fulfill the legal requirements and environmental decrees, namely, Law 9966, Conama Resolution 306/2002, Law 4802/1993, and Decree 3795-N/1994, for example.

In 2006, the Company began to adopt a management standard focusing on compliance with the corporate guideline no. 14 on product management. The directives state that HSE requirements



Tanker filling up with B-100 fuel at Betim terminal, Minas Gerais State




  
**100%**
  
 INTERNATIONAL UNITS AND
   
**84%**
  
 NATIONAL FROM PETROBRAS
   
 SYSTEM WITH THE ISO 14001
   
 CERTIFICATE

must be considered at every stage in the life cycle of the products supplied to external clients — starting with design and production until the final destination after use, and passing through packing, marketing, trading and environmental-friendly disposal of the packing. The standard is being applied to the management of both new and already existing products, conforming to a responsibility matrix being installed in the Petrobras System.

Some precautionary actions also worth mentioning are those addressing safety in the transportation of the Company products, a key activity for the development of its business, but with potential

→ During the life of the products and processes, the **performance is accompanied and evaluated** both internally and by public inspection authorities.

to cause damage to the environment and people.

One example of this is the responsible transportation program adopted by Petrobras Distribuidora, whose goal is to improve the quality of transporting products considered hazardous, encouraging mechanisms adopted to maintain the quality of the transporter's fleet to help reduce pollution. Another action of the program is the Responsible Driver campaign, which assesses the health conditions of the truck drivers responsible for road fuel transportation in Brazil.

In the international business units, the consciousness and capacity building campaigns for drivers are adapted to the local culture and laws. The vehicles used to transport fuel and lubes must undergo not only a strict technical assessment, but also the Petrobras safety and traffic safety regulations.

In Argentina, there is a logistics management center at each fueling point of the transporters, with psychologists who assess the drivers' conditions each day. A technical team also checks the state of the vehicles using a checklist at each loading. The vehicles can only travel on the roads with less than ten years of continuous use.

Special safety measures are also taken when using explosives in the seismic services during exploration and production. Delivery and storage of explosive materials and management of seismographic explosives have special rules and routines. The depots for these materials and substances are licensed by the competent agencies. Precautionary procedures are adopted for carrying bores, seismic detonation, recovery and destruction of seismographic loads. Added to those precautions is the Petrobras technical standardization system (Nortec), in which technical standards are included to regulate the activities of the business units that use explosives.

The risks of environmental impacts associated with new products are also assessed beforehand. The project is still being developed and a multidisciplinary team of professionals are study-

ing the health, safety and environment aspects, going beyond the socioeconomic analyses to guarantee compliance with the technical specifications established in the standards adopted worldwide in the oil and gas market. During the life of the products and processes, performance is accompanied and evaluated both internally and by public inspection authorities.

Risk assessment procedures involving the use of Petrobras products are also adopted in the international business units, varying according to the implantation stage of the Company business in the markets and the local characteristics required for adaptation.

The technical specifications of the products, moreover, can be seen in the customer channel ([www.canalcliente.com.br](http://www.canalcliente.com.br)) and customer service centers (SACs) of Petrobras Holding and Petrobras Distribuidora. Stakeholders can access these services and consult the chemical product safety information cards (FISPQ) and handling procedures.

The Company invests in exceeding the technological restraints in the industry through its Leopoldo Americo Miguez de Mello Research and Development Center (Cenpes). New products and processes are researched and prepared to reduce the impact of pollutants in the atmosphere, the soil and water bodies. The latest launchings in this field are H-Bio and Podium Diesel, with only 200 ppm of sulfur. ✨

## Actions increase ecoefficiency in production

THE GOAL PERMEATING VARIOUS DIRECTIVES OF THE PETROBRAS STRATEGIC PLAN 2015 AND HSE CORPORATE GUIDELINES AND POLICIES IS TO INCREASE ENERGY EFFICIENCY. INVESTMENTS ARE ALSO MADE TO REDUCE GREENHOUSE GAS EMISSIONS (GHGE), CHIEFLY RESPONSIBLE FOR THE INCREASE IN THE GLOBAL TEMPERATURE. SOME ACTIONS TAKEN ARE MONITORING AND UPGRADING INTERNAL PROCESSES; STUDY AND IMPLEMENTATION OF CLEAN TECHNOLOGIES FOR USE OF ALTERNATIVE AND RENEWABLE ENERGY SOURCES; AND PARTICIPATION IN DISCUSSION FORUMS ON EFFECTIVE CARBON RISK MANAGEMENT.

Petrobras has an atmospheric emission management system (Sigea) as one of the activities to achieve these goals, helping create an inventory of waste pollutants into the atmosphere. By this monitoring, the Company adapts strategies and actions to increase the ecoefficiency of production processes, sets corporate goals for management of greenhouse gases, and finds opportunities to participate in the carbon markets.

Also, possible impacts on finances, operations and safety caused by more severe climate disasters, such as storms and flooding, on Company activities are already considered when assessing any new project and during the stage of developing basic engineering designs. Included in this monitoring and management process of new enterprises and systems is the production on platforms and platform ships.



River Mamanguape reforestation project, Paraíba State

## CARBON CAPTURE

Petrobras is not only in line with the provisions of the Kyoto Protocol but also invests in clean technologies and upgrades internal processes to help reduce the emission of 171,000 tons of carbon equivalent in 2006.

Another corporate activity is articulation with companies and representatives in discussion forums on sustainable development, ecoefficiency and carbon capture, to cooperate toward further learning to reduce impacts that cause climate change.

One of the many actions on this matter is CCP2 (Carbon Capture Project), an international multi-client project to develop technologies to capture and geologically store CO<sub>2</sub>.

Also worth mentioning is the participation of Petrobras as a member of the Brazilian delegation in the Carbon Capture Leadership Forum and the international Deep Star Project, the purpose of which is to develop offshore technologies focusing on improving operational safety in severe climate conditions. The project is being undertaken in the Gulf of Mexico region, in conjunction with British Petroleum, Ente Nazionale Idrocarburi S.p.A. (ENI), Statoil and Total, and other oil and gas companies.

Petrobras has also been organizing technical events to encourage discussion on the issue. In 2006 in Rio de Janeiro, through Cenpes and with the support of Petrobras University, the Company held the International Seminar on Carbon Capture and Climate Change. The event attracted specialists from 17 countries and from companies and institutions renowned worldwide. In four days, 74 presentations were given in which discussions ranged from political and legal issues to technical aspects of carbon capture, geologic storage and fixing carbon in plants.

The seminar on Potential Projects for Clean Development Mechanism in the Oil and Gas Industry offered an exchange of experiences in existing technologies and emission management systems, and considered an international view of the carbon credit market. The event organized by the Gas and Energy area and Petrobras financial directorate was partnered by the World Bank.

Investment in alternative and renewable energy sources is based on research and development of biofuels, biomass, wind and solar energies. At the same time, studies are carried out in the hydrogen area in order to develop energies of the future and fuel cell technology. In the scientific field, projects are also underway with a view to geologic carbon capture and to fix it in plant formations, in conjunction with Brazilian and foreign universities.

By 2011, the Company forecasts an annual production of 855,000 cubic meters of biodiesel and the use of another 425,000 cubic meters a year of vegetable oil, using H-Bio technology. Ethanol exports via pipelines and ships for the same period are forecast at 3.5 million cubic meters, and the increase in installed capacity of power generation from renewable sources should be 240 megawatts.

While taking the actions to improve ecoefficiency, research and articulation of joint efforts with other organizations, Petrobras also continues to invest in gas production, being positioned strategically for increasing the natural gas supply, a less carbon-intensive source of energy.

The Company estimates that by 2011 natural gas consumption in Brazil should grow around 17.7% a year. Accordingly, Petrobras associates the use of this fuel with the reduction in environmental impacts caused by using other products of fossil origin, such as coal and diesel fuel, and thereby helping to reducing global warming. ✨



Systemic carbon capture project – replanted Atlantic rainforest area

## ENVIRONMENTAL LIABILITIES, INCIDENTS AND FINES

Petrobras has proven to be fully active in reducing and compensating waste generation and existence of impacts caused by its operations.

Given the characteristics of the oil and gas industry, the main environmental liability in the Company is the existence of areas impacted by inadequate disposal of hazardous waste, vegetation suppression or soil removal.

Preventive and corrective actions are taken to solve this question, meeting the requirements of the Company's HSE policy and the laws governing oil activities in all countries where it Petrobras located. Petrobras has adopted a corporate waste system, which grades the waste from all business units according to its degree of risk. The treated, recycled, reused or stored quantities are registered according to international parameters of excellence in environmental management. In the areas that may be contaminated, including groundwater, diagnoses are made using hydrogeologic, geologic and geochemical surveys, and assessing the hazards for human health and the environment.

During 2006 a standard created specifically for solid waste management continues to be adopted in the various business units in the Petrobras System. With this standard the logic of conducting the activities was enhanced, with details, among other premises, of the management process of potential or actual risk alerts in the affected areas for the health of the workers and communities; eliminating liabilities and impacted areas; direct negotiation with environmental agencies and responsible authorities.

In addition to internal standards, Petrobras adopts the recommendations of the ISO 14001 standard on environmental management, and 84% of its plan in Brazil is certified. The units also operate under license from the environmental agencies or under specific agreements, such as Terms of Conduct Adaptation (TACs), adopted at home and abroad through compensatory actions.

Although the Company has no record of a fine or incident of a very or mid-serious default, in 2006 it was liable for fines for slight incidents totaling R\$ 319.065.473,90.

# Environment

## REDUCING MATERIAL CONSUMPTION

**PRINCIPLE 8** Businesses should undertake initiatives to promote greater environmental responsibility

### The goal to save natural resources

MORE THAN TEN YEARS AGO PETROBRAS ADOPTED THE INTERNAL PROGRAM FOR ENERGY CONSERVATION TO INCREASE ECOEFFICIENCY AND REDUCE THE EMISSION OF GREENHOUSE GASES IN ITS OPERATIONS. SOME OF THE ACTIONS TAKEN BEYOND LEGAL COMPLIANCE IN COUNTRIES WHERE IT OPERATES ARE TO IMPROVE FACILITIES AND INSTALL COGENERATION PLANTS THAT CAN PRODUCE THERMAL AND ELECTRIC POWER AT THE SAME TIME, IN ORDER TO REDUCE ENERGY PROCUREMENT.

In 2006, R\$ 35 million was invested in the program. The group of actions contributed to the Company's reduction in the emission of 171,000 tons of carbon equivalent. It also saved 1.1

DIRECT ENERGY CONSUMPTION			
	2004	2005	2006
Gasoline (liters)	1,300,000	839,767	1,646,490
Diesel fuel (m <sup>3</sup> )	381,408	429,165	332,459
Fuel oil (tons)	1,995,804	1,800,770	2,245,215
Natural gas (103 m <sup>3</sup> )	4,971,744.00	7,420,883,284	7,491,940,129
LPG (m <sup>3</sup> )	9,674	14,531	25,160
Refinery gas (103 m <sup>3</sup> )	1,877,214	2,273,095	1,995,456
Cracked coke (tons)	1,439,819	1,610,049	1,671,196

INDIRECT ENERGY CONSUMPTION (IN TERAJOULES)	
	2006
Steam procurement	2,259
Electricity	13,906



Tanker filling up at the natural gas liquefaction plant run by GasLocal – Paulinia, São Paulo State



## ENERGY EFFICIENCY

Improving energy efficiency of the Petrobras System is the mission of the corporate energy conservation program, coordinated by the Energy Performance Management, linked to the Gas and Energy area.

The program is responsible for reducing electric power, oil and by product consumption within the Company's units, and operates in line with the 28 internal energy conservation committees (Cices) that have been operating in the Company since 1972. Meetings are held in the units to find opportunities to reduce energy consumption, encourage the workers' engagement by consciousness campaigns and other activities.

In the external sphere, Petrobras also operates with a view to conscious energy consumption. The Company is responsible for the executive secretariat of the National Program for Rationalizing the Use of Oil and Gas Byproducts (Conpet) of the Ministry of Mines and Energy. The project performs activities to educate society in the rational use of fossil fuels and the consequent reduction in carbon emissions.

In 2006, Petrobras consumed 560,597 TJ in its operations. Procurement involved not only the use of oil byproducts to maintain operations, but also 13,906 TJ of electric power and 2,259 TJ of steam.

gigawatt and equivalent consumption of approximately 2,500 barrels of oil equivalent, which produced not only economic but environmental gains due to burning fewer fossil fuels. During the year studies were also prepared and planning began with the business units for the future production platforms to be designed with a focus on energy efficiency. The procedure for corporate management for collecting the material used by weight and volume is being discussed internally. ✨

# Environment | PRINCIPLE 8

## WATER RESOURCES

### Programs for re-using water

IN 2006 PETROBRAS APPROVED ITS CORPORATE STANDARD FOR WATER RESOURCES AND EFFLUENT MANAGEMENT. WITH THIS MEASURE AS A CORPORATE DIRECTIVE, THE FOLLOWING WERE ESTABLISHED: OPTIMIZATION AND RE-USE OF WATER IN ALL THE COMPANY'S OPERATIONS, IN ADDITION TO PROTECTING WATER BODIES IN THE AREAS OF INFLUENCE OF THE BUSINESS UNITS, BY USING WATER BALANCES, ONGOING MONITORING AND SPONSORSHIP FOR ENVIRONMENTAL PROJECTS.

One of the actions already taken is in the semi-arid region of Brazil, where a project installed in the rural Belém Farm in South Ceará is helping to reduce the collection of 2,000 m<sup>3</sup>/day of water from the aquifer Açu, one of the main water reserves in Northeast Brazil. In the Exploration and Production area, a project is underway that, after completion, will help reduce by 1,100 m<sup>3</sup>/day the collection from the River Macaé for the Campos Basin operations. In Paulinia refinery (Replan) an effluent re-use system will be installed that is able to supply more than 50% of the water demand for the unit's diesel fuel refining sector. In 2006, overall the Company collected 178.8 million cubic meters of freshwater to be used in its operations.

Another action that began in 2006 was to plan the structuring of the computer system for information about water resources and effluents — Datahidro. Designed to start up in the second half of 2007, the project will permit stricter control of water consumption in the operational units, instead of the decentralized follow-up in operation today.

The importance of the rational use of water has been encour-



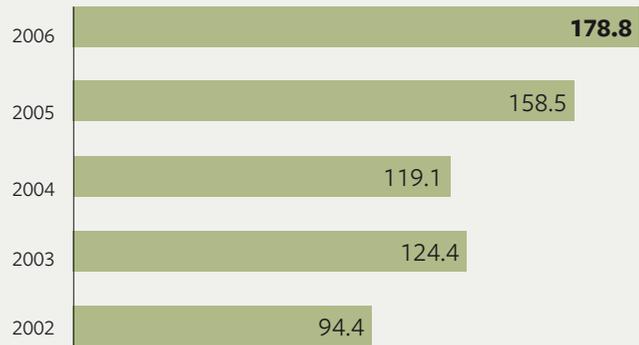
**Brazil Water Project:**  
the first project to map  
the main rivers and  
freshwater basins  
in the country

→ Petrobras became the **first oil company in the world** to join World Water Council (WWC).



aged at internal events, such as the 5th Petrobras Meeting on Water Resources and Effluents, and external participations. In February 2006, Petrobras became the first oil company in the world to join the World Water Council (WWC). Based in Marseilles in France, the agency has members representing around 60 countries, and every two years holds the World Water Forum ([www.worldwatercouncil.org](http://www.worldwatercouncil.org)), the top world event dedicated to the question of sustainable water use. ✨

**CAPTURE WATER - TOTAL CONSUMPTION**  
(M<sup>3</sup> MILLION)



# EMISSIONS, EFFLUENTS AND WASTE



Imbetiba  
effluent  
treatment  
plant  
— Macaé,  
Rio de  
Janeiro  
State

## Management system with constant control

PETROBRAS IS COMMITTED TO PREVENTING THE EMISSION BY 2011 OF 18.5 MILLION TONS OF CO<sub>2</sub> EQUIVALENT INTO THE ATMOSPHERE, HAVING SET ANNUAL CORPORATE GOALS TO ACHIEVE THIS.

The main greenhouse gases (GHG) — carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>) and nitrous oxide (N<sub>2</sub>O) — are monitored continuously by the Atmospheric Emissions Management System (Sigea). The emissions of carbon monoxide (CO), sulfur oxides (SO<sub>x</sub>) and nitrogen, volatile organic compounds and particulate material (PM) in the Company operations are also watched.

The system was set up in 2002 and allows access to information of more than 20,000 emission sources in its facilities. In 2006, the Company enhanced this monitoring management, creating the indicator Prevented greenhouse gas emissions (PGHGE) and reducing the burning of gas associated with the petroleum produced (gas flaring).

To guarantee the reliability of the system and its results, the Company undergoes outside checks, as well as obey international standards, such as the report “Climate Change 1995: The Science of Climate Change” and “Intergovernmental Panel on Climate Change (IPCC)”.

The 2002, 2003 and 2004 inventories were checked by the ICF consulting firm, which assessed and approved the methodologies and procedures adopted in order to compile and report the information. In 2006, the process underwent another audit, which should be concluded next year. In the next assessment the 2005 to

# 18.5

million tons of CO<sub>2</sub> is the volume of emission to be prevented by 2011

2007 data will be checked, following the standards in ISO 14064.

In addition to its own investments to reduce GHG emissions, the Company complies with federal decree no. 2783, which bans the institutions and companies of the Brazilian government to buy products or equipment that contain or make use of substances based on chlorofluorocarbons (CFC). Since there is negligent use of CFC materials in the production process of the Company, inventories are not made of these emissions, as provided in the Montreal Protocol.

In the case of effluents, Petrobras has treatment systems in all operational units. Frequent upgrades are made whenever new water and effluent management practices are developed or when new legal restrictions appear. The whole environmental management of water resources and effluents is standardized and regulated in documents that establish the legal requirements and criteria and international standards of excellence. It will be possible to identify the effluents by quality and destination once the computer system for information on water resources and effluents (Datahidro) is fully operating, planned for the end of 2007.

In 2006, Petrobras had no record of water sources affected significantly by the direct capture of water or by launching effluents. Nevertheless, it continues to invest in the impact study of its activities, observing protected areas and finding sensitive and vulnerable areas in the regions of influence of the business units.

The oil and grease content in the effluents discharged into the water bodies is also monitored regularly. In 2006, the total volume of effluents released contained around 1,112 tons of oil and grease. The management of these data will also be centralized and help identify the total disposal of water by quality and destination after Datahidro is fully in place.

The Petrobras environmental policy also determines the constant monitoring of the oil and byproduct spills. The Company,

### TOTAL DIRECT AND INDIRECT GREENHOUSE GAS EMISSIONS (IN MILLION TONS OF CO<sub>2</sub> EQUIVALENT)

	2002	2003	2004	2005	2006
Direct emissions	30.25	38.76	44.06	51.25	49.86
Indirect emissions	0.18	0.33	0.35	0.31	0.57
<b>Total emissions</b>	<b>30.43</b>	<b>39.09</b>	<b>44.41</b>	<b>51.56</b>	<b>50.43</b>

The results of direct emissions include estimates of atmospheric emissions from the Units in Brazil and abroad, Petrobras and chartered vessels on international voyages; indirect emissions refer to electricity and steam procurement in Brazil.

### ATMOSPHERIC EMISSIONS (IN '000 TONS)

	2002	2003	2004	2005	2006
NOx	94.2	175.8	205.5	223.1	233.5
SOx	156.7	148.5	140.1	135.7	131.0
Particulate matter	9.4	14.3	13.7	17.2	17.1

The SOx (sulfur oxide) emission results for 2002-2006 do not include emissions from chartered vessels.

### SOx EMISSIONS FROM CHARTER VESSELS (IN '000 TONS)

	2002	2003	2004	2005	2006
SOx emission	N.A.	12.3	13.6	15.9	21.0

### TOTAL QUANTITY OF METHANE GAS (IN '000 TONS)

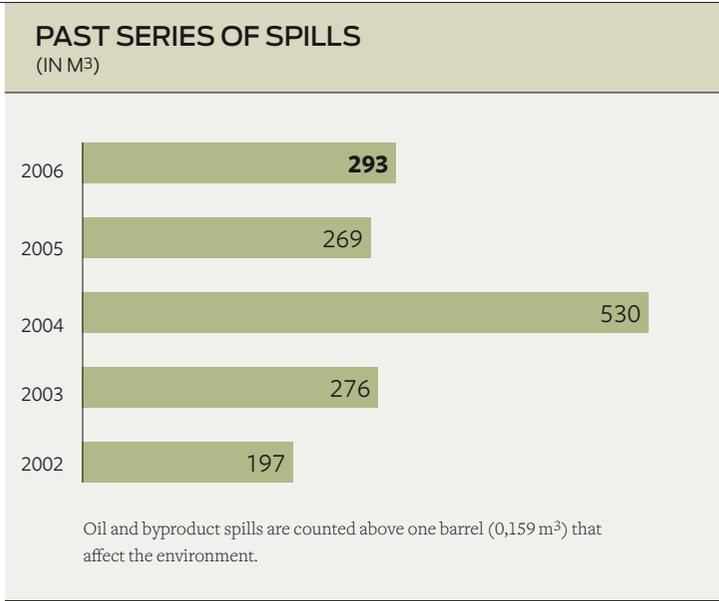
	2002	2003	2004	2005	2006
Venting or flaring gas emission	77.55	108.65	181.18	222.95	189.79

Results corrected for previous years due to a wider spread of the revision system of calculation protocols.

### EFFLUENT VOLUME (IN MILLION M<sup>3</sup>)

	2002	2003	2004	2005	2006
	101.6	128.5	129.3	159.0	164.3

Data for wastewater volume from refineries and other units in the areas of Supply, Exploration & Production, Gas & Energy, International business and Services (Engineering and Cenpes), as well as subsidiaries Transpetro and Petrobras Distribuidora.



focusing on the reduction of these occurrences, a goal that integrates the corporate Balanced Scorecard, consolidates all volumes over one barrel (0.159 cubic meters or 159 liters) spilled into the environment in its operations in Brazil and abroad.

In 2006, there were no significant spills, although the results were slightly higher than the year before, considered the second best index in the past seven years. Nevertheless, Petrobras continues, in this indicator, within the international parameters of excellence for the oil and gas sector. The goal by 2011 is not to exceed the top limit of 601m<sup>3</sup>.

Transpetro implanted an automation system of its pipelines that also monitors the occurrence of spills and automatically closes the pipeline where the problem was found. In Petrobras Distribuidora the monitoring and prevention process for oil byproduct spills from tankers is still being implemented, whose project is called Tank at Your Service.

A standard concerning solid waste produced in the Petrobras

operations regulates the procedures and is being implemented throughout the Company. General criteria are established to manage waste, with a view not only to reducing environmental impacts but also to meet the requirements of the Petrobras HSE policy and laws governing the Company activities in the countries where it operates. The new instructions are valid for shutdown facilities, such as returned or exhausted oil fields, and for the new projects as well as the already existing plant.

Waste management is applied to inputs, products and sub-products; generation, handling, transportation, storage, treatment and disposal of materials; and diagnosis and recovery of impacted areas.

Each month the HSE management committee monitors the performance of the corporate indicator that consolidates the quantities of hazardous solid waste produced and treated, as well as the quantity of accumulated waste still without due treatment.

In 2006, Petrobras produced 315,294 tons of hazardous solid waste and 271,057 tons were treated. ✨

# PROTECTING BIODIVERSITY

## Environmental impact is assessed in all projects

THE PETROBRAS ENVIRONMENTAL POLICY EXPRESSED AT THE SIXTH CORPORATE HSE GUIDELINES, THAT REGARDS MANAGEMENT OF CHANGE, ASSURES THE ELIMINATION OR REDUCTION OF RISKS ARISING FROM TEMPORARY OR PERMANENT CHANGE IN THE OPERATIONS AND NEW PROJECTS.

This is why, even when not required by law, the Company makes environmental studies in all projects with investment above US\$ 25 million. Reports are prepared on environmental impact (Rimas), associated with the environmental impact assessments (EIAs). The documents can be consulted by the public in city halls, offices of environmental agencies, documentation centers, libraries, community centers or places with easy access for the local community. The publication of the studies is announced in the major newspapers and public hearings are held to guarantee participation of the stakeholders in the discussions.

In order to implement and follow up the Rima recommendations during project construction and operation, in 2006 Petrobras approved a corporate standard that systematizes the application of the instructions proposed in the business units.

Moreover, the Environmental Construction Plan, prepared before any works begin, considerably diminishes the possible impacts of human action. The Company also monitors environmental licensing of the units through the environmental license management system (Sigel). The collected information is crossed with the environmental license management system (Sigla) to give a detailed analysis.



The requirements defined in the Biodiversity standard **should be met by the entire Petrobras System, the affiliates** and any other company that Petrobras own shares.

Another initiative to valorize biodiversity and protect the environment is preparing and setting up the management standard for potential impact management in biodiversity (biodiversity standard). Although the Company has already developed projects for managing potential impacts on biodiversity, the purpose of consolidating the standard is to enhance the criteria and procedures for managing the areas of influence of the Company's activities. At first the guideline was adopted in 2006 in the Suppliers area, but the requirements defined by the standard should be met by the entire Petrobras System, as well as in the subsidiaries and holdings in which Petrobras is operator.

After creating Biodiversity Coordination within the corporate HSE environment management in 2006, the plan is to take various actions during 2007. Some of the proposals planned are the technical follow-up of best practices and trends in the biodiversity areas and preparing a strategy to disseminate the consciousness process on the matter.

The presentation of the strategy is also provided for biodiversity, mapping sensitive and vulnerable protected areas in the areas of influence and participating in developing government policies in this field, especially those that create the economic-ecological Zoning (ZEE), the national protected areas plan (PNAP) and priority areas for coastal conservation and management.

In Brazil, no operational units are located in conservation units determined by the prevailing laws. However, there is a small number of pipelines that cross protected or sensitive areas. In these places and in units abroad, Petrobras negotiates environmental compensations by taking actions to protect and restore the habitats and sponsors projects of interest to the communities involved.

Possible major impacts on the biodiversity of activities of goods and service in protected areas and valuable outside the protected areas are related principally to soil and water contami-

nation (ground or surface) when accidental spills occur. This contamination can affect the fauna and flora by the ingestion of the product by animals and absorption by plants, as well as direct contact of the product with organisms, which may affect their biological activities.

The effects of this contamination vary according to the product and its level of contact, and may in more severe cases lead to the death of the organisms, impacting biodiversity. Other impacts can occur during installation or repair work on pipelines in sensitive areas, since such works normally involve excavations, which may interfere in the biodiversity, mainly due to deforestation in the pipeline stretch.

To complement the information supporting the Company's performance in the protected or biodiversity valuable areas, complete mapping is being undertaken within and around the units. The project should be concluded in 2008.

In Brazil, in Amazonas state, the Isaac Sabbá refinery (Reman) was chosen to develop the pilot-project for diagnosis of biodiversity in the surrounding area. The idea covers monitoring and handling of identified biological resources, with focus on conserving biodiversity, considering collecting biological, chemical and physical data in the aquatic environments, floodable areas (transition) and onshore, observing the four stages of the hydrological cycle. In order to implement the project, four partnerships were made with the Federal University of Amazonas, National Institute for Amazon Research, Rio de Janeiro Catholic University (PUC-Rio) and Federal University of Rio de Janeiro.

The Company is also aware of the risks that its operations might occasionally represent for species on the red list of the World Conservation Union (WCU). The organization includes 78 nations, 112 government agencies, 735 NGOs and thousands of specialists and scientists from 181 countries, and prepared a sur-



Conservation and preservation of the natural resources in the sub-basin of São João creek, Tocantins State

PROTECTED OR SENSITIVE AREAS WITH PETROBRAS ASSETS	
<b>BRAZIL</b>	
Orsub pipeline stretch	Starts in Jaguaripe municipality in Bahia and in some places crosses the Atlantic rainforest areas and mangroves near conservation units.
Gas pipeline stretches in Southern grid	Crosses part of the Atlantic rainforest and sand spits close to conservation areas.
Madre de Deus Shipping Terminal	Located in Todos os Santos Bay Environmental Protection Area, surrounded by mangrove ecosystems.
Aracaju Shipping Terminal	Installed in a dune ecosystem. This terminal is in an area shared with UN-Seal.
Cubatão Terminal	Close to Serra do Mar coastal mountain region, with 600,474 square meters.
Guararema Terminal	Near River Paraíba, 2,065,736 square meters.
Rio Pardo terminal	Oasc, Ospar and Olapa State Park and Atlantic rainforest.
Rio Grande Terminal (Terig)	The concrete pier is installed in estuarine environment, with 326 square meter.
Barra do Furado, in Quissamã	Sand spit area close to Parna Jurubatiba of approximately 20,000 square meters.
Cabiúnas, Macaé	Transition area between sand spit and Atlantic rainforest (ecotone) with primary formations and the start of a secondary formation, of around 200,000 square meters.
Oscan pipeline stretch	Connects the Almirante Soares Dutra shipping terminal (Tedut), in Osorio municipality (Rio Grande do Sul) to Alberto Pasqualini refinery (Refap) in Canoas (Rio Grande do Sul). Crosses flood plains and flooded areas, with 100 km of pipelines.
<b>ABROAD</b>	
<b>Argentina</b>	
Nordelta	River Paraná delta zone
San Isidro ferry terminal	River Luján coastal region.
San Fernando ferry terminal	River Luján coastal region.
Bariloche thematic park	Nahuel Huapi National Park
Rosario IV terminal	River Paraná coastal region
Genelba thermal plant	In area of approximately 100 hectares. A floor tile factory operated on the site and was rehabilitated. Petrobras planted around 5,000 different tree species. An area was also made into a “nature reserve”.
<b>Ecuador</b>	
Block 31:	Around 140,000 hectares are inside the Yasuní National Park (YNP).
<b>Bolivia</b>	
Aguarague Park	Right of way agreements signed in areas in the park of around 30 hectares.

→ The Petrobras Environmental Program upholds projects focusing on “Water: Fresh and Sea Water Bodies — including their biodiversity

vey which points to the existence of 3,946 extinct or endangered species in Brazil. In this universe, among the main types of threats that the Company’s operational incidents may cause is the oil spill that can endanger eight species: two of penguin (one vulnerable and the other endangered), three of cartilaginous fish, one of seabird (vulnerable), one of otter (endangered) and the Amazon manatee (endangered) (WCU, 2006). To reduce to a minimum the possibility of damage to fauna and flora, Petrobras not only does its utmost to prevent accidents, but also maintains plans to act in emergencies, which also have special facilities to attend the animals affected, for example, by oil and byproduct spills.

This set of Petrobras initiatives to protect, preserve and restore ecosystems and biodiversity aims not just to maintain the Company’s operational sustainability but to combine economic growth with environmental quality and development with citizenship of the regions where it operates.

## PETROBRAS ENVIRONMENTAL PROGRAM

In addition to investments in ongoing enhancement of environmental safety in its operations, Petrobras seeks to valorize and preserve the environment by sponsoring projects.

Through the Petrobras Environmental Program created in 2003, the Company has partnerships with public and non-governmental organizations, supporting projects aligned with the focus “Water: Fresh and Sea water bodies — including its biodiversity”. Projects involve promotion and consciousness of the rational use of water resources, fostering environmental management for the preservation and conservation of marine environments, and maintaining and recovery riverside landscapes to safeguard the ecological equilibrium.

By selecting this line for environmental sponsorship, the

Company seeks to cooperate in further local development and returning to nature the natural resources used in its productive cycle. Another goal is to encourage sharing the responsibility of preserving the natural resource, especially in Brazil, which concentrates 12% of all freshwater available in the planet.

Investments in the Petrobras Environmental Program are grouped in four modules. The first considers the projects chosen in the public selection process. The second involves projects that were already sponsored by the Company before launching the new sponsorship policy, but which continue in the project portfolio by adapting to the new guidelines. Actions in the business units in tune with the new operating lines comprise the third module. The fourth, under construction, addresses valorization and support of the volunteer work proposals of the employees and subsidiaries of the Petrobras System.

Local actions of environmental education and community capacity building are also developed in the sponsored projects, transforming information in an instrument to encourage public consciousness.

## PUBLIC SELECTION

In the public selection process, two editions were launched with applications through the web free of charge. The proposed projects are assessed by specialists from the third sector and universities and by employees, and undergo administrative and technical selections. The pre-approved projects are sent to the Petrobras Environmental Program’s deliberative council, which decides which are to be given sponsorship.

In 2006, the second public selection edition, R\$ 48 million were invested in actions to be taken over two years. Between April 18 and June 16, 856 candidates were registered, including small, midsize and large projects. The maximum value of sponsorship in

**Mogi-Guaçu project: protecting the water bodies in the River Mogi-Guaçu basin – Bom Repouso, Minas Gerais State**



each project was R\$3.6 million or less.

In the first edition, in 2004, 30 projects were considered, comprising every region in Brazil, covering various ecosystems, drainage basins and Brazilian landscapes, namely the biomes of the Amazon, caatinga scrub and cerrado savannas, Atlantic rainforest and the Pantanal wetlands.

At this stage R\$ 40 million have been invested and more than 5,000 species of Brazilian fauna and flora studied to maintain the ecological balance. Twenty-one databases, 14 geographic information systems (GIS) and 150 specialist publications have also been set up. Around 250 municipalities, forming an area of direct influence of more than 900,000 hectares, were involved in the projects, directly attending three million people. Those indirectly attended 20 million people. Another outcome was job and income generation for more than 5,000 people, who now work in undertaking the projects.

One of the sponsored projects is Reflorestágua: Reflorestando e Protegendo o Tapacurá (Reforestwater: Reforesting and Protecting Tapacurá), which seeks to improve the quality of the water and supply reservoir for the river population, taking actions to control pollution and recover the gallery forests in the municipalities of Vitória de Santo Antão and Pombos in Pernambuco State. The action with the support of the population attended 25,290 dwellers in the region and trained 1,028 people to produce seedlings, as water monitors, teachers and to care for plant nurseries. The action involves participation of eight governmental organizations, ten NGOs and 13 learning institutions.

Another project chosen by public selection is Conservação e Preservação dos Recursos Naturais na Sub-Bacia do Ribeirão São João (conservation and preservation of natural resources in the São José creek sub-basin) in Tocantins state. The project was set up in Palmas, Tocantins, and fosters environmental educa-



The Tamar project guarantees the preservation of sea turtles in its 21 stations along the Brazilian coast

tion of small producers and schools in the region, to encourage economic activities that respect the environment. At the same time, it involves meteorological and water quality monitoring, soil studies (pedology) and restoring the forest on the banks with native species and economic use. With the support of the communities in the Prata, São João and Mariana settlements, covering 310 households, studies are also done using quality bio-indicators and geoprocessing of the sub-basin. By doing this, the project hopes to foster a new responsible relationship between the local community and natural resources, as an incentive to build up a new environmental collective consciousness by sharing the findings.

The protection of the water springs and gallery forests, reversing the degraded situation of the small drainage basins is the goal of Piava Project, in the Itajaí river basin in Santa Catarina. Educational actions are taken to foster the reinforcement of the shared management process, with a view to building public policies to protect the water in the region. Around 2,300 dwellers, including small rural producers, were trained in the project's activities, involving the partnership of four governmental organizations and ten NGOs. But the project's area of influence in fact extends to the population of 50 municipalities, indirectly attending one million people. In 2006 146 projects were adopted to restore gallery forests and train educators, which gave rise to 212 environmental education projects in more than 150 schools in the towns in the basin. One million seedlings of native species are being produced in 11 municipalities.

## MARINE BIODIVERSITY

In addition to the investments made through public selection, Petrobras invests in sponsorships to projects to conserve marine biodiversity.

The Peixe-Boi (manatee) project was created in 1980 to assess

the status of conservation of the manatee (*Trichechus manatus*) in Brazil. It aims to prevent the extinction of the 500 specimens still remaining off the coast of North and Northeast Brazil. Considered one of the most endangered species, this sea mammal plays a major role in maintaining equilibrium in the coastal ecosystem, contributing to the formation of the marine food chain. In the national headquarters of the project in Itamaracá, studies are performed about biology, behavior, food and physiology in order to rescue, recover and reintroduce the animals to their habitat. Campaigns and social events are organized to mobilize the coastal communities, sensitizing the local population on preservation.

Since 1989, 43 cubs stranded on Northeastern beaches have been rescued. In 2006 three stranded manatees were rescued and 29 animals rehabilitated in captivity, eight of which were released on the Northeastern shores. The project is officially sponsored by Petrobras since 1997 in a partnership with the Ministry of Environment/Ibama and civil society, and also furthers training for the work in manual economic activities and tourist guides for visits to the manatee's natural environment. This year 65 people have been trained.

The Baleia Franca – southern right whale - Project focuses on scientific research and preservation of this species on the coast of the states of Santa Catarina and Rio Grande do Sul. Since the project began in 1982, the largest number of sightings of these mammals was in 2006. In four flights to monitor the specie's reproduction off the southern coast of Brazil, totaling 4,000 hours of observation at 16 different points, the presence of 200 southern right whales was recorded, of which 65 were cubs.

The work of environmental education and preserving the second most endangered species of whale in the world is done in the Imbituba whale museum, in the national southern right whale conservation center. School and community visits are also encour-

aged, events are held on the beaches in South and Southeast Brazil as well as traveling exhibitions. In 2006, more than 50,000 people participated in the actions.

Another milestone in 2006 was the approval of specific regulations for tourism to observe whales in the southern right whale environmental protection area, in the sphere of the cooperation agreement with Ibama. The measure aims to assure the protection of the whales and guarantee sustainability for the ecotourism industry related to these animals. The project has been indicated as a benchmark for management by foreign specialists, and has actively participated in formulating and promoting Brazilian policies to conserve the cetaceans in international forums. It should be mentioned that the project is coordinated by the Brazilian scientific delegation in the International Whaling Commission. The project also supported the training and reinforcement of programs of similar organizations in Argentina, Uruguay, Chile and Peru.

Petrobras is also involved in other marine biodiversity conservation projects by sponsoring actions taken to preserve the humpback whales, sea turtles and spinner dolphins. The projects are recognized in Brazil as scientific benchmarks and contribute to increasing the international projection of the Brazilian marine conservation policies and non-lethal use and management of aquatic mammals and chelonians. Over these years successful partnerships have been sustained between Petrobras, Ministry of Environment, through Ibama, the institutions that run them, and civil society.

In 2006, various environmental projects in the Petrobras Environmental Program gained recognition for their significant results. One of the many tributes worth mentioning is the honorable mention for its coverage and impact of projects and actions developed by the Petrobras Environmental Program awarded by the National Water Agency (ANA) in December. ✨

## AN EYE ON THE ENVIRONMENT

The innovative project for sustainable development and social inclusion of the local communities in areas of direct or indirect influence of Petrobras units pointed the way to democratic participation of the population. Using its own methodology, based on the “Step by Step” of the Ministry of Environment’s Agenda 21, the program respects the regional differences and strengthens the community natural processes.

The project, undertaken in 250 municipalities in 17 Brazilian states, is in partnership with 20 non-governmental organizations (NGOs), networking and involving 335 communities. It is being carried out in five stages, subdivided as follows: community consciousness, field research and socio-environmental diagnosis, thematic meetings and approval from the Community Agenda 21, based on the creation of the Local Agenda 21 Forum.

The performance of the program gave incentive to support from national and international public organizations, and the articulation of a support network. More than 60,000 households were interviewed and 150 social and environmental diagnoses completed in 2006. By July 2007, the project will involve around three million people and will set up 335 local Agendas 21.

## More performance and less pollution

IN ADDITION TO INVESTING IN SPONSORSHIPS AND ENVIRONMENTAL MANAGEMENT OF ITS OPERATIONS, PETROBRAS ALSO INVESTS IN CREATING PRODUCTS THAT REPRESENT TOP QUALITY PERFORMANCE WITH MUCH LESS PRODUCTION OF POLLUTING WASTE.

The Leopoldo Americo Miguez de Mello Research and Development Center (Cenpes) founded by the Company in 1963, is responsible for developing new technologies. The Center, with a base of 137 laboratories and 30 pilot-units, where more than 1,800 employees work, is located on the campus of the Federal University of Rio de Janeiro (UFRJ) on Ilha do Fundão.

Cenpes has undertaken a wide range of studies and it prepares petroleum byproducts more suited to environmental preservation, such as Podium diesel, H-Bio, biodiesel and the production of ethyl alcohol (ethanol) from starch crops.

Podium diesel was launched at the end of 2006 and is a fuel that is confirmed to produce less particulate and smoke emission. With only 200 parts per million (ppm) of sulfur, the product has a better content than the diesel available on the market with 500 ppm. The Company has also been successfully testing new technologies to reduce even further the sulfur content in the Petrobras diesel fuel and gasoline.

Another major highlight in 2006 was the set of technological innovations in the areas of biofuel production. H-Bio is processed from the mix of plant oils with mineral diesel. Since the raw material used — the biomass — does not have sulfur, the resulting diesel has less pollutant content. The pilot tests have already been done in Regap, Refap and Repar, and commercial production is



**A technician in the De Olho no Combustível program runs a test at a Petrobras service station in Rio de Janeiro State**

→ In addition to the environmental question, biofuel production encourages the social and economic development of rural areas, by associating incentive programs with family agriculture.



expected to begin in 2007.

Two experimental biodiesel units are also being evaluated. The prototype plants, installed in the recently inaugurated Petrobras Renewable Energy Experimental Center in Rio Grande do Norte, using unprecedented technologies, are processing vegetable oils or oilseeds to produce fuel, with promising results. Another innovation is emerging from sugarcane bagasse. Cenpes has already succeeded in producing ethanol in laboratory from vegetable waste. The technique created permits increasing the production of ethanol without have to expand the sugarcane plantation area.

Besides the environmental benefits by reducing pollutant gas emissions, the production of biofuels opens to good prospects for social and economic development in the rural areas of the country, by combining incentive programs with family agriculture.

Because of its leading position in the biofuel area, Petrobras began participating in 2006 through Cenpes in the first Interlaboratory Plan of the American Society for Testing and Materials (ASTM) dedicated to biodiesel, together with 38 laboratories from nine countries.

The year 2006 also marked Brazil's entry to the era of hydrogen, one of the most promising renewable fuels. Petrobras has joined the Ônibus Brasileiro a Hidrogênio Project (Brazilian hydrogen bus project), along with other companies and institutions. Cenpes will develop the technology for the first Brazilian hydrogen fuel service station to be operated by Petrobras Distribuidora.

Another line of work is to check the quality of the products and recycle packaging. Some of the projects involved in the various stages of the product life cycle are:

➤ **ECONOMIZAR PROJECT:** 50 mobile units equipped with mini-laboratories and opacity gauge offer technical support to the freight and passenger road transportation sector, in order to

Petrobras began preparations to join the World Business Council for Sustainable Development, which **has 180 corporate members and is in one of the main discussion forums on sustainable development.**

reduce the diesel fuel consumption and air pollution. In 2006, another three service stations were installed, called “Parada EconomizAR” (Economizair Stop) operating in Picos (Piuá), Três Rios (Rio de Janeiro) and Sobral (Ceará). The action is promoted by the National Program for Rational Use of Oil and Natural Gas Byproducts (Conpet), in which Petrobras is a partner with the Ministries of Mines and Energy, and Transportation, and with the National Confederation of Transport.

➤ **TRANSPORTAR PROJECT:** focusing on providing assistance to tanker fleets that fill up at the Petrobras refineries, it aims to reduce the black smoke emission, save on diesel fuel, contribute to safe fuel transportation and disseminate a culture of social responsibility. The activity is also carried out through Conpet.

➤ **DE OLHO NO COMBUSTÍVEL PROJECT (KEEPING AN EYE ON THE FUEL):** this is a quality guarantee program for certifying Petrobras services stations, in which nine requirements are assessed. In addition to testing, actions are taken to sensitivize both the end consumer by showing the problem of adulterating fuels and its damage, and the reseller, encouraging loyal partnerships and new members.

Petrobras Distribuidora is conducting various recycling-related projects. In Rio Grande do Sul, for example, it collects 20% of all packaging material. Thirty percent of the raw material is recycled in the production of new packing. The subsidiary also collected 30% of oils sold in Rio de Janeiro and Rio Grande do Sul, in compliance with the Conama regulation 362, and is developing an assessment process for the asphalt life cycle. The Petrobras System does not yet have complete information about the use of recycled materials nor assesses on an integrated basis the impacts on health and safety caused by goods and services during their life cycles, listed by type of result. Measuring this data is in the planning process in the Company.

To encourage adoption of product management with environmental focus, the HSE created a corporate standard in 2006. The measure is added to the set of Company procedures to guarantee quality and proper use, such as inspecting the production chain processes and providing chemical product safety information cards (FISPQ), through the customer channel on the website and in the company’s customer service, demonstrating respect for consumer health and safety.

The commitment to manufacturing practice and sale of goods in accordance with sustainability principles has motivated Petrobras to begin in the second half of the year the preparations to join the World Business Council for Sustainable Development (WBCSD). The organization has 180 international corporate members and is one of the leading forums for discussion of sustainable development. The institution also is the business environment in the second stage discussions of the Kyoto Protocol, which will be in force in 2012, with the new goals for the countries to reduce carbon emissions. ✨



Children participate in an activity of the De Olho no Ambiente project – Duque de Caxias, Rio de Janeiro State.

## ENVIRONMENTAL EDUCATION: A QUESTION OF CONSCIENCE

Contributing toward building an ecological consciousness is a natural outcome of the Petrobras environmental management policy and a tool to achieve energy efficiency. Besides including environmental education as a key action to be taken by the sponsored projects in the Petrobras Environmental Program, the Company takes other actions for the internal public and communities in which it operates.

Petrobras not only maintains waste selective collection and recycling programs in various business units but also undertakes activities for the children of the workers. The Botinho Project, for example, looks to integrate children and adolescents in a training course for Kid Lifeguards, working with questions of care with the environment.

HSE campaigns and dialogues are held to diminish raw material consumption. The International Environment Day is part of the Petrobras corporate events calendar. In 2006 the campaign focused on ecoefficiency.

Some of the actions for the external public worth mentioning in 2006 are the Petrobras Seminar on Environmental Education and the launching of the Brazil Environment Prize. The seminar was held in April by the corporate HSE, Institutional Communication and Cenpes. At the meeting 150 professionals representing public agencies and environmental organizations participated in the exchange of experiences. At the event, discussions also began about the creation of the Petrobras Environmental Education Network. The prize was launched in October in a joint project with JB Editora, to valorize projects on civil society organizations, learning institu-

tions and companies that promote actions for the sustainable use of natural resources.

Another example of the projects sponsored by the Petrobras Environmental Program is Educando sobre as Águas: Educação Ambiental em Recursos Hídricos (Learning about Water: Environmental Education on Water Resources). The project prioritizes students and science teachers from the fundamental education in the state school system in the Tietê/Jacaré drainage basin in São Paulo. In the international area, projects are supported in various business units, such as in Argentina, where Petrobras Energía supports Con foco en el futuro (focusing on the future), an international project of the Globe Program, which encourages the study of science and environmental education in primary and secondary schools.

The Company, through its External Articulation Management, is in direct contact with the public authorities to offer its acquired experience and skills to contribute toward enhancing the Brazilian public policies. In one of these actions, Petrobras participates in the Amazonas State Water Committee and has an agreement with the Brazilian Navy and Ibama to work together in emergency control.

Partnerships are also made with non-governmental organizations on environmental issues. The Company has an agreement with the Brazilian Business Committee for Sustainable Development (CEBDS), whose goal is to formulate the national model for business performance in climate change and adopting clean development mechanisms.

# Environment

## RENEWABLE ENERGIES

**PRINCIPLE 9** Businesses should encourage the development and diffusion of environmentally friendly technologies

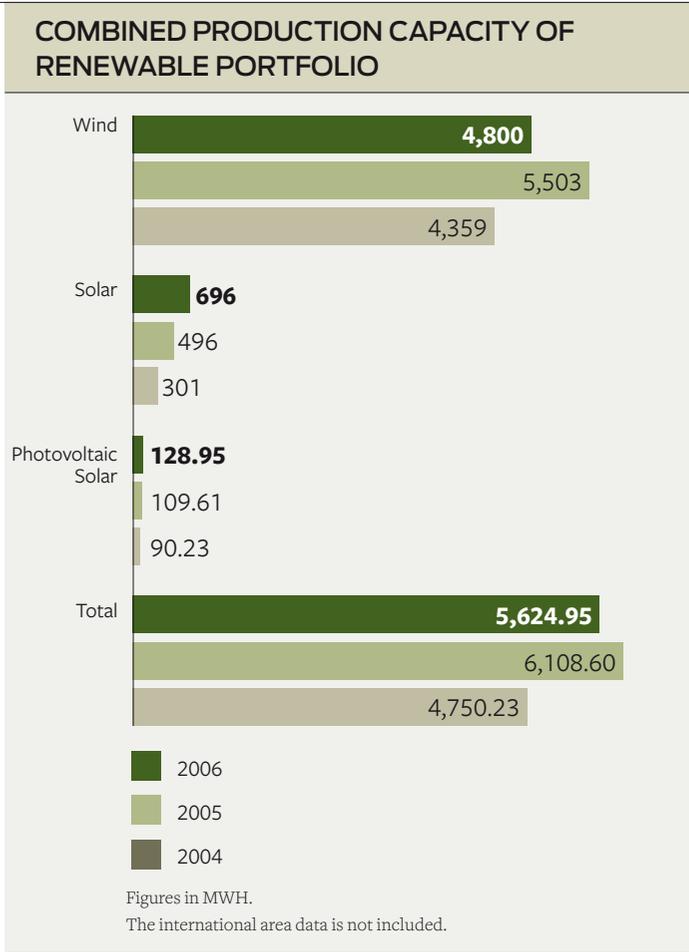
### Focus on biofuel production

IN THE FIELD OF RENEWABLE ENERGIES, 2006 WAS A MILESTONE IN DEFINING THE COMPANY'S FOCUS ON BIOFUEL PRODUCTION, WITH THE GOAL TO ACHIEVE LEADERSHIP IN BIOFUEL PRODUCTION IN BRAZIL AND INCREASE ETHANOL TRADING.

By 2011, Petrobras expects to produce 855,000 m<sup>3</sup>/year of biodiesel, process 425,000 m<sup>3</sup> a year of vegetable oil by using H-Bio technology and export 3.5 million m<sup>3</sup> of ethanol. The thermal and cogeneration plants are another highlight in the energy area, which should produce 4,554 MW that same year.

Petrobras, through the Technological Renewable Energy Program run by Cenpes, has a tradition of investing in studies in two major areas: in the car and power plant investments. It is precisely in the first group that the projects of biodiesel, H-Bio and ethanol from sugarcane bagasse are included. In the latter, they are the Company's experiments with wind energy, solar (photovoltaic and thermal) energy and biomass (biogas from waste landfills and biodigestors, vegetable oils and waste and urban solid waste). Also included in this group are the studies on the use of power from small hydroelectricity plants (SHEPs), geothermal and marine power (tides, waves and ocean currents).

Moreover, Petrobras has the Internal Energy Preservation Program for more than ten years, on the prevention of raw material and input waste. Thanks to this project the emission into the atmosphere of 171,000 tons of carbon equivalent was prevented. In Brazil, there are renewable energy production plants with a capacity of 200 MW and 1 MW in which the level of generating capacity is already over 1%.



#### BIOFUEL SALES VOLUME AND TOTAL FUEL SALES VOLUME

IN MILLIONS OF TONS OF OIL EQUIVALENT (MTOE)

	2004	2005	2006
Biofuel sales volume	0	0	59,339 m <sup>3</sup>
Total fuel sales volume	62,182	62,555	64,032

Information from international area not included. Fuel sales refer to trading the following products: diesel, gasoline, fuel oil, LPG, jet fuel, jet gasoline, kerosene for lighting and petroleum coke. The biofuel sales volume refers to biodiesel. In 2004 and 2005 there was no biodiesel sales.



Agro-generator of a wind plant in Macau, Rio Grande do Norte State

Examples of investments to reduce energy consumption using renewable energies are the projects that use the thermo-solar source for heating water used in restaurants and dressing rooms of the Sergipe and Bahia units in the nitrogenous fertilizer plant and Landulpho Alves refinery (RLAM), in São Francisco do Conde, also in Bahia. In these places, energy collection systems were installed in an area of 528 square meters. The total reduction in power consumption after installing the process is 516 MWh a year.

Similar actions are taken in the international area, such as Ecuador, where a power generation plant is being designed to use the gas associated with production; in Colombia, which uses power self-generation in all production fields using the associated gas produced; and in Argentina, where units use solar and wind energy to supply part of the consumption for their operations.

In 2007, Petrobras plans to invest R\$ 808.4 million in projects of renewable energy sources. There are also goals to reduce emissions and significant improvements in the hydrotreatment units and catalytic reform, which together total around 21.3% of the refining capacity of Petrobras in Brazil. The percentage is well above legal obligations.

Participation in events has also enabled exchange of experiences in renewable energies. At the 8th Conference of Parties of the Convention on Biological Diversity (COP8), Petrobras showed the results of the Cenpes-coordinated projects, for example, the maps of environmental sensitivity, technologies to restore ecosystems and conservation actions of marine and Amazon biodiversity. During the work, the Company launched four books reporting on projects in this field.

Another action is the construction of the new Cenpes facilities begun in 2006. The project combines the concepts of sustainability and ecoefficiency, in order to use shade and ventilation as much as possible to reduce electricity and air conditioning con-

sumption. A natural gas power cogeneration plant will be installed on the site and when it starts up it will supply 70% of the power consumed in the research center. Also, the rainwater will be collected from the roofs and ground and sewage treatment will mean reutilizing 60% of the wastewater, with a 40% drop in the use of the public distribution system of this natural resource. In all, after expansion, 227 laboratories will be in operation, with emphasis on those of biotechnology, environment and gas and energy. ✨

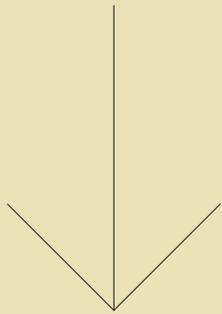


**SAMARA DOS SANTOS TORQUATO**  
Student in the newspaper workshop of  
"Who reads life, reads best" project – São  
Mateus, Espírito Santo State

**OUTLOOK:** To become a journalist  
and publish a book of poetry.

**"I joined the project when I was 11 years old and it changed my life, change my whole way of looking at the world. Now I've my own opinion about things".**

# Transparency



PRINCIPLE 10 **120**  
Businesses should work against  
corruption in all its forms

Petrobras believes that commitment to transparency and anti-corruption goes far beyond legal compliance in Law 9613/98 and being a member of international actions such as the Global Compact, the Extractive Industry Transparency Initiative (Eiti) and the Joint Anti-Corruption Initiative (Paci). It is a value inherent in its corporate governance and culture, which materializes in professional relationships with the stakeholders with which the Company interacts. As a result of the ongoing development of the business management process, 2006 was a year marked also by the launching of the third version of the code of ethics. The set of guidelines, drawn up with the participation of employees from the various units in the Petrobras System, defends rights and rejects any practices of corruption and bribery or favoritism and nepotism. Petrobras also has the Ombudsman's office, open to receiving complaints, suggestions and accusations of fraud, use of privileged information and other violations of moral principles. The communication channel, linked directly to the board of directors, guarantees secrecy and has autonomy to forward the necessary procedures for correcting any discrepancies. Dialogue is also constantly being encouraged through the Corporate Image Monitoring System (Sismico), which assesses the degree of satisfaction of the external and internal publics with Petrobras performance, and is yet another management tool to enhance corporate practices and policies.

# Transparency

## STAKEHOLDER RELATIONS

**PRINCIPLE 10** Businesses should work against corruption in all its forms

### Communication channels reinforce the links

IN ITS STRIVING FOR CONSTANT ENHANCEMENT OF ITS MANAGEMENT, PETROBRAS MAINTAINS AN ONGOING DIALOGUE WITH STAKEHOLDERS THROUGH A VARIETY OF COMMUNICATION CHANNELS. THE COMPANY'S KEY GROUPS OF RELATIONSHIP ARE CLIENTS, SHAREHOLDERS AND INVESTORS, THE COMMUNITIES CLOSE TO THE BUSINESS UNITS, THE PRESS, SUPPLIERS, PUBLIC AUTHORITIES AND THE INSPECTION AGENCIES, INTERNAL PUBLIC AND THE THIRD SECTOR. BY IDENTIFYING AND MONITORING THESE PUBLICS, SPECIFIC ACTIONS ARE TAKEN ON EACH SEGMENT.

With the communities, the most used communication tools are public hearings, meetings, printed matter at the start of the operation of projects, visit program, participation in trade shows, and registering requests. Exchange also occurs through the *De Olho no Ambiente Program* (with an eye on the environment) by which the company supports 335 communities located in areas of direct or indirect influence of its operational units.

Petrobras takes various actions to come closer to investors and market analysts, explaining their doubts and the company's strategies. In 2006, it organized 11 conferences, 16 road shows, 188 meetings at home and abroad, nine events for the individual investor and 12 meetings in the Association of Capital Market Investment Professionals and Analysts (Apimec). Conference calls, chats, the shareholder support 0800 phone, shareholder's journal, website, and other means of communication. Other chan-



Young farmers from the Family Agriculture project along pipeline stretch – region Baixada Fluminense, Rio de Janeiro State



# 335

COMMUNITIES SUPPORTED  
BY THE EYE ON THE  
ENVIRONMENT PROGRAM



nels to express opinions are the shareholders' meetings (general and extraordinary) and the Ombudsman's office.

The client channel is a special hot-site for direct clients — <https://www.canalcliente.com.br> — by which complaints and criticism are registered, with response given to the client at a pre-established date. Petrobras Holding and Petrobras Distribuidora also have a Customer Call Center (CCC), which attends indirect clients. There is also another special hot-site — the Supplier Channel —, this time for supplier relations, available through a link in the company website.

Relations with governments and inspection agencies are established to comply with the laws prevailing in the countries where it operates. The press is informed daily through collective interviews, a specific website ([www.noticiaspetrobras.com.br](http://www.noticiaspetrobras.com.br)), press releases, technical visits and relationship courses, among other actions.

Some examples of third sector relations are the sponsorship programs and participation in its events, when it welcomes opinions and forms partnerships. Through CCC, a permanent system is maintained to answer any doubts raised by non-governmental organizations and other agencies. During the periods when public selections are open for applications, specific pieces are created to attend this public. There is also a page in the Internet that provides information about the Social and Environmental Report, data on the lines of the Petrobras Zero Hunger Program and the Petrobras Environmental Program, projects that area in the project portfolio, social promotional items, among other subjects of interest.

With the internal public, the main communication instruments are the Petrobras magazine and the HR newspaper; specific newsletters of each service unit or corporate area; Petrobras intranet (Petronet); corporate campaigns; articulation of periodic events,

# 18

indicators comprise Sismico that measures the reputation of Petrobras

meetings, and encounters; the Petrobras TV web and HR contact.

In addition, Petrobras does international, national and regional advertising, promotions and sponsorship of events and projects, e-mail marketing, and other communication strategies. The Ombudsman's office is also a continuous source for stakeholder relations.

## MONITORING THE CORPORATE IMAGE

The growing concern of Petrobras regarding stakeholders' involvement is evident, permeating its strategic plan and found in the mission, strategic and performance indicators of the Balanced Scorecard (BSC), corporate policies, values and behaviors.

Petrobras runs surveys in different segments of stakeholders in order to follow up the opinions and changes in the profiles of the key groups. This is why it has developed its own methodology, creating 18 indicators to assess the administration, competitiveness, ethics and social and environmental responsibility, its role worldwide and vision of the future. The group of indicators is the basis of the Corporate Image Monitoring System (Sismico), with a periodic follow-up to check the reputation of Petrobras in the nine key groups.

The corporate image and social responsibility indicators have their diagnoses and surveys analyzed to adapt the lines of action and are considered strategic for the entire company.

For the internal sphere, the company also undertakes an annual Organizational Ambience Study. Through this survey, the employees can express their opinions and perceptions about the factors that shape the Company's atmosphere, including complaints and suggestions that can add new learning and knowledge. This has been done since 1996 and confidentiality is an assured guarantee for all participants. The result of the survey is used to draw up the improvement action plans of each unit, which should

consider employee participation.

Investors, one of the key groups analyzed in Sismico, has specific assessments. Each conference call, organized quarterly, has a perception study performed at the end to assess the understanding of the message conveyed by the executive manager of Investor Relations and other participating managers. A study is also performed every year with the institutional investor to assess the service and work performed by the Investor Relations management. Minority shareholders are approached in another quantitative and qualitative study wherein the socioeconomic profile, quality of service and their perception about the Company are addressed. The results of these surveys are also included in the performance indicators in the Balanced Scorecard (BSC).

Through the communication channels set up by the Company, it was found that one of the main concerns expressed by employees in 2006 was the complementary pension system. Consequently, intense campaigns were organized to inform about the bargaining process of the new pension model for employees who are in the Petros Plan.

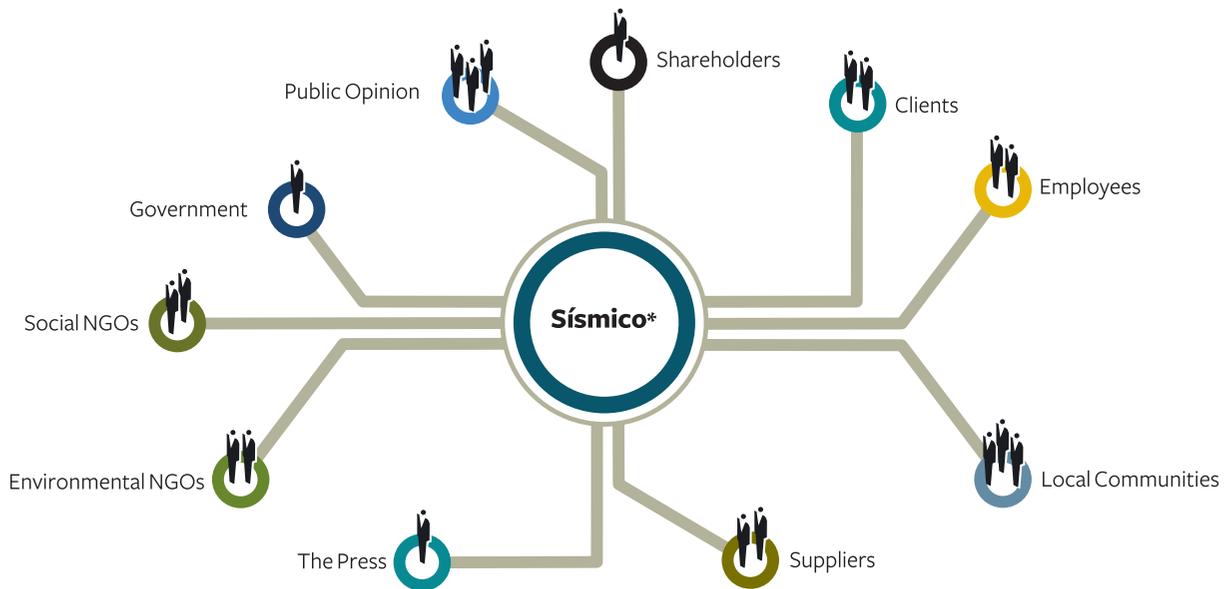
Externally, the most frequent questions were related to price policy, achievement of production goals, biofuels, and ecoefficiency of the projects. Concerning the price policy, Petrobras reaffirmed in talks, chats and interviews its agreement not to alter the price in the midterm. On the subject of production goals, the Company explained about the operational setbacks due to delays in plant delivery and informed its production each month, seeking to harmonize market expectations.

In the biofuel field, Petrobras consolidated its position as a business strategy, informing its investments and actions in this area in talks, interviews and road shows at home and abroad.

Ecoefficiency is one of the Company's constant goals. Through Cenpes, resources are invested in the creation of prod-



Launching the Young Apprentice program – Petrobras headquarters, Rio de Janeiro State



\* Corporate Image Monitoring System

ucts and procedures with less environmental impact. By 2008 it will have invested R\$ 14 million to develop carbon capture technologies and mitigate climate change, identifying possible environmental impacts in Brazil. In addition, each building and production unit of Petrobras has an internal committee for energy conservation (Cice), to monitor the use of energy and suggest procedures to prevent unnecessary losses.

### THE OMBUDSMAN'S OFFICE

To facilitate access of communities, clients, suppliers, workers, shareholders, public authorities and NGOs, and encourage transparent relations, Petrobras has an Ombudsman's office, which is one of the Company's main channels for communicating with the public.

The Ombudsman's office was instated in 2002 as an advisory body for the Petrobras presidency, and have become part of the

Company's official structure in 2005, supported by a skilled staff, the majority of them lawyers, social assistants and journalists, to address the existing demands.

The Ombudsman's office has a direct line to the board of directors and is independent when intermediating disputes and forwarding all kinds of matters, working with the CEO and senior departments in search of solutions. It offers guaranteed confidentiality, independence, impartiality and freedom of action when receiving and processing the accusations received.

In 2006, the office was defined as the official channel for communicating discrepancies or fraud with regard to possible irregularities in accounting records and processes, meeting the requirements of the Sarbanes-Oxley Act. Another action taken in line with American legal guidance was the creation of the Denouncement Channel (<https://canaldenuncia.petrobras.com.br>), which may be accessed by any member of the internal pub-



Yawalapiti children in the Awapá project, Nosso Canto – Alto do Xingu, Mato Grosso State

## CARAVANS TO DEMOCRATIZE ACCESS TO SPONSORSHIP

In order to democratize access, encourage participation in the public selection invitations to apply and help the eligibility of the proposals for sponsor projects, the Company again innovated in 2006 by launching caravans of Petrobras professionals to inform the third sector. The caravans were carried out to disclose the processes of preparing, registering and selecting proposals, for the communities all over Brazil.

Regulations, guidelines and the schedule for preparing projects are available on the Company's hot-site before, during and after the public selection period of the invitation to apply, facilitating enquiries while preparing the projects.

During selection, each application is assessed by at least two experts, who use an analytical methodology being enhanced and systematized since 2003. The specialist team members are external specialist with academic or administration experience in the third sector. Employees from areas and business units in different regions of the country are also involved at the process. A deliberative council consisting of distinguished professionals takes the final decision.

The chosen project proposals are announced on the Petrobras site and the results of the sponsored projects by public selection are presented annually in the Social and Environmental Report, as evidence of the commitment to the transparency of the process.

In the case of the Fund for Childhood and Adolescence (FIA), the transfer of funds to the local councils for children's and adolescents' rights (CMDCA's) involves the corporate areas, regional communication managements all over the country and the business units. Municipalities given priority are those that present:

- AREAS AROUND AND REGIONS OF INFLUENCE OF THE BUSINESS UNITS;
- ROUTES OF CHILD PROSTITUTION AND ABUSE;
- PROJECTS IN THE PETROBRAS ZERO HUNGER PROGRAM AT THE IMPLEMENTATION STAGE CONSIDERED STRATEGIC FOR FEASIBILITY OF A LOCAL CONTEXT;
- GROUNDBREAKING PROJECTS FOR ENHANCING THE SYSTEM FOR GUARANTEEING AND PROMOTING RIGHTS OF THE CHILD AND ADOLESCENT;
- LOW HUMAN DEVELOPMENT INDEX.

After being selected according to these criteria, the municipality then needs to submit to Petrobras the work plan for investing the resources. The company is also in partnership with the Department of Justice to follow up the donations.

The Ombudsman's office offers guarantees of **confidentiality, independence, impartiality and exemption** when receiving and processing accusations received.



lic of Petrobras to report divergences in accounting and financing matters. Secrecy is assured by security devices so that the employee's or outsourcee's identity is not disclosed.

The Ombudsman's office is not only a permanent space to defend the right of expression inside the Company and an auditing tool in the external dialogue process and engagement with society, but also seeks to safeguard and promote the valorization of human rights and respect for the Global Compact.

In 2006, the number of requests received was 15,652. Most of them came from to the external public, which asked for more detailed information about corporate activities. The second biggest reason for contact is about complaints/denouncements, 75.4% from external requests and 24.6% from the internal public. The preferred means of contact is by e-mail, and 93% of the requests were fully answered. ✨

STATUS OF CALLS	
Concluded	14951
Pending	1061
<b>Total</b>	<b>15652</b>

MEANS OF CONTACT	
E-mail	14951
Letter	334
In person	272
Phone	69
Fax	26

COMPARING NUMBER OF CALLS	
2003	10062
2004	13504
2005	14111
2006	15652



Volunteer coordination and support program adopted by Petrobras Bolivia S.A.

# Transparency | PRINCIPLE 10

## PRODUCT AND SERVICE COMMUNICATION

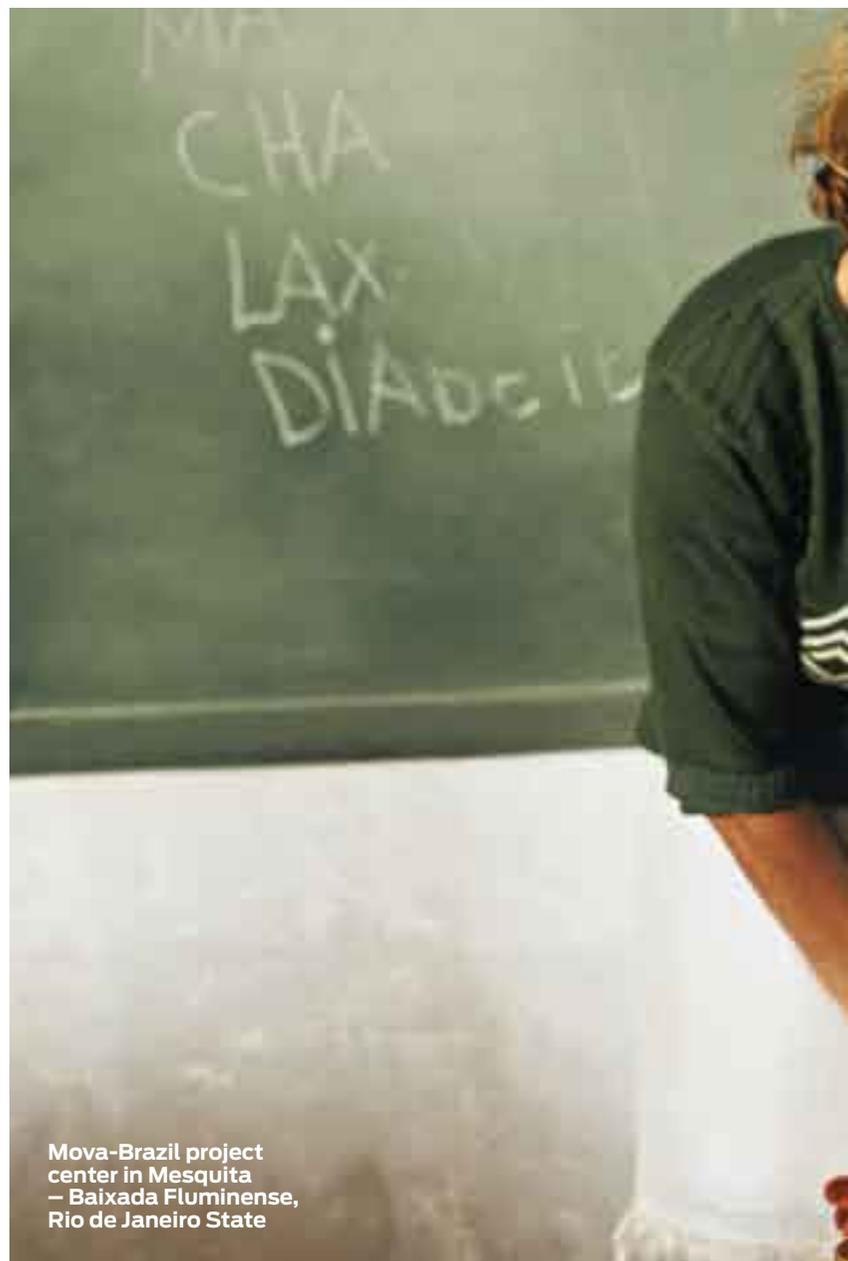
### Transparency as guide for promotional material

COMMUNICATING TRANSPARENTLY, QUICKLY AND CONTINUOUSLY, PROVIDING CLEAR, SECURE, OBJECTIVE, ACCURATE AND UPDATED INFORMATION ABOUT THE ACTIVITIES, PRODUCTS AND SERVICES OF THE COMPANY IS ONE OF THE GUIDELINES OF THE PETROBRAS COMMUNICATION POLICY, WHICH GUIDES ALL PROMOTIONAL MATERIAL.

Chemical Safety Information Cards (FISPQ) of all products of Petrobras Holding are disclosed on the Internet. Information is given about handling and the measures to be taken in the event of an accident, care that must be taken with health and the environment, as well as the data about the composition and physical and chemical properties. The cards also indicate the correct disposal procedures for the packaging.

Petrobras Distribuidora also discloses information about the characteristics of the products and services in the Reseller newspaper, distributed to the clients of the automotive area, resellers and franchise holders. Periodically the labels of the lube packs are reviewed to anticipate the market trends and comply with the regulations defined by the national regulatory agency for petroleum, natural gas and biofuels (ANP). The oil change centers (Lubrax Center) at the Petrobras service stations receive the “Lubrax Wall List” which can be consulted by resellers or customers to know which automobile lube is best for their vehicle. Informative talks are also given on products and their applications, in the Friendly Mechanic Program.

Both Petrobras Holding and Petrobras Distribuidora have a



Mova-Brazil project center in Mesquita – Baixada Fluminense, Rio de Janeiro State

→ In Petrobras Distribuidora, **privacy is formalized in a corporate procedure**, and whoever fails to follow this instruction is liable for disciplinary measures.



customer call center (CCC), which gives more detailed explanations to clients and consumers on products and services. In 2006, Petrobras Holding CCC answered 123,295 calls, 2% of which only were complaints. The average waiting time for an answer was 15 seconds. Petrobras Distribuidora had 35,351 calls, 43,344 e-mails and 634 enquiries through other means. The average waiting time was 20 seconds or less.

Customer satisfaction is also observed in studies. In addition to the Sismico assessment, since 1997 Petrobras Holding has been carrying out the Petrobras National Customer Satisfaction Survey, which assesses all business units and the Supply area. In Petrobras Distribuidora, the automotive area has an annual survey plan, in which a number of market analyses and public opinion polls are performed with truck and car drivers and customers, resellers, franchise holders and direct clients. Transpetro, as well as the units in Argentina, Uruguay, United States, Colombia and Bolivia, have routine customer satisfaction surveys.

Moreover, Petrobras has practices addressing customer privacy protection. In Petrobras Distribuidora, privacy is formalized in a corporate procedure, and whoever fails to follow this instruction is liable for disciplinary measures. ✨

**DATA FROM PETROBRAS DISTRIBUIDORA CCC IN 2006**

Enquiry	61.2%
Compliment	0.3%
Emergency	0.4%
Complaint	19.5%
Request	18.5%
Suggestion	0.1%

# ANTI-CORRUPTION AND ANTI-BRIBERY POLICIES

## Ethical conduct reigns the Company relations

THE PROMOTION OF FAIR CONDUCT OF EMPLOYEES AND ADMINISTRATORS HAS BEEN ONE OF THE PETROBRAS GOALS SINCE IT WAS FOUNDED AND WAS DEFINED PUBLICLY IN A CODE OF ETHICS FOR THE FIRST TIME IN 1998. THE COMPANY ADOPTS THE SAME PRINCIPLES IN ALL MARKETS WHERE IT IS PRESENT.

The third edition of the code of ethics was launched in 2006. As a forerunner initiative in the Brazilian business sector, the document was founded on the Ethos indicators for corporate social responsibility. The documents presents the advances of the Petrobras System at the exercise of corporate governance, increasing the rules of conduct for all stakeholders, including with regard to the anti-corruption and anti-bribery policies.

The internal public participated intensely in constructing the new code. External consultations were also made to stakeholders. Communities, clients, suppliers and shareholders were some of the contributors to a more comprehensive code. In addition to the employees and Petrobras senior management, the set rules are valid for the members of the board of directors and statutory audit committee, interns and service providers. They all knew about the document and signed a declaration of acknowledgment on the web.

The Company organized an intense internal campaign in the areas and units in Brazil to launch the rules of conduct, to encourage the internal public to know the details of the code. In the units abroad, promotional campaigns are also being run by the international business area according to the characteristics



Employees on a visit to the P-52 platform during construction – Angra dos Reis, Rio de Janeiro State

→ Building the new code **had intense participation of the internal public.** Outside inquiries were also made to stakeholders.



of each country. Petrobras, moreover, presents the ethical principles and commitments of conduct in its programs for supervisor capacity building, management development and new employee adaptation to encourage reflection and commitment.

The Company adopts standardizing management instruments, such as codes of good practices and competitive conduct, and also adopts the federal top administration code of conduct (CCAAF), whose application is supervised by the Public Ethics Committee of the Presidency of the Republic (CEP). Petrobras also adopts the corporate policy not to make donations to politicians, political parties or related institutions.

Quarantine is one of the rules stipulated for presidents and directors of Petrobras and the subsidiaries. Although the four-month prohibition period after exoneration is mandatory for some public authorities, the senior officers in the Petrobras System are liable to inform the Public Ethics Committee of their new professional activities after retiring from public life, to analyze possible incompatibilities. The measure intends to restrict the use of privileged information of an economic, political or social nature.

In Brasil, Petrobras also complies with the Corporate Stock Act and the directives of the São Paulo stock exchange (Bovespa) and Securities and Exchange Commission (CVM), among other regulations. Overseas, the main guidelines adopted are the Sarbanes-Oxley Act (SOX), which applies to foreign companies with shares on the New York stock exchange and which also provides a series of transparency requirements to prevent the occurrence of fraud, in addition to regulations issued by the Securities and Exchange Commission (SEC).

An anti-corruption corporate culture is maintained by means of clear mechanisms for rendering accounts. Each area, unit and subsidiary have predetermined lines of subordination and responsibilities, and internal audits and control bodies assess

Petrobras adopts the public commitment expressed in the corporate governance guidelines that **the top management must consider recommendations, suggestions and opinions** of the minority shareholders.

the effectiveness of that is being done. In the event of a suspected transgression, Petrobras sets up enquiry committees for investigating the facts. Should there be sign of any crime, the policy is zero tolerance and the denouncement is offered to the Department of Justice. Although market and operational risk assessments are carried out, analyses relating to corruption at the business units are not yet considered.

External audits are also carried out. The Company, under federal government control, is periodically assessed by the central government audit court (TCU), which is empowered to disclose on its site ([www.tcu.gov.br](http://www.tcu.gov.br)) the violations found and apply sanctions.

The Company also plays an active role in the national movements in search of quality of management, productivity and competitiveness. In its striving for excellence, Petrobras maintains the management quality improvement and assessment program. In 2006 it also signed an agreement with the National Quality Foundation to develop tools to disseminate the use of the model of excellence in management and simplify the management assessment process.

In order to encourage practices to increase market competition standards, the commercial and price policies adopted by Petrobras follow clear rules expressed in the competition conduct code and code of ethics, in order to promote honest fair negotiations, without undue benefits through manipulation, use of privileged information and other frauds of this kind. The price policies are adopted in accordance with the context of the domestic and international markets, seeking balance with the requirements to supply the operating costs and competitiveness.

However, four lawsuits are underway in Petrobras Distribuidora and one in Petrobras Colombia Combustibles. Three of the cases in Petrobras Distribuidora refer to public civil actions filed by the Paraná State, Brazil, department of justice and the federal depart-

ment of justice in Paraná, which allege the existence of a “price war” between service stations in the counties of Apucarana, Londrina and Curitiba. The Company has appealed in its defense in the various appeal courts, submitting monthly price and cost bills.

Another public civil action was filed by the federal department of justice in Rio Grande do Sul State, Brazil, against all fuel distributors, arguing that the differentiation in regular gasoline, alcohol and diesel fuel prices charged by resellers in the interior of the state, compared to those in the capital and metropolitan region is unjustifiable. In the lower court, the legal decision was dismissal without prejudice. Nevertheless, the federal department of justice is appealing and Petrobras Distribuidora is accompanying the situation of the case.

In Colombia, the existing process is due to the impasse arising from the fact that the Lubrax brand is registered by an individual in association with another company. Although this brand is no longer used in the market, a lawsuit continues against Petrobras Colombia Combustibles for the registration application by Petrobras Lubrax to name its lubricant. The Company is appealing, on the evidence of the long tradition of its product on various markets in Latin America using the Lubrax expression.

## FINANCIAL INTEGRITY

The guarantee of the financial integrity of the annual financial statements of Petrobras, with regard to both Brazilian and North American standards, and of the accounting data in the Quarterly Information (ITR), which are sent to the Securities and Exchange Commission (SEC), is assured by undertaking an external audit approved by the board of directors. It is mandatory that the auditing firms take turns every five years. With regard to 2006, the task was performed by KPMG Independent Auditors.

The Company also has an internal document formalizing



Turbine machine shop in the support services unit – Macaé, Rio de Janeiro State

the Information Disclosure Procedures and Controls (CPDI), so that the information presented to the markets is registered, processed, prepared and provided in accordance with the legal deadlines and regulations.

In compliance with the Sarbanes-Oxley Act and the Securities and Exchange Commission (SEC), Petrobras keeps the annual reports filed, accompanied by the certifications signed by the CEO and financial director, in which they are held responsible for the preparation and maintenance of the CPDI. Moreover, with regard to Instruction no. 358 of Securities and Exchange Commission (SEC), the Company notifies the market and its agents through a Relevant Fact of any circumstance that causes alteration to the risk perception and, consequently, to its monetary value.

Petrobras adopts the public commitment, expressed in the corporate governance guidelines, that the senior management must take into consideration the recommendations, suggestions and opinions of the minority shareholders. Both holders of common and preference shares have a representative on the board of directors.

## RISK MANAGEMENT

The Risk Management Committee, formed by executives from the business areas and corporate organs, discusses the proposed risk factors in order to offer an integrated and comprehensive view of the oil and byproduct market scenarios, to help the executive board and board of directors in the decision-making process.

Petrobras also undertakes health, safety and environment (HSE) risk assessments periodically or whenever significant changes are made in new processes or products. Personal safety of the internal public and plant, environment and corporate reputation are analyzed. The communities around the units are

informed about the characteristics and impacts of projects at public hearings, when their concerns and suggestions are considered and discussed. These procedures are regulated based on the HSE corporate guideline.

In the event of any situation that may endanger the safety and health of communities or can cause environmental damage, or even in other events that may cause negative repercussions on society, the Company's Crisis Communication System is set in motion. It was installed in 2002, establishes management premises in case of emergency, considering the operating standards and responsibilities of the managers at the different hierarchic levels. Petrobras instructs that in crisis situations communication is made as quickly, transparently and objectively as possible. ✨

# Social Report 2006 Ibase Model

1 - CALCULATION BASE		2006 VALUE ('000 REAIS)		2005 VALUE ('000 REAIS)	
Net earnings (NE)		158,238,819		136,605,078	
Operational income (OI)		40,672,492		36,679,897	
Gross payroll (GP)		6,615,683		6,002,420	

2 - INTERNAL SOCIAL INDICATORS	VALUE ('000)	% ON GPR	% ON NE	VALUE ('000)	% ON GPR	% ON NI
Meals	443,854	6.71%	0.28%	358,521	5.97%	0.26%
Mandatory social contributions	3,121,887	47.19%	1.97%	2,304,676	38.40%	1.69%
Private pension	590,354	8.92%	0.37%	722,535	12.04%	0.53%
Health	2,030,426	30.69%	1.28%	1,862,526	31.03%	1.36%
Occupational health and safety	76,862	1.16%	0.05%	40,754	0.68%	0.03%
Education	87,189	1.32%	0.06%	82,096	1.37%	0.06%
Culture	30,844	0.47%	0.02%	19,489	0.32%	0.01%
Training and professional development	328,700	4.97%	0.21%	311,966	5.20%	0.23%
Nursery daycare/allowance	1,835	0.03%	0.00%	1,620	0.03%	0.00%
Profit / income sharing	1,196,918	18.09%	0.76%	1,005,564	16.75%	0.74%
Other	66,837	1.01%	0.04%	59,280	0.99%	0.04%
<b>Total - Internal social indicators</b>	<b>7,975,706</b>	<b>120.56%</b>	<b>5.04%</b>	<b>6,769,027</b>	<b>112.77%</b>	<b>4.96%</b>

3 - EXTERNAL SOCIAL INDICATORS	VALUE ('000)	% ON OI	% ON NE	VALUE ('000)	% ON RO	% ON NI
Education (I)	81,895	0.20%	0.05%	60,742	0.17%	0.04%
Culture	288,569	0.71%	0.18%	264,611	0.72%	0.19%
Health and sanitation	5,627	0.01%	0.00%	7,620	0.02%	0.01%
Health and sanitation	58,197	0.14%	0.04%	25,774	0.07%	0.02%
Food security and fight against hunger	33,762	0.08%	0.02%	66,825	0.18%	0.05%
Other (II)	78,352	0.19%	0.05%	48,130	0.13%	0.04%
<b>Total contributions to society</b>	<b>546,402</b>	<b>1.34%</b>	<b>0.35%</b>	<b>473,702</b>	<b>1.29%</b>	<b>0.35%</b>
Taxation (excluding payroll charges)	71,274,595	175.24%	45.04%	69,801,173	190.30%	51.10%
<b>Total - External social indicators</b>	<b>71,820,997</b>	<b>176.58%</b>	<b>45.39%</b>	<b>70,274,875</b>	<b>191.59%</b>	<b>51.44%</b>

4 - ENVIRONMENTAL INDICATORS	VALUE ('000)	% ON WI	% ON NE	VALUE ('000)	% ON WI	% ON NI
Investments relating to the company's production/operation	1,359,428	3.34%	0.86%	1,224,745	3.34%	0.90%
Investments in external programs and/or projects	44,641	0.11%	0.03%	44,195	0.12%	0.03%
<b>Total investments in environment</b>	<b>1,404,069</b>	<b>3.45%</b>	<b>0.89%</b>	<b>1,268,940</b>	<b>3.46%</b>	<b>0.93%</b>

With regard to setting annual goals to minimize waste, general consumption in production/operation and increase effectiveness in use of natural resources, the company

( ) has no goal	( ) has no goal
( ) fulfills 0-50%	( ) fulfills 0-50%
( ) fulfills 51-75%	( ) fulfills 51-75%
(x) fulfills 76-100%	(x) fulfills 76-100%

5 - WORKFORCE INDICATORS	2006	2005
No. of employees at end of period	62,266	53,933
No. of admissions during period (III)	7,720	1,806
No. of outsourced workers	176,810	155,267
No. of interns (IV)	686	560
No. of employees over 45 years old (IV)	20,007	17,521
No of women employees (IV)	6,664	5,116
% of senior positions occupied by women (IV)	12.40%	10.70%
No. of Afro-descendent employees (V)	2,339	2,339

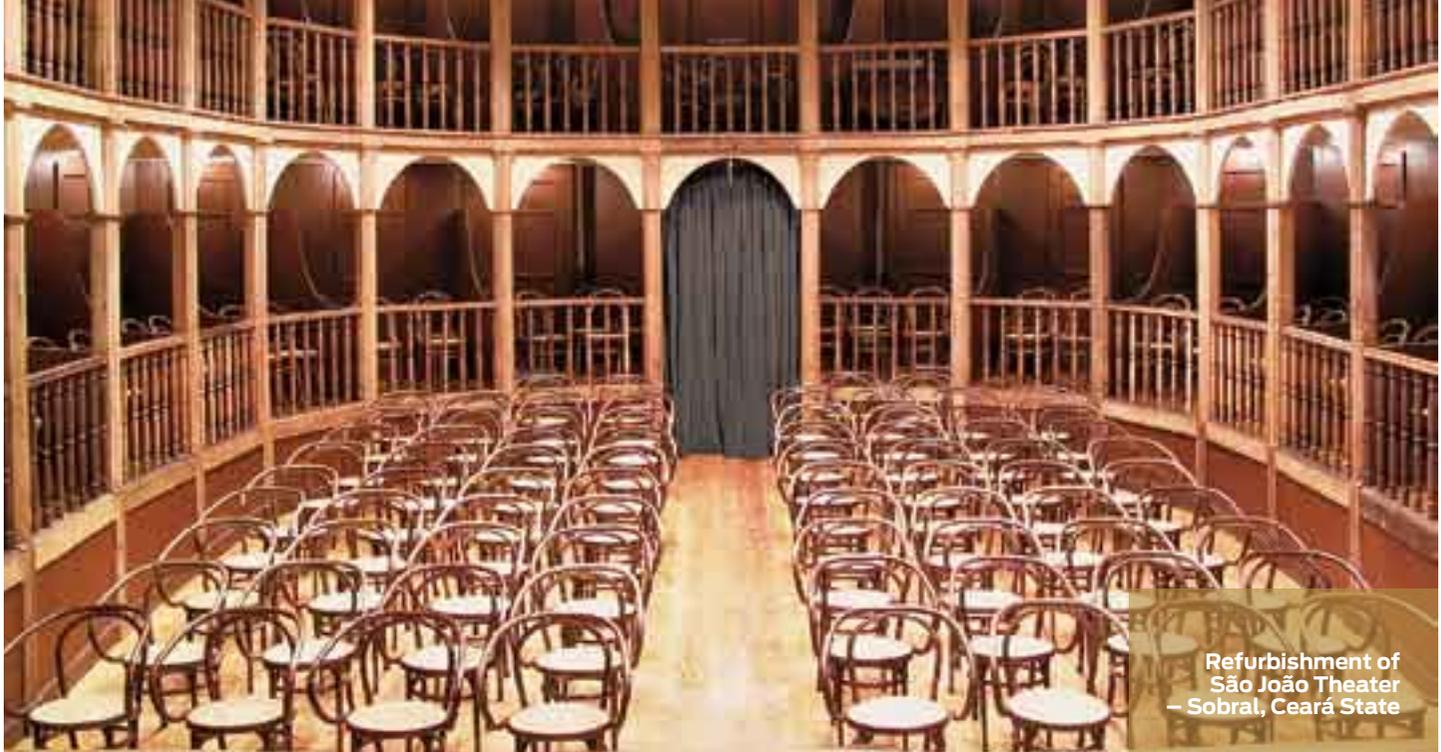
5 - WORKFORCE INDICATORS CONTINUATION	2006	2005
% of senior positions occupied by Afro-descendents (V)	3.10%	3.10%
No. of disabled or employees with special needs (VI)	1,009	1,298

6 - RELEVANT INFORMATION REGARDING THE PRACTICE OF CORPORATE CITIZENSHIP	2006						GOALS 2007	
Ratio between the highest and lowest remuneration in the company (VII)	36.3						36.3	
Total number of work-related accidents (VIII)	437						414	
Social and environmental projects developed by the company were defined by:	<input type="checkbox"/> directors	<input checked="" type="checkbox"/> directors & managers	<input type="checkbox"/> all employees	<input type="checkbox"/> directors	<input checked="" type="checkbox"/> directors & managers	<input type="checkbox"/> all employees		
Occupational health and safety standards were defined by:	<input checked="" type="checkbox"/> directors & managers	<input type="checkbox"/> all employees	<input type="checkbox"/> all + Cipa	<input checked="" type="checkbox"/> directors & managers	<input type="checkbox"/> all employees	<input type="checkbox"/> all + Cipa		
Concerning trade union freedom, the right to collective bargaining and internal representation of the workers, the company:	<input type="checkbox"/> is not involved	<input type="checkbox"/> follows the ILO standards	<input checked="" type="checkbox"/> encourages and follows ILO	<input type="checkbox"/> will not be involved	<input type="checkbox"/> will follow ILO standards	<input checked="" type="checkbox"/> will encourage and follow ILO		
The private pension scheme considers: (IX)	<input type="checkbox"/> directors	<input type="checkbox"/> directors & managers	<input checked="" type="checkbox"/> all employees	<input type="checkbox"/> directors	<input type="checkbox"/> directors & managers	<input checked="" type="checkbox"/> all employees		
Profit or income sharing considers:	<input type="checkbox"/> directors	<input type="checkbox"/> directors & managers	<input checked="" type="checkbox"/> all employees	<input type="checkbox"/> directors	<input type="checkbox"/> directors & managers	<input checked="" type="checkbox"/> all employees		
When selecting the suppliers, the same ethical standards and social and environmental responsibility adopted by the company:	<input type="checkbox"/> are not considered	<input type="checkbox"/> are suggested	<input checked="" type="checkbox"/> are required	<input type="checkbox"/> will not be considered	<input type="checkbox"/> will be suggested	<input checked="" type="checkbox"/> will be required		
Concerning employee participation in volunteer work programs, the company:	<input type="checkbox"/> is not involved	<input type="checkbox"/> supports	<input checked="" type="checkbox"/> organizes & encourages	<input type="checkbox"/> will not be involved	<input type="checkbox"/> will support	<input checked="" type="checkbox"/> will organize & encourage		
Total number of complaints and criticism from consumers: (X)	in company 18,653	in Procon 21	in court 33	in company 3,000	no Procon 0	in court 0		
% of complaints and criticism answered or solved: (X)	in company 99.68%	in Procon 4.76%	in court 0%	in company 99.7%	in Procon —	in court —		
<b>Total added value to be distributed (in R\$'000):</b>	<b>In 2006:</b>	<b>120,694,637</b>		<b>In 2005:</b>	<b>108,240,825</b>			
Added Value Distribution (AVD):	60% government 7% shareholders	8% collaborators 9% third parties	16% withheld	59% government 7% shareholders	9% collaborators 9% third parties	16% withheld		

7 - FURTHER INFORMATION
1) CNPJ: 33000167/0001-01 - Economic sector: Industry / Petroleum, Gas & Energy - Company headquarters state: Rio de Janeiro
2) For explanations about stated information: Wilson Santarosa - Executive Manager for Institutional Communication - Phone (+55 21) 3224-1009 E-mail: comunicacao@petrobras.com.br
3) This company does not use child or slave labor, has no involvement with adolescent or child prostitution or sexual exploration and is not involved in corruption.
4) Our company valorizes and respects internal and external diversity.
I. Includes investments in the Petrobras Young Apprentice Program, totaling R\$ 25,320,075.18.
II. Includes transfer to the Fund for Childhood and Adolescence (FIA) and projects directed at guaranteeing the rights of the child and adolescent.
III. Data of Petrobras Holding of employees recruited by a public selection process.
IV. Information of Petrobras Holding.
V. Petrobras began the internal census in late 2006 and it is not yet completed. This is why the reported data is relative to the 2004 research, but will be updated as soon as the results are tabled.
VI. Information of Petrobras in Brazil. The value for 2005 was estimated based on a study the previous year via intranet. It is on the basis of a personal statement and 33.04% of the employees in Petrobras Holding participated. In 2006, the HSE area surveyed the exact number, including Petrobras Distribuidora and Transpetro.
VII. A new career and wage plan for the Company's employees is being prepared. As a result of the bargaining that still occurs and the possibility of impacting this index, the goal for the ratio between the highest and lowest remuneration for 2007 was measured as equivalent to the current, considering these values as an assumed maximum limit.
VIII. Number of casualties with sick leave per million men-hours of exposure to risk, including own and outsourced employees. For 2007, the number of casualties statistically expected is based on a forecast of 563 million men-hours exposure to risk and at the admissible maximum limit provided for the Frequency Rate of Casualties with Sick Leave (TFCA).
IX. The Company is negotiating a new complementary pension model with the employees who are in the Petros Plan. New employees have a life insurance, contracted and paid by Petrobras, until the new proposal is approved, in final procedure stage in the Complementary Pension Secretariat.
X. By 2005, the data reported was only from the CCC of Petrobras Holding. Since 2006, it now includes the number of complaints and criticism received by Petrobras Distribuidora. The goal for 2007 contains only the CCC estimate for Petrobras Holding.

# Awards

<b>INTERNATIONAL ENVIRONMENTAL &amp; SOCIAL RESPONSIBILITY AWARD</b>	Petrobras won in the categories of International Pipeline Operator and Asme (American Society of Mechanical Engineers) Global Pipeline Award, for the Community Vegetable Gardens along Stretches of Pipeline.
<b>MEDAL OF THE CULTURAL ORDER OF MERIT – MINISTRY OF CULTURE</b>	Tribute paid to: “Grupo Corpo”, “Intrepid Troupe”, “Xingo Archeology Museum”.
<b>TOP SOCIAL AWARD - ASSOCIATION OF SALES AND MARKETING DIRECTORS (ADVB) 2006 – SÃO PAULO</b>	For the third year running, the Implementation of Enterprises for Transpetro (IETR), for Engineering received the award. This year, awarded to the program “Petrobras/Transpetro and Structural Village: a relationship of coexistence along the pipelines”.
<b>TOP SOCIAL PRIZE - BRAZILIAN ASSOCIATION OF SALES AND MARKETING DIRECTORS (ADVB) 2006 – RIO DE JANEIRO</b>	Petrobras Holding won with four projects: “Guarani Indigenous Food Security”; “Social Station”; “Affirmative Action, Positive Attitude: Your dream is our challenge” and “Valorizing the third age”. Transpetro was also awarded for the projects “Agro-ecological family agriculture along the pipelines”; “Community exchange program in Natal, Rio Grande do Norte” and “Meros do Brasil project”.
<b>TOP OF MARKETING AWARD - ASSOCIATION OF SALES AND MARKETING DIRECTORS (ADVB) 2006 – RIO DE JANEIRO</b>	The prize was for the Supply area’s socio-environmental project portfolio.
<b>MARKETING HIGHLIGHT AWARDS 2006 - BRAZILIAN MARKETING AND BUSINESS ASSOCIATION (ABMN)</b>	<ul style="list-style-type: none"> <li>- Energy Industry category – cases Petrobras, Investor Relations; Biofuels; Redegasenergia: Technology as a marketing vector for natural gas.</li> <li>- Third sector category – cases Comperj Integration Center and Move Brazil project.</li> <li>- Incentive Marketing category – case HSE leadership project.</li> <li>- Institutional Marketing category – case Brazil self-sufficient in petroleum.</li> <li>- Grand Prix – for having received seven of the ten prizes and record holder of the year.</li> </ul>
<b>MARKETING BEST SOCIAL RESPONSIBILITY</b>	The winning projects were “Fibers of the Sertão”; “Project Incubator of Afro-Brazilian professionals and entrepreneurs”; “Pounds are cool” and “Honey from the Amazon”.
<b>“MOST SUSTAINABLE COMPANY” – IBOVESPA</b>	Top ranking in sustainability and social responsibility among the 45 national companies with shares in Ibovespa, main index of the São Paulo stock exchange.
<b>FOR GENDER QUALITY SEAL 2007</b>	The seal is granted by the federal government’s Special Secretariat for Women’s Policies (SPM) in recognition of the development of initiatives to promote equality between men and women in the workplace.
<b>ALERJ PRIZE - “EFFICIENT CORPORATE PARTNER TO THE DISABLED”</b>	The Disabled Defense Committee of the Rio de Janeiro state legislature recognized the work of the companies for training and easy access for everyone.
<b>CHILD-FRIENDLY COMPANY SEAL</b>	Renewal of the Abrinq Foundation Seal
<b>NATIONAL WATER AGENCY PRIZE</b>	Honorable mention for the Petrobras Environmental Program.
<b>ENVIRONMENTAL BRAZIL AWARD 2006 – AMERICAN CHAMBER OF COMMERCE OF RIO DE JANEIRO</b>	The project “Conservation and preservation of natural resources of São João creek” prize winner in the Water Management category. The prize is in recognition of the companies that contribute toward the environment with preservation projects and socially responsible practices.
<b>“MOST ADMIRED COMPANIES IN BRAZIL” AWARD</b>	The Company came first in the category “Committed to the country” and also received the trophy for the fourth ranking of the most admired. Petrobras Distribuidora won in the “Fuel Distributors” segment.
<b>“MOST ADMIRED COMPANIES IN VENEZUELA” AWARD</b>	In a survey by the Venezuelan magazine Gerente, the company voted one of the five most admired companies in Venezuela.
<b>FOLHA TOP OF MIND PRIZE</b>	For the third year running, in the fuel category, the Petrobras brand was the most recalled by consumers interviewed by Datafolha.



Refurbishment of São João Theater – Sobral, Ceará State

<b>ABERJE NORDESTE COMMUNICATION PRIZE</b>	Landulpho Alves refinery (RLAM) in the categories Best House Organ, with the weekly newsletter “Notícias RLAM”; and Best Internal Public Relations Project, with the case “Parada U-39” – and also received finalist plaques in categories External Communication Video and Special Events.
<b>PALMERA DORADA PRIZE</b>	The Petrobras Bolivia booth won the prize for best architecture at the Santa Cruz International Trade Fair.
<b>GALO DE OURO PRIZE IN THE 2ND EXHIBITION OF DESIGN AND GRAPHIC ARTS IN LATIN AMERICA</b>	The Elevator Education campaign, developed in buildings of the Company in Rio de Janeiro, won the prize at the event in the Gramado World Advertisement Festival.
<b>NATIONAL PRIZE FOR PUBLIC ADMINISTRATION (PQGF) 2006</b>	The administration model for the Supply business area won the Gold Sash. The PQGF is a prize from the Ministry of Planning, Budget and Management.
<b>UNIVERSITY STUDENT’S DREAM COMPANY AWARD AND SEAL</b>	Won for the second year running, the survey indicated Petrobras as the favorite of the new graduates for starting a career. The most mentioned reasons for choosing the company of their dreams were the image of credibility in the market (14.3%), good wages and benefits (11.3%) and constant challenges (8.5%).
<b>INVESTOR RELATIONS MAGAZINE 2006</b>	The American publication awarded Petrobras the prizes of best investor relations site (IR), Best individual investor relations program and Best Annual Report.
<b>IBEST PRIZE</b>	The portal of Petrobras Distribuidora (www.br.com.br) four times champion in the Mines and Energy category.
<b>“CASE OF THE YEAR” - BRAZILIAN E-BUSINESS ASSOCIATION</b>	The Petrobras procurement and bargaining portal, Petronet, voted “case of the year”, in the e-procurement category (electronic purchasing).
<b>FORBES RANKING</b>	First placed in Latin America and 51st in the world according to the ranking of the American Forbes magazine, renowned world vehicle in economics and business. In one year the Company rose 37 places in relation to 2005, when it was in 88th ranking.
<b>HART’S WORLD REFINING REFINER &amp; ENERGY COMPANY OF THE YEAR PRIZE</b>	Awarded for the international refining and energy category. The prize is awarded by Hart Energy, a respected publishing and consulting group in the USA in the oil and energy area with a strong international presence.
<b>PROJECT FINANCE INTERNATIONAL AWARDS 2006</b>	Awarded for Henrique Lage refinery (Revap), because of the financial structuring of the upgrading project. PFI specializes in studying and disclosing any kind of activity relating to project finance structuring.
<b>ACESITA CERTIFICATE FOR QUALITY ASSURANCE – PETROBRAS DISTRIBUIDORA</b>	Petrobras Distribuidora, for the fifth year running, recognized by the Acesita Suppliers Eligibility Program (PQF) with regard to the company’s supplying diesel fuel and OCA1.
<b>TOP OF SALES ADVB 2006</b>	The winner was the case “Ethanol Export Corridor”, on the Company’s strategy to enter the ethanol market and further sustainable socioeconomic development in bioenergy complexes.
<b>BOVESPA HIGHLIGHTS 2006 PRIZE</b>	Petrobras awarded for the second time running the prize “Open company with most business transactions”.
<b>ISTO É DINHEIRO MAGAZINE – ENTREPRENEUR OF THE YEAR PRIZE</b>	Petrobras CEO José Sergio Gabrielli awarded the prize “Entrepreneur of the Year” in the Energy category.
<b>VISCONDE DE MAUÁ DIPLOMA &amp; MEDAL – RIO DE JANEIRO COMMERCIAL ASSOCIATION (ACRJ)</b>	Petrobras CEO José Sergio Gabrielli awarded maximum honors from ACRJ: the Visconde de Mauá gold medal and diploma.
<b>PROFESSIONAL OF THE YEAR 2006 – NATIONAL ASSOCIATION OF FINANCE EXECUTIVES (ANEFAC)</b>	Executive manager for accounting, Marcos Menezes, considered the best accounting professional in the country in 2006.

# Indicator Matrix

The Petrobras Social and Environmental Report, which focuses on objectivity and dialogue with the various stakeholders, has been consolidating its Indicator Matrix over the years, to include different models and guidelines to responses and disclosure of topics referring to social and environmental responsibility. Five different essential and extra indicator groups are used, developed by Brazilian and international institutions. Since these groups complement each other, the matrix is a guide to the BSA text, making it comprehensive and fit to meet society's requirements. The basic framework of the Matrix is dictated by the third version of the Global Reporting Initiative (GRI), including major issues, such as profile; economic; environmental; labor practices and decent work; human rights; society; and responsibility for the product.

GRI APPLICATION LEVEL		2002 "in agreement with"	C	C+	B	B+	A	A+
<b>Mandatory</b>	Self-declaration							✓
<b>Optional</b>	Examined by third parties							✓

Petrobras self-declares that it fits the GRI level A+, since it answers all essential indicators and is externally assured with regard to the truth of the disclosed information and use of the GRI Reporting Framework when preparing the Social and Environmental Report 2006. KPMG Independent Auditors is the external auditing firm responsible for audit and review the Social and Environmental Report as at 31 December 2006 and its opinion on page 153 indicated no discrepancy in relation to the Petrobras application level A +

CAPTIONS	
GRI	Global Reporting Initiative - Sustainability Reporting Guidelines for 2006 - Version 3.0
DJSI	Dow Jones Sustainability Index - Questionnaire for Corporate Sustainability 2006
IBASE	Ibase Model 2006
ETHOS	Ethos Indicator on Corporate Responsibility 2006
ETHOS - IBP	Ethos Sectorial Indicator on Corporate Responsibility - Ethos Institute and Brazilian Institute of Oil and Gas

Essential indicators
  Additional indicators

## PROFILE

### Strategy and Analysis

Related Indicators					Topic	Page	Audit/ Revision
IBASE	DJSI	Ethos - IBP	Ethos	GRI			
			3.9	1.1	Statement by the top decision-makers in the organization (such as, CEO, chairperson of board of directors, or equivalent) on the relevance of sustainability for the organization and its strategy	3, 4, 5	R
				1.2	Description of main impacts, risks and opportunities	34, 96, 97	R
	37				Existence of processes for strategic trademark administration	12	R
	38				Values of trademark and trademark expenditure, including corporate and product brands (2001-2006)	12	R

### Organizational Profile

Related Indicators					Topic	Page	Audit/ Revision
IBASE	DJSI	Ethos - IBP	Ethos	GRI			
				2.1	Name of organization	154	A
				2.2	Main trademarks, goods and/or services	8	R
				2.3	Operational structure of the organization, including main divisions, operating units, subsidiaries and joint ventures	11	NAR
				2.4	Location of organization headquarters	154	R
				2.5	Number of countries where the organization operates and name of countries where its main operations are located or are especially relevant for the sustainability issues covered by the report	16	R
				2.6	Type and legal nature of ownership	8	A
				2.7	Markets supplied (including geographic description, sectors supplied and type of client/beneficiary)	16	R
				2.8	Size of organization	14	R
				2.9	Main changes during the period covered by the report with regard to size, structure or share participation	11	R
				2.10	Awards received during the period covered by the report	134, 135	R

Report Parameters							
Related Indicators					Topic	Page	Audit/ Revision
IBASE	DJSI	Ethos - IBP	Ethos	GRI			
				3.1	Period covered by report (such as fiscal/calendar year) for the information submitted	28	R
				3.2	Date of the last previous report (if any)	28	R
				3.3	Report issue cycle (annual, biennial, etc.)	28	R
				3.4	Contact data in the event of questions relating to the report or its content	133, 155, 156	R
				3.5	Process for defining report content	28	R
				3.6	Report boundary (such as countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers)	28	R
				3.7	Statement on any specific restrictions regarding report boundary or scope	28	R
				3.8	Base for drafting the report with regard to joint ventures, subsidiaries, leased facilities, outsourced operations and other organizations that might significantly affect the comparability between periods and/or organizations	28	R
				3.9	Data measuring techniques and calculation bases, including hypotheses and techniques, which sustain the estimates applied to the compilation of indicators and other information in the report	60, 61	R
				3.10	Explanation of the consequences of any reformulations of information supplied in earlier reports and the reasons for such reformulations (such as, for example, mergers or takeovers, change in period or base year, nature of the business, measuring methods)	28, 29	R
				3.11	Major changes in comparing earlier years with regard to scope, boundary or measuring methods used in the report	29	R
				3.12	Table to identify location of information in report	136, 152	R
				3.13	Policy and current practice relating to finding external confirmation for report	29	R
			6		Annual preparation of report on economic, social and environmental aspects of the company activities, including quantitative data and unfavorable results, challenges and goals	28, 29	R
			6/6.3		Involvement of various publics in the process of preparing the social report	29	R
Governance, Commitments and Engagement							
Related Indicators					Topic	Page	Audit/ Revision
IBASE	DJSI	Ethos - IBP	Ethos	GRI			
	3			4.1	Governance structure of the organization, including committees under the top governance body responsible for specific tasks, such as establishing a strategy or supervising the organization	8, 10	R
				4.2	Indication if the president of the top governance body is also an executive director (and, if so, his/her duties within the organization's administration and reasons for such composition)	8	R
	2		3.11	4.3	For organizations with a unit administration structure, statement of the number of independent or non-executive members in the top governance body	8	R
				4.4	Mechanisms so that shareholders and employees can make recommendations or provide suggestions to the top governance body	121	R
				4.5	Relation between remuneration of members of the top governance body, executive board and other executives (including cancellation settlements) and the performance of the organization (including social and environmental performance)	10, 64	R
	10				External communication of remuneration/benefits of its members of the board of directors and highly paid senior executives	10	R
			1.8	4.6	Prevailing processes in the top governance body to assure prevention of conflicts of interest	10	R
			3.3	4.7	Process to determine the skills and know-how of members of the top governance body to define the strategy of the organization on questions relating to economic, environmental and social issues	10	R
				4.8	Statements of mission and values, codes of conduct and relevant internal principles for economic, environmental and social performance, and the status of their implementation	9, 10	R

Governance, Commitments and Engagement (continuation)							
Related Indicators					Topic	Page	Audit/ Revision
IBASE	DJSI	Ethos - IBP	Ethos	GRI			
	4			4.9	Procedures of the top governance body to supervise the identification and management by the organization of the economic, environmental and social performance, including relevant risks and opportunities, as well as adhering to or complying with internationally agreed standards, codes of conduct and principles	10	R
	7				Adopting a barrier clause for director/supervisor personnel	129	R
			3.1	4.10	Processes for self-assessment of the top governance body performance, especially with respect to economic, environmental and social performance	10	R
				4.11	Processes for self-assessment of the top governance body performance, especially with respect to economic, environmental and social performance	89	R
				4.12	Charters, principles or other projects developed externally of an economic, environmental and social nature that the organization approves or endorses	24, 26, 27	R
				4.13	Participation in associations (such as industry federations) and/or national/international protection organizations	24, 26, 27	R
	108			4.14	List of stakeholder groups engaged by the organization	120	R
	108			4.15	Base for identifying and selecting stakeholders for engagement purposes	122	R
	108		5	4.16	Approaches toward stakeholder engagement, including frequency of engagement by type and group of stakeholders	120, 121, 122	R
	108		5	4.17	Key topics and concerns raised through the engagement of stakeholders and which steps the organization has taken to address them	122, 123	NAR
	108		5		Existence of an information and knowledge management strategy, in order to use the social and environmental externalities as a basis for redefining policies, management or production processes	122	R
			5		External audit of the dialogue and engagement process	ND	NA
	108		5		Use of specific policies and tools for dialogue and involvement of the interest groups in earlier reflections, in order to foresee, minimize or eliminate negative social and environmental externalities	120, 121, 122, 123	R
	108		5.1		Establishing communication with stakeholder publics who criticize the nature of its processes, goods and services	120, 121, 122, 123, 125	R
	108		5.2		Existence of relationship policy and/or procedures to immediately respond to suggestions, appeals, efforts or demands from the stakeholder groups	122, 123, 125	R
	108				Public assessment of the results of the stakeholder engagement process	122, 123	R
	20		1/1.21		Existence of a code of conduct (adapted to the local context, if in other countries) and of a guidance and training program to guarantee the incorporation of its principles in the company processes and behaviors	10, 128, 129	R
			1		Description in the code of conduct of stakeholder participation in its revision, and submitting the code to periodical control and auditing, a task done by multidisciplinary staff	128	R
			2		Diffusion of company values with focus on internal public	70, 128, 129	R
			2		Audit of company values and incentive to employees for monitoring	129	R
			3		Existence of a board of directors or advisory committee, and external independent audit of the financial statements	8, 130, 131	R
	8				Sums paid to audit firms for auditing and consulting services, in the last fiscal year	NP	NA
	9				Accounting of the current value of the company's share option programs as expenses	NA	NA
			3		Commitments, explicit policies and formal mechanisms of the top management to guarantee integrity of the financial reports	130, 131	R
	6		3		Explicit top management policies to promote proper treatment for the right to vote and fair equal treatment of shareholders	131	R
			3		Incorporation of social and environmental criteria in the business management and opening up to stakeholders for suggestions and criticism	9, 120, 122, 123	R
	1		3.10		Number of members on the board of directors	8	R
	5		3.12		Percentage of women on the board of directors	81	R

Governance, Commitments and Engagement (continuation)							
Related Indicators					Topic	Page	Audit/ Revision
IBASE	DJSI	Ethos - IBP	Ethos	GRI			
		I.1			Existence of formal programs/procedures to identify the stakeholders affected by impacts from its present and/or future activities	32, 120, 122, 123	R
		I.2			Disclosure of sums paid in tax, royalties, etc., to local, state and federal governments	18	NAR
		I.4			Consideration, in the company's strategic outlook, of the predominant aspects of health, safety and environment on the continuing operation of the company's economic activities	10	R
	12				Responsible for risk and crisis management at a corporate level	88, 89, 131	R
	13				Factors used to define a corporate risk: exposure, volatility, probability, severity, time range, correlation and so on	ND	NA
	15				Use of risk charts instead of assessing risk exposure using a two-dimensional scale - considering only probability and severity	ND	NA
	15				Frequency of risk quantification and assessment (using a "value-at-risk" (VAR) tool - for risk assessment or other tools) in the company	ND	NA
	16				Undertaking a sensitivity analysis and fatigue test in the company	ND	NA
	17				Description of accepted risks, transferred, mitigated and belonging to another category, according to the risk management strategy of the company	ND	NA
	39				Public support of the company to the Transparency Enterprise in Extractive Industries (EITI)	27	R
ECONOMICS							
Economic Performance Indicators							
Economic Performance							
Related Indicators					Topic	Page	Audit/ Revision
IBASE	DJSI	Ethos - IBP	Ethos	GRI			
1/6			15.9	EC1	Generated and distributed direct economic value, including income, operational costs, employee remuneration, donations and other investments in the community, accumulated profits and payments to capital and government providers	18	AR
				EC2	Financial implications and other risks and opportunities for the activities of the organization as a result of climate change	95	R
				EC3	Coverage of the obligations of the defined pension plan benefit offered by the organization	66	AR
				EC4	Significant financial aid received from the government	19	R
3					Total taxation paid, excluding social charges	132	R
6					Added value distribution	18	A
	25				<i>Reserve Life Index - RLI in barrels of oil equivalent</i>	19	R
	26				Organic reserve replacement rate	19	R
	27				Average finding and development costs (F&D) in the past three years (2004-2006) in USD/boe	19	NAR
	29				Percentage of proven natural gas reserves (developed and undeveloped) in relation to the total proven reserves in 2006	19	NAR
	30				<i>Natural gas Reserve Life Index</i>	19	R
	31				Percentage of natural gas production in relation to total oil and gas production	19	R
	32				Volume of natural gas production	19	R
	33				Percentage of income relating to LNG in relation to total income	19	R
Market Presence							
Related Indicators					Topic	Page	Audit/ Revision
IBASE	DJSI	Ethos - IBP	Ethos	GRI			
				EC5	Variation in the proportion of the lowest wage compared to the local minimum wage in major operational units	65	R
				EC6	Policies, practices and proportion of expenses with local suppliers in major operational units	35, 55, 133	R
				EC7	Procedures for local hiring and proportion of top management members recruited from the local community in major operational units	34, 77, 78	NAR

Indirect Economic Impacts								
Related Indicators					Topic	Page	Audit/ Revision	
IBASE	DJSI	Ethos - IBP	Ethos	GRI				
				EC8	Development and impact of investments on infrastructure and services provided, mainly for the public benefit, through commercial engagement in kind or pro bono activities	34	R	
				EC9	Identification and description of significant indirect economic impacts, including the extent of the impacts	ND	NA	
ENVIRONMENT								
Environmental Performance Indicators								
Materials								
Related Indicators					Topic	Page	Audit/ Revision	
IBASE	DJSI	Ethos - IBP	Ethos	GRI				
				EN1	Materials used by weight or volume	99	R	
				EN2	Percentage of materials used from recycling	114	R	
6	91		22.6		Prioritizing contracting suppliers that have evidence of their good environmental conduct	90, 91	R	
Energy								
Related Indicators					Topic	Page	Audit/ Revision	
IBASE	DJSI	Ethos - IBP	Ethos	GRI				
	40		24.9	EN3	Consumption of direct energy distinguished by primary energy source	98	R	
	40		24.9	EN4	Consumption of indirect energy distinguished by primary source	98	R	
				EN5	Saved energy as a result of improvements in repair and efficiency	98, 99, 116, 117	R	
			24/24.1	EN6	Projects to supply goods and services with low energy consumption, or that use energy from renewable resources, and reducing the need for energy resulting from these projects	85, 94, 96, 106	R	
4			21.1/24	EN7	Projects to cut indirect energy consumption and the reductions achieved	98, 99	R	
	58				Combined production capacity of the renewable portfolio	116	R	
	59				Percentage of facilities to produce renewable energy that exceed certain levels of installed generation capacity (200MW, 100MW, 1MW and 0.5MW) in relation to total facilities for producing renewable energy	116, 117	R	
	60				Percentage of income earned from renewable energy sources	116	NAR	
	61				Future capital expenditure committed to renewable energy sources	117	R	
	62				Percentage of total refining capacity to meet cleaner fuel requirements	116	NAR	
	63				Volume of biofuel sales and total volume of fuel sales (Mtoe)	116	NAR	
			24		Proximity to achieving high level environmental sustainability using strategies of reuse and environmental compensation that cover the entire production system	100, 112, 116, 117	R	
Water								
Related Indicators					Topic	Page	Audit/ Revision	
IBASE	DJSI	Ethos - IBP	Ethos	GRI				
			24.13	EN8	Total drawing of water per source	101	R	
				EN9	Water sources significantly affected by drawing water	103	R	
		III.2		EN10	Percentage and total volume of recycled and reused water	ND	NA	
4	40		24.4		Existence of monitoring system with specific goals to reduce water consumption	101	R	
	40				Quantity of wasted water	103	R	
Biodiversity								
Related Indicators					Topic	Page	Audit/ Revision	
IBASE	DJSI	Ethos - IBP	Ethos	GRI				
				EN11	Location and size of area owned, leased or administrated within or close to protected areas, and areas with a high biodiversity rate outside protected areas	107	NAR	
				EN12	Description of major impacts on biodiversity of activities, goods and services in protected areas and in areas with a high biodiversity rate outside protected areas	106	R	

Biodiversity (continuation)							
Related Indicators					Topic	Page	Audit/ Revision
IBASE	DJSI	Ethos - IBP	Ethos	GRI			
				EN13	Habitats protected or restored	106	NAR
		III.16	20.4	EN14	Strategies, prevailing measures and future plans for managing impacts on biodiversity	106	R
				EN15	Number of species on the IUCN Red List and on national lists of conservation with habitats in areas affected by operations, distinguished by endangerment level	108	NAR
			23		Existence of certification of origin and custody chain of timber and forest inputs used in the daily operation and/or production process, as well as of facilities and/or products of the company	91	R
4/6	91		23.3		Prioritization and support to suppliers engaged in seeking forest sustainability	91	R
	64				Activities developed in the biodiversity area	106, 108	R
	65				Existence of reports on environmental impact (RIMA) and/or social impact (RIS) for new operations or extensions of existing operations when such studies are not required by law	105	R
	66				Disclosure of RIMA and/or RIS results	105	R
	67				Formal system established assuring that RIMA and/or RIS recommendations are implemented and followed up during construction, commissioning and design operations and responsible for implementation and follow-up	105	R
Emissions, Effluents and Waste							
Related Indicators					Topic	Page	Audit/ Revision
IBASE	DJSI	Ethos - IBP	Ethos	GRI			
	28			EN16	Total direct and indirect emissions of greenhouse gases, by weight	103	R
	28			EN17	Other relevant indirect emissions of greenhouse gases, by weight	103	R
	49				Coverage of inventory of gases causing greenhouse gases	102, 103	R
	50				External check of greenhouse gas inventory	102, 103	R
	51				Scope of greenhouse gas inventory (in accordance with WBCSD/WRI protocol or other)	103	R
	52				Achieved goal for reducing greenhouse gas emissions and progress	102, 116	R
	53				Strategy for carbon risk reduction/management	95	R
	54				Periodical monitoring of the balance between CO <sub>2</sub> emissions and authorized CO <sub>2</sub> emissions, in accordance with the European Union Emission Trade Scheme	27	R
	55				Estimated volume of CO <sub>2</sub> emissions covered by the EU Emission Trade Scheme and permits allocated to the EU National Allocation Plan	27	R
	56				Methodology for calculating carbon risk	ND	NA
	57				Calculating the risk of exposure to climate change relating to extreme climate events (storms, flooding, etc.)	95	NAR
	40			EN18	Projects to reduce greenhouse gas emissions and reductions achieved	95, 96, 98, 99, 102, 103, 116	R
	28			EN19	Emissions of substances that destroy the ozone layer, by weight	103	R
			24.14	EN20	NOx, SOx and other significant atmospheric emissions, by type and weight	103	R
				EN21	Total discharge of water, by quality and destination	103	R
			24.15	EN22	Total weight of waste, by type and disposal method	104	R
	47			EN23	Number and total volume of major spills	104	R
	48				Total quantity of methane gas spill, venting or flaring, accidents, sabotage or other	103	R
				EN24	Weight of transported, imported, exported or treated waste considered hazardous in terms of the Basel Convention - Annexes I, II, III and VIII, and load percentage of waste transported internationally	ND	NA
				EN25	Identity, size, protection status and biodiversity index of water bodies and related habitats significantly affected by water discharges and drainage done by the reporting organization	106	R
4/6		III.3	24.5		Management of solid waste from the company activities	104	R

Emissions, Effluents and Waste (continuation)							
Related Indicators					Topic	Page	Audit/ Revision
IBASE	DJSI	Ethos - IBP	Ethos	GRI			
		III.4	24.6		Existence of control of volume of effluent elimination	101, 103	R
		III.5			Checking percentage of oils and grease in effluents	103	R
		III.6			Quantifying and registering incidents involving spills with oil and gas, byproducts and chemicals	104	R
		III.19 E III.23			Regular inspections and actions to prevent spills	104	R
		III.23.1			Existence of spill-detecting mechanisms	104	R
Goods and Services							
Related Indicators					Topic	Page	Audit/ Revision
IBASE	DJSI	Ethos - IBP	Ethos	GRI			
4			22	EN26	Projects to mitigate environmental impacts of goods and services and the extent of reducing such impacts	85, 94, 96, 106	R
				EN27	Percentage of products and their packing recovered in relation to total goods sold, by category of product	114	R
		III.15	22		Follow-up of the life cycle of the products	93, 114	R
			22		Existence of standard and legalized environment management systems including major risk identification, action plan, allocation of resource, employee training and auditing	85, 86, 92	R
6	91		22		Production of impact studies on the entire production chain, developing a partnership with suppliers to improve their environmental management processes and participation in final destination of product and post-consumption processes	90, 93, 105	R
		III.11	22.1		Existence of environmental emergency plan relating all processes and goods or services involving frequent risk and employee training to cope with such situations	89, 90	R
Accordance							
Related Indicators					Topic	Page	Audit/ Revision
IBASE	DJSI	Ethos - IBP	Ethos	GRI			
			22.8	EN28	Monetary value of significant fines and total number of non-monetary sanctions resulting from failure to comply with environmental laws and regulations	97	R
	44		22.7		Existence of environmental certifications such as ISO14001, FSC, etc.	89, 90, 92, 97	R
Transportation							
Related Indicators					Topic	Page	Audit/ Revision
IBASE	DJSI	Ethos - IBP	Ethos	GRI			
				EN29	Major environmental impacts of transporting products and other goods and materials used in the organization's operations, as well as transporting workers	94	R
		III.22			Development of preventive actions regarding transport safety of hazardous products, considering the health of drivers and fleet conditions	94	R
General							
Related Indicators					Topic	Page	Audit/ Revision
IBASE	DJSI	Ethos - IBP	Ethos	GRI			
4			24.7	EN30	Total investment and expenditure in environmental protection, by type	88	R
			20		Development of internal programs for environmental improvement and prioritizing preventive policies. Existence of a committee responsible for the environment	88, 89, 91, 95, 115, 116	R
			20		An environmental question is a cross topic in the organizational structure, being mentioned in strategic planning, and in development new business (or new models for already existing business) taking into account, right from the start, principles and opportunities relating to environmental sustainability	85, 116	R
	19		20.1		Existence of a formal environmental policy known by all employees and stated in the code of conduct	88, 89	R
		III.1			Licensing all company units	92	R
		III.7			Existence of a fine in the past three years for infringing environmental regulations	97	R

General (continuation)							
Related Indicators					Topic	Page	Audit/ Revision
IBASE	DJSI	Ethos - IBP	Ethos	GRI			
	44	III.8			Independent environmental audits carried out in the company	92, 102, 103	R
	44	III.9			Independent environmental audits carried out in all units	92	R
		III.10			Existence of corporate environmental management	88	R
		III.11.1			Considering the company's accident scenarios in its Emergency Plan	89	R
		III.11.2			Developing training programs for the members of the local communities in cases of emergency in accidents and/or spills	89	R
		III.12			Participation in some kind of Mutual Aid Plan (MAP) with other companies in the region	90	R
		III.13			Identifying the environmental aspects of the company activities	87, 88	R
		III.14			Identifying and assessing the environmental liabilities of the company	97	R
		III.14.1			Company informing environmental agencies of the existence of environmental liabilities	97	R
		III.14.2			Management of environmental liabilities	97	R
		III.17			Promoting the use of cleaner technologies	116, 117	R
		III.18			The topic "Climate Change" is part of corporate issues	85, 87, 95	R
		III.20			The entire life cycle of the company facilities (design, construction, operation, maintenance, shutdown) is guaranteed in terms of safety, accident prevention and environmental damage	105	R
		III.21			Specific procedures for activities involving use of explosives	94	R
	42				Coverage of the lines of action/environmental requirements of the company (production, selection and assessment operations of suppliers, developing goods and services, logistics and distribution, engineering and maintenance, new designs, etc.)	87, 88, 93	R
	43				Ban on substances harmful to the environment in company operations (chlorine, bromine or iodine to lighten or dye; heavy metals for dyes, such as chromium, copper, zinc or nickel, etc.)	NP	NA
	45				Percentage of total income verified / audited/ certified in accordance with the environmental management system	ND	NA
SOCIAL							
Performance Indicators referring to Labor Practices and Decent Work							
Employment							
Related Indicators					Topic	Page	Audit/ Revision
IBASE	DJSI	Ethos - IBP	Ethos	GRI			
5				LA1	Total workers, by type of job, work agreement and region	18	R
5				LA2	Total number and turnover rate of employees by age group, gender and region	79	R
				LA3	Benefits offered to full-time employees not offered to temporary or part-time employees, distinguished by the main operations	65	R
			15		Incentive to employees through remuneration and investment in their professional performance, according to a structured career policy	65	R
	73		15		Valorizing skills and encouraging growth capacity and development of new skills	66	R
	74				Performance indicators adopted to assess the execution of the strategy to map and develop skills in the company	65	R
	76				Percentage of employees in each professional category covered by a standard assessment process	65	R
	77				Percentage of performance-related compensation, by job category, in relation to total compensation	64	R
	78				Percentage of variable compensation based on corporate and/or individual performance	65	R
	79				Relevant predefined corporate indicators for variable compensation of all workers	64	R
	80				Frequency with which the employees are informed by their superiors of the relevant corporate results for variable compensation	64	R

Employment (continuation)							
Related Indicators					Topic	Page	Audit/ Revision
IBASE	DJSI	Ethos - IBP	Ethos	GRI			
	81				Type and coverage of individual performance assessment of the employees used to define the performance-related compensation	65	R
	82				Regular communication by superior to team members on individual performance of each employee	65	R
	83				Regular communication by the immediate boss in the hierarchic level of the individual performance of each employee	65	R
	84				Percentage of total performance-related compensation paid last year, per type of compensation (e.g. annual bonus)	65	R
			15		Existence of mechanisms so that employees participate in formulating policies of remuneration and benefits, professional development and internal mobility	64	R
6					Highest remuneration divided by the smallest in kind paid by the company	65	R
	85				Level of employee satisfaction based on satisfaction survey (2002-2006)	67	R
	86				Benefits offered to employees	64, 65, 66, 67, 81	R
6			15.12		Percentage of employees benefiting from the company's profit sharing program	64	R
			10		Compliance with the law regarding protection for motherhood and a ban on discriminating gestants and employees with children under 6 years old in admission, promotion and internal mobility processes	81	R
			10		Existence of policies and/or projects to facilitate prenatal consultation and infant follow-up of the employees' children and discussion of the topic with employees, community and suppliers	81	R
			17		Existence of policies and/or projects to facilitate prenatal consultation and infant follow-up of the employees' children and discussion of the topic with employees, community and suppliers	65	R
5					Number of interns	132	R
		II.1			Accident statistics involving outsourced workers	62	R
		II.8			Existence of formal procedures that guarantee that the safety aspects prevail in the continuity of the operation of the company's economic activities	58	R
2					Internal Social Indicators	132	R
Governance and Labor Force Relation							
Related Indicators					Topic	Page	Audit/ Revision
IBASE	DJSI	Ethos - IBP	Ethos	GRI			
6	69		7.2	LA4	Percentage of employees covered by collective negotiation agreements	68	R
			7.1	LA5	Minimum term for advance notice referring to operational changes, including whether this procedure is specified in collective negotiation agreements	70, 71	R
	69		7		Permission to be active in the trade unions in the workplace and discussion to listen to suggestions and claims	69	R
	69		7		Existence of a structured process of discussion and analysis of economic-financial information with employees	68	R
			7.5/8		Participation of representatives of the employees in management committees or in strategic decisions, as well as regular communication with governance members	70	R
			8		Existence of a structured process of discussion and analysis of economic-financial information with employees with governance members	ND	NA
			8		Participation of representatives of the employees in management committees or in strategic decisions, as well as regular communication with governance members	69, 70	R
	70		8.2		Description of policies and formal mechanisms to listen to, assess and follow up attitudes, concerns, suggestions and criticism of the employees, in order to learn new skills and increase knowledge	78, 123, 125	R
	70				Systems installed to collect and receive complaints and claims from employees to assure that the workers can air their concerns in confidence	125	R

Governance and Labor Force Relation (continuation)							
Related Indicators					Topic	Page	Audit/ Revision
IBASE	DJSI	Ethos - IBP	Ethos	GRI			
			14		Existence of a contractual relation with outsourced workers within the legal parameters of joint liability and monitoring compliance with contractual and legal requirements	83	R
			14		Negotiation with suppliers for outsourced workers to earn wages compatible with the market	83	R
			14		Offering access to employee benefits for outsourced workers	83	R
		I.3	14.1		Establishing in the code of conduct or code of ethics questions referring to non-discrimination of outsourced workers	77	R
5			14.5		Total outsourced workers (men and women)	83, 132	R
			18		Guidelines for the necessary procedures in the event of layoffs and seeking alternative cutbacks should personnel need to be reduced	71	R
			18		Guidelines for the necessary procedures in the event of layoffs and seeking alternative cutbacks should personnel need to be reduced	71	R
			18		Financing re-capacity building and offer of relocation services, keeping benefits for a certain time for the worker laid off without just cause. In the event of mass layoffs, first offering a program of voluntary retirement, keeping benefits for a certain time, wage per year of service, etc. as well as analyzing socio-economic indicators for priorities	71	R
5			18.6		Number of employees at end of period	18, 132	R
5			18.10		Total number of admissions during period	132	R
			19		Undertaking systematic guidance activities (collective and individual), counseling and preparing for retirement, discussing its psychological aspects and financial planning, in addition to offering regular advice regarding changes in the law, alternatives and administrative procedures required to obtain the pension. Existence of opportunities to use the working capacity of the retired.	67	R
6			19.1		Existence of a complementary pension scheme for all its employees	66	R
		II.2			Existence of a channel in confidence for employees to solve problems and make appeals to settle disputes	78, 123, 125	R
		II.7			Existence of strike movements in the company in the past three years	71	R
6	71				Approval of ILO recommendations, UN Universal Human Rights Declaration or other projects relating to labor issues/ basic rights	72, 73	R
Occupational Health and Safety							
Related Indicators					Topic	Page	Audit/ Revision
IBASE	DJSI	Ethos - IBP	Ethos	GRI			
6	69			LA6	Percentage of employees represented in formal safety and health committees consisting of managers and workers who help monitor and give advice about occupational health and safety programs	69, 70	R
	69				Number of employees on leave in the last fiscal year	61	R
6	96/97/98		16.15/16.16/16.17	LA7	Rates of injury, occupational diseases, days lost, absenteeism and occupation-related deaths per region	60, 61, 62	R
			16.2/16.3	LA8	Education, training, counseling, prevention, and risk control programs in place to assist workforce members, their families, or community members regarding serious diseases	82	R
				LA9	Topics relating to safety and health covered by formal agreements with trade unions	58, 62, 63	R
	19		16		Existence of a plan of goals to exceed standards of excellence in health, safety and labor conditions, in addition to indicators for monitoring these plans, which are defined with the participation of the employees, included in the strategic planning and widely disseminated	60	R
			16		Developing campaigns of consciousness and satisfaction level polls of the employees in relation to health and safety, evidencing critical areas	63, 67	R

Occupational Health and Safety (continuation)							
Related Indicators					Topic	Page	Audit/ Revision
IBASE	DJSI	Ethos - IBP	Ethos	GRI			
6	91	IV.2			Requirement of minimum health, safety and environmental resources with its suppliers and outsourcees	58	R
5			16.14		Total number and average of occupational accidents per employee/year	60, 61, 132	R
		II.3			Considering accident prevention aspects and/or occurrence of occupational diseases in employees when designing, modifying, building and operating the company facilities	58	R
		II.4			Development and maintenance of processes to report and investigate the almost-accidents, consisting of actions to correct the identified defects	60	R
		II.5			Existence of a program or study on ergonomics in the workplace	60	R
		II.6			Existence of a formal procedure for training employees in relation to road safety	63	R
	99				Treatment for workers with HIV/Aids	82	R
	100				Audit programs on health and safety	62	R
Training and Education							
Related Indicators					Topic	Page	Audit/ Revision
IBASE	DJSI	Ethos - IBP	Ethos	GRI			
				LA10	Average hours of training a year, per employee, distinguished by functional category	66	R
	75			LA11	Programs for management of skills and ongoing learning that support the continuity of employability of employees and to manage the end of career	65, 67	R
				LA12	Percentage of employees who regularly receive analyses of performance and career development	66	R
Diversity and Equal Opportunities							
Related Indicators					Topic	Page	Audit/ Revision
IBASE	DJSI	Ethos - IBP	Ethos	GRI			
	69			LA13	Composition of groups responsible for the corporate governance and distinguishing employees by category, according to gender, age group, minorities and other indicators of diversity	77	R
	69			LA14	Proportion of base wage between men and women, by functional category	81	R
	19		11		Existence of regulations banning discriminatory practices, regulating selection, admission, promotion, internal mobility practices and advising about forwarding accusations	77	R
			11		Undertaking training and seminars of consciousness about diversity and use of indicators for monitoring	78	R
			11		Inclusion of the production chain in the activities for diversity and participation in forums to valorize segments at a disadvantage	78	R
	19		11.1		Mention of the policy to valorize the diversity and non-discrimination in the company's code of conduct	81	R
5			11.21		Number and percentage of disabled in the company	82	R
5			11.27		Number and percentage of people over 45 years old	132	R
			12		Existence of procedures for complying with laws on race discrimination and public commitment to promote race equality, by adopting formal people management policies and taking affirmative actions toward equal opportunities	77, 78, 79	R
			12		Undertaking a periodical inhouse poll to assess processes, policies, requirements, situations or critical areas in relation to race equality.	79	R
			12		Existence of professional development programs focusing on black employees, an incentive to promote race equality throughout the production chain and investment in community programs with this objective	77	R
2			12.3		Explicit mention in the policy to promote equality and racial non-discrimination in wages and benefits, private pension schemes, access to training and scholarships	80	R
5			12.9		Percentage of afro-descendant in relation to all employee	132	R
5			12.11		Percentage of afro-descendant women in executive positions in relation to the total of executive positions available	79	R

Diversity and Equal Opportunities (continuation)								
Related Indicators					Topic	Page	Audit/ Revision	
IBASE	DJSI	Ethos - IBP	Ethos	GRI				
5			12.12		Percentage of afro-descendant women in senior and coordination positions in relation to the total senior and coordination positions available	79	R	
5			12.14		Percentage of afro-descendant men in executive positions in relation to all available executive positions	79	R	
5			12.15		Percentage of afro-descendant men in senior and coordination positions in relation to all senior and coordination positions available	79	R	
			13		Existence of procedures for complying with laws on gender discrimination and public commitment to promote gender equality, through formal people management policies, as well as taking affirmative actions in favor of equal opportunities	77, 78, 79	R	
			13		Performing a periodical inhouse poll to assess processes, policies, requirements, situations or critical areas in relation to gender equality	79	R	
			13		Existence of programs for professional development focusing on women, an incentive to promote gender equality throughout the productive chain and investment in community programs with this objective	45, 78	R	
2			13.4		Explicit mention in the policy to promote gender equality with wages and benefits, private pension scheme, access to training and scholarships	77	R	
2			13.6		Existence of specific adaptations for women's health care in the health scheme	81	R	
5	69		13.16		Number of women working in the company and their percentages in relation to all employees	79, 132	R	
5	69		13.17		Percentage of women in executive positions in relation to all positions available	132	R	
5			13.18		Percentage of women in senior and coordination positions in relation to all positions available	82, 132	R	
<b>HUMAN RIGHTS</b>								
<b>Social Performance Indicators referring to Human Rights</b>								
<b>Investment and Procurement Practices</b>								
Related Indicators					Topic	Page	Audit/ Revision	
IBASE	DJSI	Ethos - IBP	Ethos	GRI				
			3.5	HR1	Percentage and total number of significant investment agreements including clauses referring to human rights or that were submitted to human rights screening	53	R	
6	91			HR2	Percentage of critical contractors and suppliers that underwent human rights screening and the actions taken	53	R	
6	91	IV.1			Guarantee that suppliers and outsourcees comply with labor laws and signed collective agreements	53, 54	R	
				HR3	Total hours of training for employees in policies and procedures relating to relevant human rights aspects for the operations, including the percentage of employees that received training	54	NAR	
6	91		25		Existence, in the selection and assessment standards of suppliers, basic criteria regarding the law and specific criteria of social liability. Incentive for the suppliers to reproduce the company requirements concerning social responsibility for their relevant suppliers and periodical monitoring of these criteria	53, 54	R	
6	91		25.1		Mention of policies and criteria for supplier relations in code of conduct	54	R	
6	91		25.2		Inclusion in the supplier selection of a criterion about the actual practice of ethical management processes of private information obtained in customer relations or in the general marketplace	54	R	
	69		25.3		Existence of an explicit policy or specific program of corporate social responsibility for the supplier chain	54, 55	R	
	92/94		25.4		Issue of a periodical report with evidence on issues relating to corporate social responsibility that are being fulfilled and implemented in the production chain	54	R	
	93		25.6		Establishing a formal deadline for compliance of its suppliers with the social responsibility criteria	53, 55	R	

Investment and Procurement Practices (continuation)								
Related Indicators					Topic	Page	Audit/ Revision	
IBASE	DJSI	Ethos - IBP	Ethos	GRI				
	92/93		25.7		Undertaking an inspection of social responsibility practices required for the suppliers	53	R	
6	91		25.8		In-depth knowledge of the origin of raw materials, inputs and products used in the production or in daily operations and the existence of a guarantee that at those sources human rights and the environment are being respected	54	R	
			28		Contributio to a better supplier management providing information and promoting joint training activity maintaining stable and long-term relations, using negotiation criteria for future growth, fostering suppliers engagement in social and environmental projects	54, 55	R	
Non-discrimination								
Related Indicators					Topic	Page	Audit/ Revision	
IBASE	DJSI	Ethos - IBP	Ethos	GRI				
				HR4	Total number of cases of discrimination and measures taken	78	R	
Freedom of Association and Collective Negotiation								
Related Indicators					Topic	Page	Audit/ Revision	
IBASE	DJSI	Ethos - IBP	Ethos	GRI				
				HR5	Operations identified where the right to practice the freedom of association and collective negotiation can be running a major risk, and the measures taken to support these rights	68, 69	R	
Child Labor								
Related Indicators					Topic	Page	Audit/ Revision	
IBASE	DJSI	Ethos - IBP	Ethos	GRI				
				HR6	Operations identified as a major risk of child labor and the measures taken toward abolishing child labor	72	R	
			9		Having internal discussions on education and the consequences of child labor and on projects for developing the workers' children	74, 75, 81	R	
			9		Coordinating designs with others in the community, acting together with the public authorities in benefit of the child and adolescent and incentive for repeating its attitude throughout the production chain	35, 36	R	
			26		Existence of a specific clause on banning child labor in contracts with suppliers, periodically checking its compliance and running campaigns of consciousness for the suppliers, publicly assuming the anti-child labor attitude	54, 74, 75	R	
			26		Articulation of programs and activities whose purpose is to eradicate child labor in general in conjunction with civil society organizations and/or public authorities	75	R	
Forced or Slave Labor								
Related Indicators					Topic	Page	Audit/ Revision	
IBASE	DJSI	Ethos - IBP	Ethos	GRI				
				HR7	Operations identified as a major risk for the occurrence of and measures taken to eradicate forced or slave labor	54, 72	R	
6	91		27		Existence of a specific clause on slave labor in contracts with suppliers, periodically checking its compliance and running campaigns of consciousness for the suppliers, publicly assuming an attitude against forced labor	54, 72	R	
			27		Articulation of programs and activities to eradicate forced labor in general by forming partnerships with civil society organizations and/or public authorities	72	R	
Safety Practices								
Related Indicators					Topic	Page	Audit/ Revision	
IBASE	DJSI	Ethos - IBP	Ethos	GRI				
				HR8	Percentage of safety personnel trained in the policies or procedures of the organization concerning aspects of human rights that are relevant to the operations	54	NAR	

Indigenous Rights								
Related Indicators					Topic	Page	Audit/ Revision	
IBASE	DJSI	Ethos - IBP	Ethos	GRI				
				HR9	Total number of cases of violation of rights of the indigenous peoples and measures taken	44	R	
SOCIETY								
Social Performance Indicators referring to Society								
Community								
Related Indicators					Topic	Page	Audit/ Revision	
IBASE	DJSI	Ethos - IBP	Ethos	GRI				
			32.8	SO1	Nature, scope and effectiveness of any program and practice to assess and manage the impacts of the operations on communities, including entering, operating and exiting	32	R	
		IV.3			Program for developing local suppliers	35	R	
		VI.1			Respect for the interests and culture of the local communities in its business practices	31	R	
		VI.2			Identification, valorization and preservation of places of cultural, religious, ecological or economic importance for the communities in those places	50	R	
			32		In-depth knowledge of the impacts on the community, existence of a structured process to record claims and hold regular meetings to inform local leaders about the steps taken, in addition to the existence of a formal policy to advance community demands and inform them about current and future plans and impacts of its activities, involving the community in problem solving	32, 88, 105, 120, 123	R	
			32		Existence of permanent committees or working groups with the participation of local leaders to analyze the activities and monitor the impacts	32, 44	R	
			10		Participation in preparing, enhancing, executing, controlling or assessing public policies focusing on promoting children's rights	31, 35, 41	R	
			33		Support for various organizations by means of donations, funding and implementation of projects, disseminating successful experiences and participating in preparing and implanting joint projects with local agencies, maintaining long-term partnerships and training the leaders involved	26	R	
			34		Existence of a structured social program or private social investment that has its own mechanism to manage income to assure its long-term continuity (asset fund and/or fixed percentage on company billing), managed with transparency by specialized staff, with stable budget endowment and defining a public, goals and strategies	36	R	
6			35		Donating goods and financial resources, assigning facilities, mobilizing volunteer work of employees and/or developing their own social projects	36	R	
			35		Assigning hours of employees or equipment for activities relating to the projects, as well as technical, technological and management skills to reinforce the social projects (corporate or third party)	43	R	
			35		Involvement of organizations or local leaders in drawing up and implementing social projects, and interceding in other public or private organizations to consolidate these projects	35, 36	R	
6			35.2		Internal dissemination of the projects that it supports and develops, offering opportunities of voluntary work and encouraging employee participation	43	R	
6			35.3		Authorization of controlled use of paid hours for voluntary work	ND	NA	
	89		35.6		Of the total allocated to social action, a percentage corresponding to donations in goods and services	ND	NA	
	89		35.7		Of the total allocated to social actions, a percentage corresponding to donations in kind	37, 132	R	
			35.10		Percentage of employees who do voluntary work in a community outside the company	43	NAR	
6			35.11		Number of donated monthly average hours (released from normal working hours) by the company for employee voluntary work	ND	NA	
	89				Estimated monetary value of the release of employees from normal working hours for voluntary work	ND	NA	

Community (continuation)							
Related Indicators					Topic	Page	Audit/ Revision
IBASE	DJSI	Ethos - IBP	Ethos	GRI			
			37		Periodical undertaking of educational activities for citizenship, permission for free discussion and exchanging information on political affairs, promoting or supporting the organization of debates, discussion forums with political candidates in order to assure the conscious vote, in partnership with organizations working with this issue	ND	NA
			37		Taking actions to train citizens and offer educational programs for citizenship in the production chain and surrounding community, leading the discussion on topics such as local public participation and anti-corruption	34, 35, 36, 37	R
6			39		Active participation, contributing with human or financial resources, in processes to create socio-environmental and public interest proposals, in addition to involving top management in articulating, facilitating and reinforcing socio-environmental proposals, in dialogue with other companies, associations or public authorities for their adoption	35	R
	88				System established to measure impacts of contributions toward improving/realigning the philanthropic/social investment strategy	37	R
	102				Types of project with engagement in affected local communities to gain informed consent	42	R
	102				Assurance of effective participation of everyone affected in the process of obtaining informed consent	42	R
	103				Projects in which complaint mechanisms were implemented, are administrated jointly (permitting community representatives to submit complaints to an external independent agency comprising a company and external representatives)	121, 122, 123	R
	104				Percentage of business units in which corporate policies are translated to the local language	ND	NA
	105				Disseminating adoption of labor standards and practices and policy of respect for human rights	35, 125, 128	R
	106				Aspects leading to reallocations and resettlements because of the activities in the communities	ND	NA
3					External social indicators	132	R
Corruption							
Related Indicators					Topic	Page	Audit/ Revision
IBASE	DJSI	Ethos - IBP	Ethos	GRI			
				SO2	Percentage and total number of business units that underwent risk assessments relating to corruption	130	R
				SO3	Percentage of employees trained in anti-corruption policies and procedures in the organization	128	R
				SO4	Steps taken in response to cases of corruption	130	R
	19/21		1.3/1.9/1.10		Expressly forbidden to use illegal practices (such as corruption, extortion, bribery and unrecorded funds) to obtain commercial advantage	119	R
	21		38		Public commitment to fight against corruption and bribery, existence of written standards (specific document, code of ethics, etc.), which are widely disseminated to the internal and external public, and of formal procedures of control, punishment and auditing should it occur. Involvement of an ever increasing number of stakeholders in projects against corruption and bribery, disseminating the topic, and/or instructing how to use correlated tools, etc.	26	R
	21		38.2		Plan for punitive measures to collaborators and employees involved in favoring public authority agents	119	R
	21		38.3		Existence of an explicit policy of non-support and participation in processes that aim to manipulate bids (public or private)	119	R
	22				Existence of an explicit policy of non-support and participation in processes that aim to manipulate bids (public or private)	128	R
	23				Public information about violations of the anti-corruption and anti-bribery policy of the company	130	R
Public Policies							
Related Indicators					Topic	Page	Audit/ Revision
IBASE	DJSI	Ethos - IBP	Ethos	GRI			
			33	SO5	Positions regarding public policies and participation in preparing public policies and lobbies	130	R

Public Policies (continuation)							
Related Indicators					Topic	Page	Audit/ Revision
IBASE	DJSI	Ethos - IBP	Ethos	GRI			
				SO6	Total value of financial contributions and in kind to political parties or related institutions, listed by country	130	R
	21		36		The decision to finance political campaigns or not is taken transparently (through written policies, code of conduct, etc.), permitting stakeholders to access information, and requesting from the financed party the relevant receipt of the donation, as well as promoting campaigns of political consciousness, citizenship and importance of the vote, involving all employees and other stakeholders	130	R
	19		40		Regular contribution with human, technical or financial resources to undertake located and specific projects, undertaken by government agencies, in addition to active participation in preparing, enhancing, executing, controlling and assessing the reinforcement of public policies of general interest	36, 41, 43	R
Unfair competition							
Related Indicators					Topic	Page	Audit/ Revision
IBASE	DJSI	Ethos - IBP	Ethos	GRI			
			4.10	SO7	Total number of lawsuits for unfair competition, monopoly and cartel practices and their results	130	R
			4		Adoption of common market pricing and competitive practices	130	R
			4		Existence of explicit and stated rules about unfair competition and discussion with suppliers and clients on their attitude toward competitors	129, 130	R
			4		Public commitment assumed against unfair competition and seeking ever higher competitive standards	130	R
Compliance							
Related Indicators					Topic	Page	Audit/ Revision
IBASE	DJSI	Ethos - IBP	Ethos	GRI			
			4.11	SO8	Monetary value of major fines and total number of non-monetary sanctions resulting from failure to comply with laws and regulations	97	R
PRODUCT LIABILITY							
Performance Indicators referring to Product Liability							
Health and Safety of Client							
Related Indicators					Topic	Page	Audit/ Revision
IBASE	DJSI	Ethos - IBP	Ethos	GRI			
				PR1	Stages in the life cycle of goods and services where impacts on health and safety are assessed with a view to improvement, and percentage of goods and services subject to these procedures	114	R
			31.3	PR2	Total number of cases of non-compliance with regulations and voluntary codes relating to impacts caused by goods and services on health and safety during the life cycle, listed by type of result	97	R
	19		31		Regularly undertaking studies and technical research on potential risks and disseminating this information to business partners, adopting preventive or corrective measures when detecting risks of failure. Providing detailed information about its goods and services to its consumers and clients	88, 93, 106, 114, 126, 127	NAR
			31		Active involvement of internal public, suppliers, distributors, consumers and clients in ongoing upgrade of goods and services, substituting components, technologies and procedures to minimize or prevent health and safety hazards to the consumer or client	122, 126, 127	R
			31		Considering dimensions such as values and principles of the company, sustainable development and ethics in the concept or reformulation, manufacture and sale of its products and/or services provided	126, 127	R
	19		31.1		Existence of a special program with focus on health and safety of the consumer/client of its goods and services	94	R
Labeling Products and Services							
Related Indicators					Topic	Page	Audit/ Revision
IBASE	DJSI	Ethos - IBP	Ethos	GRI			
				PR3	Type of information on goods and services required by labeling procedures, and the percentage of goods and services subject to such requirements	126	R

Labeling Products and Services (continuação)								
Related Indicators					Topic	Page	Audit/ Revision	
IBASE	DJSI	Ethos - IBP	Ethos	GRI				
			31.6	PR4	Total number of cases of non-compliance with regulations and voluntary codes relating to information and labeling of goods and services, listing them by type of result	ND	NA	
				PR5	Practices relating to customer satisfaction, including results of surveys that measure this satisfaction	122, 123, 127	R	
Marketing Communications								
Related Indicators					Topic	Page	Audit/ Revision	
IBASE	DJSI	Ethos - IBP	Ethos	GRI				
				PR6	Programs to comply with laws, standards and voluntary codes relating to marketing communication, including advertising, promotion and sponsorship	126	R	
			29.9	PR7	Total number of cases of non-compliance with regulations and voluntary codes relating to marketing communications, including advertising, promotion and sponsorship, listing each by type of result	ND	NA	
			29		Acting in accordance with consumer protection laws and existence of formal policy of communication in line with values and principles, covering all communication material, internal and external alike	125, 126	R	
			29		Consciousness of the company's role in shaping consumer values and behavior and existence of specific communication procedures to create positive values in society as a way to contribute toward sustainable development	55	R	
			29		Setting up a partnership with suppliers, distributors, technical assistance and consumer representatives in order to create a culture of responsibility and transparency in communication	121	R	
6			30		Providing easy access for the consumer/client to the service or information of their interest and registration and internal communication of their opinions, settling demands quickly and individually and instructing them on the procedures adopted. Existence of processes that include trouble-shooting and using this information to enhance the quality of the goods and services. Promotion of ongoing improvement of the service, prioritizing dialogue and engagement of stakeholders in the process	123	R	
	34				Monitoring customer satisfaction and external communication of goals and results	127	R	
	35				Integration of feedback with client	127	R	
Accordance								
Related Indicators					Topic	Page	Audit/ Revision	
IBASE	DJSI	Ethos - IBP	Ethos	GRI				
6			30.19	PR8	Total number of proven complaints relating to violation of privacy and loss of client data	ND	NA	
	19		30.12		Existence of a formal policy to protect privacy and/or a management system of private information of consumer, client or user	125	R	
6			30.18		Percentage of complaints in relation to total calls answered by customer service CAS	125	R	
6			30.21		Quantity of innovations made as a result of the interference of the ombudsman and/or consumer/client answering service	ND	NA	
6					Total number of complaints and criticism from consumers and percentage of them answered or settled	133	R	
Compliance								
Related Indicators					Topic	Page	Audit/ Revision	
IBASE	DJSI	Ethos - IBP	Ethos	GRI				
				PR9	Monetary value of fines (major) for failure to comply with laws and regulations relating to the supply and use of goods and services	130	R	
AUDIT/REVISION								
ND	Not available						A	Audited information
NA	Not applicable						AR	Audited and reviewed information
NP	Not published (for further information: <a href="mailto:balancosocial@petrobras.com.br">balancosocial@petrobras.com.br</a> )						NAR	Not audited or reviewed information
R	Reviewed information							

# Independent Auditors Report

## on the Social and Environmental Report

### TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF PETRÓLEO BRASILEIRO S.A. – PETROBRAS

1 In accordance with the auditing practices in Brazil, not included in the report herein, we have audited the accounts of Petróleo Brasileiro S.A. – Petrobras for the year ending December 31, 2006. Our audit was performed in order to submit an opinion on the overall accounts and accordingly we issued an audit report without reservations on February 12, 2007. The information in the Social and Environmental Report 2006 is submitted to provide further information about the Company, although it is not required for the financial statements. This information, unless marked “reviewed”, as detailed in paragraph 2 below, underwent the same auditing procedures as applied to our audit of the financial statements, and in our opinion is properly presented in all its relevant aspects with regard to the overall financial statements. This information is marked “audited” in the Social and Environmental Report.

2 The information in the Social and Environmental Report marked “reviewed” underwent revision procedures, detailed below, pursuant to the Resolution of the Federal Accounting Council no. 1003 dated August 19, 2004, that approved the Brazilian Accounting Standard - NBC T 15 – Information of a Social and Environmental Nature. This revision is substantially less in scope than an audit performed in accordance with the auditing standards applicable in Brazil, in order to give an opinion on the Social and Environmental Report and, consequently, we did not give an opinion on such information. The revision procedures consist basically of: (a) reading the whole text of the Social and Environmental Report to check the consistency of the financial and non-financial information disclosed; (b) interviews with professionals of the Company to understand the main criteria and premises used in drawing up the Social and Environmental Report; (c) analyzing information in electronic files taken from the

Company’s data systems and comparing samples of this information with the information in the Social and Environmental Report; (d) checking with outside information sources using samples about data in the Social and Environmental Report; (e) reviewing, on a sample basis, contracts, agreements and other corroborative documents and comparing them to the information in the Social and Environmental Report; and (f) analyzing the main information processes and flows that produced the information in the Social and Environmental Report.

3 To the best of our knowledge, on the basis of the aforementioned review, no material modification should be made to the Social and Environmental Report of Petróleo Brasileiro S.A. – Petrobras for the year ending December 31, 2006, so that it is in accordance with the records and files that were used as a basis for its preparation.

4 Certain information in the Social and Environmental Report did not undergo auditing and reviewing procedures and are marked as “not audited/not reviewed”.

May 15, 2007



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**Cover:** Castor tree plantation of the Bahia Family Agriculture Production and Marketing Cooperative (Coopaf) – Morro do Chapéu, Bahia (Bruno Veiga);

**Summary:** Castor bean crop – Morro do Chapéu, Bahia (Bruno Veiga)

**Page 2:** Graduation of students in the Move-Brazil Program – Nova Iguaçu, Rio de Janeiro (Americo Vermelho)

**Page 6:** H-Bio pilot-plant – Cenpes, Rio de Janeiro (Roberto Rosa)

**Page 20:** Vigario Geral community – Rio de Janeiro (Rogerio Reis)

**Page 30:** Class in the Jovem Aprendiz project – Cefet de Maria da Graça, Rio de Janeiro (Bruno Veiga)

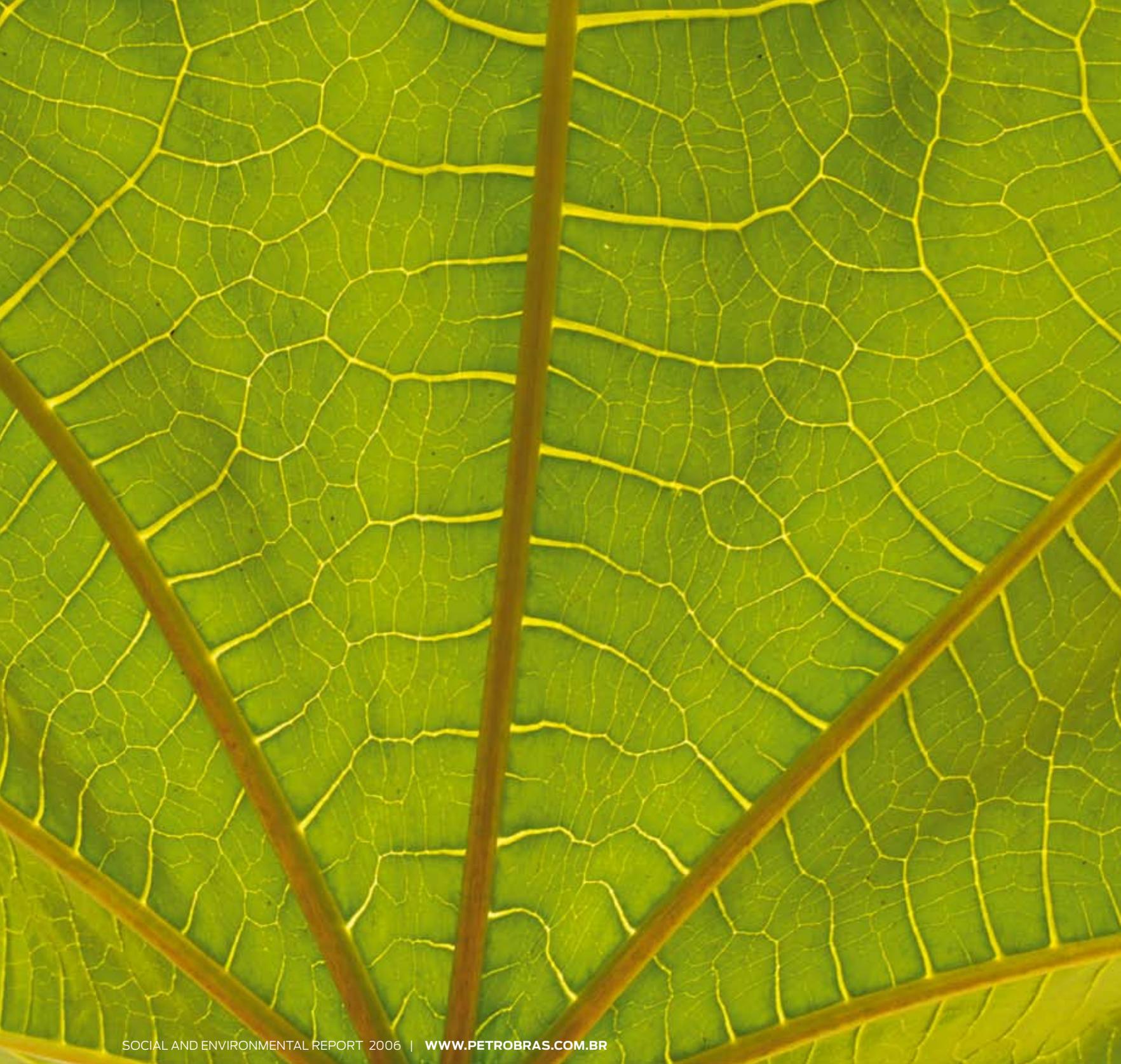
**Page 56:** Workers visit P-52 platform under construction – Angra dos Reis, Rio de Janeiro (Felipe Goifman)

**Page 84:** Workshop of the Águas Vão Rolar project (Plenty of water) – Pontal do Paranapanema, São Paulo (Felipe Goifman)

**Page 118:** Lê Melhor Quem Lê a Vida project (Who reads life, reads best) – São Mateus, Espírito Santo (Roberto Rosa)

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