

Sustainability Report 2016





Highlights

INDICATOR	2012	2013	2014	2015	2016
OPERATIONS					
PROVEN OIL RESERVES, NGL, CONDENSATE AND NATURAL GAS (BILLION BARRELS OF OIL EQUIVALENT - BOE)	16.4	16.6	16.6	13.3	12.5
TOTAL PRODUCTION OF OIL, NGL, CONDENSATE AND NON-LIQUEFIED NATURAL GAS (THOUSAND BARRELS OF OIL EQUIVALENT/DAY - BOED)	2,598	2,540	2,669	2,787	2,790
PRODUCTION OF OIL, NGL AND CONDENSATE (THOUSAND BARRELS/DAY - BPD)	2,126	2,060	2,150	2,227	2,224
PRODUCTION OF NON-LIQUEFIED NATURAL GAS (MILLION M ³ /DAY)	76.1	77.4	83.7	89.8	90.8
TOTAL SALES IN DOMESTIC MARKET (THOUSAND BPD)	2,725	2,883	3,003	2,789	2,509
TOTAL SALES IN FOREIGN MARKET (THOUSAND BPD)	1,060	909	964	1,056	972
ENVIRONMENT					
OIL AND OIL PRODUCTS SPILLS (M ³)	387.3	187.5	69.5	71.6	51.9
ENERGY CONSUMPTION (TERAJOULE - TJ)	936,199	1,050,949	1,155,220	1,115,185	899,487
EMISSIONS OF GREENHOUSE GASES (MILLION OF METRIC TONS OF CO ₂ E)*	68.0	74.2	81.4	78.1	66.5
DIRECT EMISSIONS OF CARBON DIOXIDE - CO ₂ (MILLION OF METRIC TONS)*	61.7	67.8	75.1	73.0	61.9
DIRECT EMISSIONS OF METHANE - CH ₄ (THOUSAND OF METRIC TONS)*	171.2	159	154	150	144
DIRECT EMISSIONS OF NITROUS OXIDE - N ₂ O (METRIC TONS)*	1,945	2,085	2,294	2,332	1,825
ATMOSPHERIC EMISSIONS - NO _x (THOUSAND OF METRIC TONS)*	251.32	252.17	298.51	267.12	234.84
ATMOSPHERIC EMISSIONS - SO _x (THOUSAND OF METRIC TONS)*	116.34	128.37	126.08	120.04	130.66
PARTICULATE MATTER (THOUSAND OF METRIC TONS)*	18.19	17.47	21.61	19.18	15.265
FRESHWATER WITHDRAWAL (MILLION M ³)	193.4	193.6	206.5	213.3	191.6
WASTEWATER DISPOSAL (MILLION M ³)	217.9	230.6	254.8	277.1	281.8
OCCUPATIONAL HEALTH AND SAFETY					
FATALITIES (INCLUDES EMPLOYEES AND CONTRACTORS)	13	4	10	16	3
LOST TIME INJURY FREQUENCY RATE (TFCA)	0.83	0.75	0.72	0.76	0.59
RECORDABLE INJURY FREQUENCY RATE (TAR)	-	-	-	2.15	1.63
CONTRIBUTIONS TO SOCIETY					
INVESTMENTS IN SOCIAL AND ENVIRONMENTAL PROJECTS - R\$ MILLION **	-	-	405	271	120
INVESTMENTS IN SOCIAL PROJECTS - R\$ MILLION **	201	391	-	-	-
INVESTMENTS IN ENVIRONMENTAL PROJECTS - R\$ MILLION **	101	104	-	-	-
INVESTMENTS IN CULTURAL PROJECTS - R\$ MILLION	189	203	194	139	71
INVESTMENTS IN SPORTS PROJECTS - R\$ MILLION	61	81	94	86	50
CONSOLIDATED FINANCIAL STATEMENTS					
SALES REVENUE - R\$ MILLION	281,379	304,890	337,260	321,638	282,589
GROSS PROFIT - R\$ MILLION	70,907	69,895	80,437	98,576	89,978
OPERATING INCOME - R\$ MILLION	32,397	34,364	(21,322)	(12,391)	17,111
ADJUSTED EBITDA - R\$ MILLION	53,472	59,132	59,883	76,752	88,693
NET INCOME (LOSS) - PETROBRAS SHAREHOLDERS - R\$ MILLION	21,182	23,570	(21,587)	(34,836)	(14,824)
NET PROFIT (BASIC AND DILUTED LOSS) PER SHARE - R\$	1.62	1.81	(1.65)	(2.67)	(1.14)
GROSS MARGIN	25%	23%	24%	31%	32%
OPERATING MARGIN	12%	11%	-4%	-4%	6%
NET MARGIN	8%	8%	-6%	-11%	-5%
FREE CASH FLOW - R\$ MILLION	-	-	(19,554)	15,889	41,572
NET DEBT - R\$ MILLION	147,817	221,563	282,089	392,136	314,120
NET DEBT / EBITDA - R\$ MILLION	2.76	3.75	4.71	5.11	3.54
INVESTMENTS - R\$ MILLION	84,137	104,416	87,140	76,315	55,348

* The possible changes in historical numerical information relating to previous publications of the Sustainability Report are due to improvements in the air emissions management system or the recommendations arising from the third party verification process (limited assurance).

** Until 2014, we had separate programs for the environmental and social area. From 2015, the social and environmental projects became part of our Petrobras Socio-environmental Program.



About the Report

This report provides the highlights of our performance in 2016, focusing on economic, social and environmental dimensions. Aims at presenting to our stakeholders, with transparency and connectivity, how our organization creates value over time.

We continue to adopt the sustainability reporting guidelines of the Global Reporting Initiative (GRI) in their fourth generation (G4). In addition, we present the correlation of the company's activities with the Global Compact principles and the Sustainable Development Goals (SDGs) of the United Nations.

We moved forward in the implementation of concepts and elements recommended in the guidelines presented by the International Council for Integrated Reporting (IIRC) and incorporated improvements in this report.

We kept for this report the scope of information regarding our activities in Brazil and abroad, including data on the Petrobras Holding, subsidiaries and companies in other countries.

PricewaterhouseCoopers Auditores Independentes (PwC) was responsible for the limited assurance service on sustainability information included in the report.

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Message from the CEO of Petrobras

Petrobras is turning the page from the biggest crisis of its history. At the Business and Management Plan (BMP) announced in 2016, the company defined its vision: to be an integrated energy company focused on oil and gas that evolves with society, creating high value, with a unique technical capability. At the BMP, we reinforce our commitment with safety and reduction on financial leverage, our main metrics. From them, the whole company management systems unfold. In the beginning of 2017, positive results already demonstrate that we are in the right path, but the financial passive will remind us permanently of the large work that we still have ahead.

We will achieve our results by delivering what we have committed to in accordance with our values, such as “respect for life, people and the environment”. This Sustainable Report demonstrates how we integrate social, environmental and economic issues in our day to day business and presents the enhancement of our management, internal controls and governance. Moreover, it identifies how our strategies result in value creation for the various stakeholders of Petrobras.

We also present the new Social Responsibility Policy. Petrobras is committed to provide the energy that moves society to accomplish its full potential, respecting human

rights and environment. For us, this means to interact responsibly with nearby communities and overcoming sustainability challenges of our business, preparing ourselves, especially through technological innovation, for the change in the composition of the energy matrix of the future.

In 2016, we invested R\$ 1.8 billion in research and development (R&D), where R\$ 548.5 million were directed to partnerships with 111 universities and research institutes in Brazil and abroad, making it possible the exchange of knowledge and technology. We invested R\$ 241 million in socioenvironmental, cultural and sports projects in partnership with civil society organizations, collaborating with environmental conservation and improvements of life conditions at the localities where we operate.

We reaffirm our commitment to United Nations Global Compact, which stimulate us to advance in initiatives related to the respect and support of human rights, fair labor practices, environment preservation and fight against corruption.

Our commitment is to the recovery of Petrobras by means of a transparent management that delivers results to society. We know that the improvement of safety and financial leverage

will only be sustainable in time if the economic, social and environmental dimensions of our performance are integrated.

Pedro Parente

CEO of Petrobras



Materiality

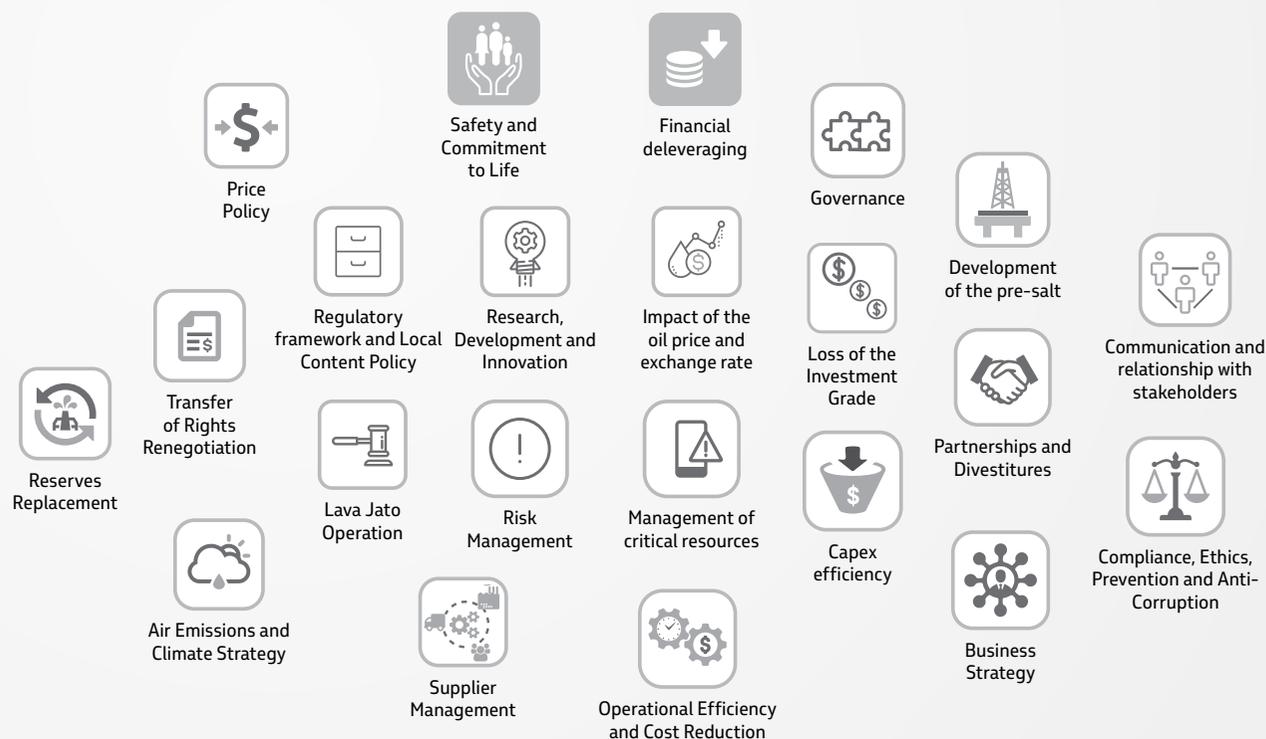
We prepare our Sustainability Report to be recognized as an important instrument of information, evaluation and decision-making by our stakeholders. Thus, we direct the content to aspects that have or may have significant economic, social or environmental impacts on our activities or resulting thereof and to aspects that may affect our ability to create value, such as regulatory framework and supply chain activities.

After identified, these material issues guided the editorial structure of the Sustainability Report and were discussed throughout the document, whenever possible, associated with the related performance indicators. Chapter: GRI Indicators identifies the pages on which each issue is approached or refers, in some cases, to other documents where it is possible to get additional information.

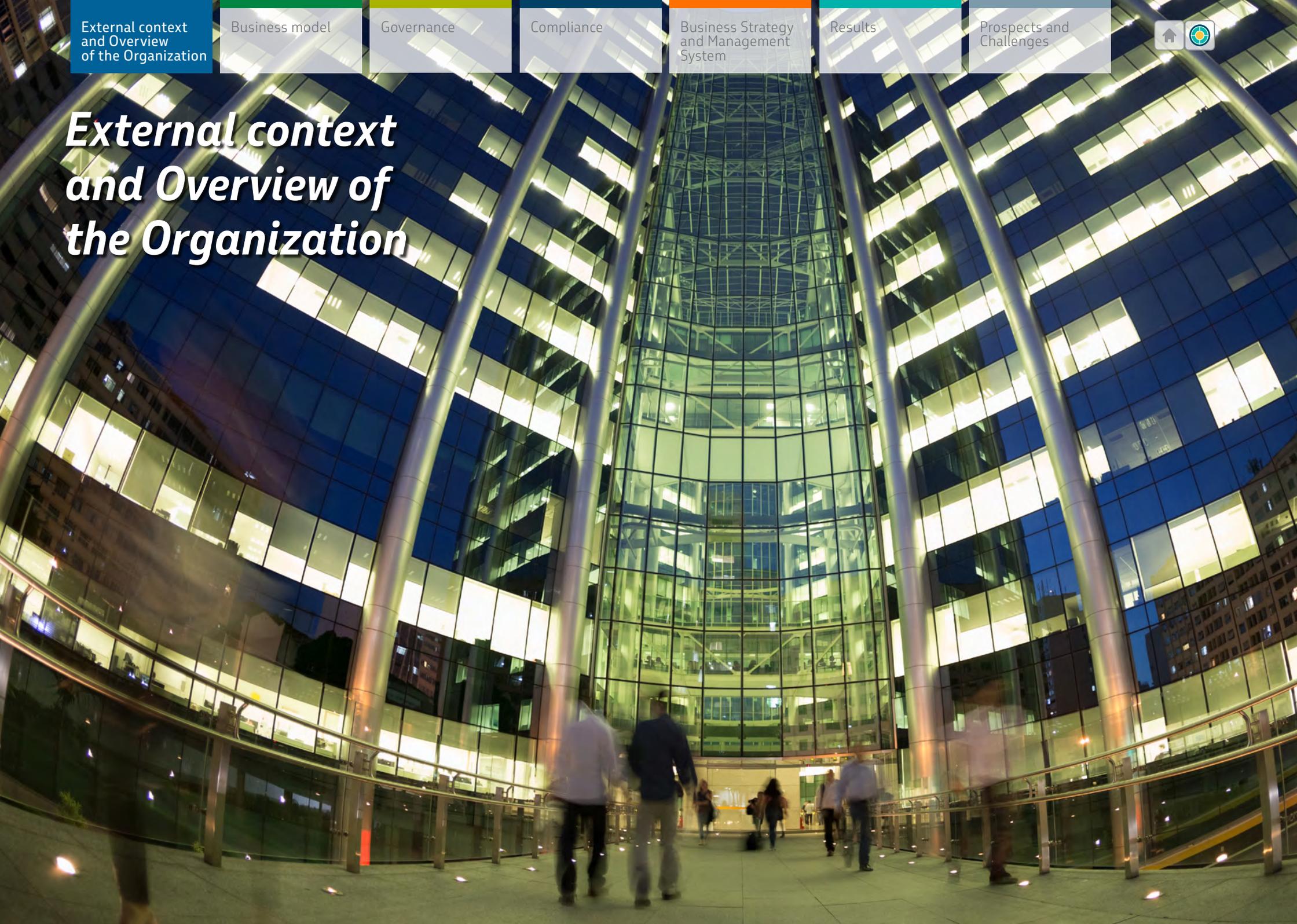
Definition and Material Issues

We reviewed the set of issues evaluated in the previous reporting cycle including key issues presented in September 2016 in our Strategic Plan and Business and Management Plan 2017-2021 (BMP). Moreover, we considered stakeholder's expectations captured in the presentation of BMP 2017-2021, in opinion polls, in market indexes results, in internal discussions with experts, in governance committees and in interviews with senior managers.

The material issues were then appraised by members of the top management (Directors, CEO and Executive Directors and Managers), by a group of company managers and by market analysts. The evaluation questionnaire was based on the actual or potential impact of each issue on our business and also its relevance to investors and other stakeholders. The product of these two axes created a classification of the issues assessed. The issues classified as of high materiality are presented below, from the themes Safety and Deleveraging, highlighted for being priority goals of our 2017-2021BMP.



External context and Overview of the Organization





External Context

The world economy faced difficulties in resuming a consistent growth in 2016. During the year, several events contributed to the high level of uncertainty in the international market, significantly volatile capital flows and decreased prices of commodities.

The American election, the victory of the proposed departure of the British from the EU in the referendum held in June, the low growth of economies, unemployment, social frailties, as well as the migratory flow of Middle Eastern countries, mainly to Europe, have encouraged defensive movements contrary to the greater world integration, putting at risk the process of globalization and impacting the economic recovery process.

The deceleration of the economy of the United States marked the year for developed economies. Whereas Europe continued having trouble promoting growth in income and employment. In General, the emerging countries of Asia expanded significantly more than the other countries, while the South American economies had their level of activity reduced in 2016.

In the specific case of Brazil, the fall of 3.6% in the level of activity, registered by the Brazilian Institute of Geography and Statistics (IBGE), may be due to the contraction of domestic demand, consumption in particular, and the contraction of private investment (corporate debt and idle capacity).

For the second consecutive year, the fall in the level of economic activity adversely affected the domestic market of oil products. In 2016, a fall of 4% was recorded in aggregate consumption of these products. Except for fuel oil, which dropped 31.3% and whose demand depends not only on the level of economic activity, but also on the competition with other energy, the biggest fall was recorded in the aviation market, and aviation kerosene (jet fuel) dropped 8.1%. This result reflects the poor performance of the airlines sector, which recorded the first fall in the number of transported passengers since 2003. The demand for naphtha and green petroleum coke dropped as well, both heavily influenced by the performance of the industry in 2016. The domestic demand for diesel, which represents about 40% of the

domestic market of oil products and whose consumption is widely linked to the transportation of cargo, dropped 4.9%.

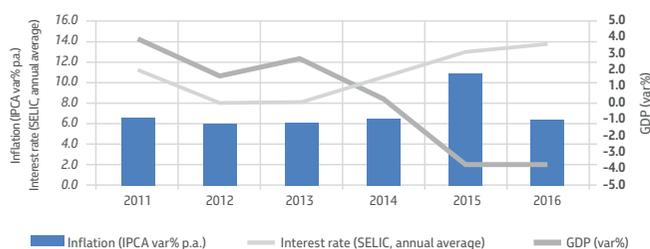
In the opposite direction, there was a 4.1% increase in demand for gasoline, reflecting better competitive conditions of this product compared to its main alternative. Furthermore, the demand for Liquefied Petroleum Gas (LPG), which is largely used in homes, presented a positive, albeit modest variation (0.8%), following too closely the expectations of population growth for the period. Other oil products such as asphalt and propene also presented positive performances. However, as we have seen, these positive results were insufficient to compensate for the strong falls observed in oil products with greater weight in demand.

The accumulated inflation in 2016, as measured by the Broad Consumer Price Index (IPCA), recorded a variation of 6.29%. The Central Bank of Brazil kept the basic interest rate at a level of 14.25% p.a. throughout most of the year, with reductions in October and November, closing the year at 13.75% p.a.

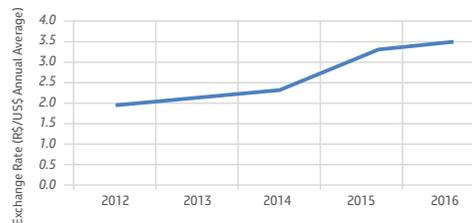
In relation to the exchange rate, the Brazilian real (R\$) started the year with a strong devaluation, during the months of January and February. From then on, however, the trajectory reversed, due to both external and internal factors, while the Brazilian real remained, however, devalued at historical levels.

Considering this scenario for the Brazilian economy, the main risk rating agencies reviewed their assessments of the country throughout 2016. Standard & Poor's (S&P) and Moody's reviewed the rating of Brazilian credit in February,

Macroeconomics Variables - Brazil



Exchange Rate





from BB+ to BB and from Baa3 to Ba2, respectively, while Fitch changed the Brazil's rating from BB+ to BB in May. Thus, by the end of 2016, Brazil was no more classified as an investment grade by any of these rating agencies.

Following the change in the sovereign credit rating, and due to specific issues, our corporate ratings also suffered a downgrade, with a recovery later in the year, reflecting a lower liquidity risk and improvements in our fundamentals.

> See Chapter: [Financial Summary](#) for more details.

Finally, the market perception expressed by the Central Bank's Focus Bulletin is that the Brazilian economy will gradually recover the growth of its level of activity. The inflation projections indicate that the variation trend of the Broad National Consumer Price Index (IPCA) will converge towards the center of the target, allowing a reduction of interest rates and contributing to the resumption of growth.

Regulatory Frameworks

In 2016, the business environment of the oil and natural gas sector in Brazil was updated due to relevant changes in regulatory aspects, especially the approval by the National Congress of new rules for the pre-salt areas. In addition, actions were launched throughout the year aimed at easing the rules established for the local content policy, as well as regulatory adjustments to adapt the natural gas market to a more competitive model.

Law 12,351/2010, in its original wording, established Petrobras as the sole operator of the areas under

production sharing regime. In November 29, 2016, Law 13,365/2016 excluded the obligation of the company to act as sole operator in such areas, and Petrobras was granted a preemptive right to acquire a minimum of 30% interest in the consortia and the possibility to operate them.

Decree 9,041/2017, which regulates Law No. 12.351/2010, entered into force in May 2nd, 2017, providing for the preemptive right of Petrobras to act as operator in the consortia formed for the exploration and production of blocks to be procured under the production sharing regime.

With this regulation, we are exempt from holding interest in these blocks, while maintaining the preemptive right to act as operators in the blocks of strategic interest to the company.

Regarding the natural gas market, the Ministry of Mines and Energy (MME), in mid-2016, launched the "Gás para Crescer" initiative, laying the foundations for a competitive market by adopting good international practices in order to Build a favorable environment for new investments. The National Council of Energy Policy (CNPE) passed a resolution establishing the guidelines for the design of this new market and created the Technical Committee for the Development of the Natural Gas Industry (CT-GN), which should submit draft measures to be submitted to the National Congress.

Regarding the oil products market, MME launched two initiatives: "RenovaBio" and "Combustível Brasil". The first, launched in 2016, focuses on establishing an integrated national policy for the biofuel sector. Whereas Combustível Brasil, launched in the first quarter of 2017, is focused on attracting new *players* for the refining of fuels in Brazil, with actions aimed at increasing production capacity and improving the logistics

supply infrastructure. We have sent contributions to the MME about the proposed actions and evaluated opportunities in our divestiture program and impacts on our market positioning.

Local Content Policy

Within the scope of the local content policy, the "Program to Encourage Productive Chain Competitiveness, Development and Improvement of Suppliers of the Oil and Natural Gas Sector" (Pedefor) was created, with the participation of several ministries (Office of the President's Chief of Staff; Brazilian Treasury Department; Ministry of Development, Industry and Foreign Trade; Ministry of Mines and Energy; Ministry of Science, Technology, Innovations and Communications), in addition to the Brazilian Agency of Petroleum, Natural Gas and Biofuels (ANP), the Brazilian Development Bank (BNDES) and the Funding Authority for Studies and Projects (Finep). In order to identify the main weaknesses of the current rules, some technical meetings involving these institutions were held throughout 2016. One of the main goals was to draft a proposal, sent to the CNPE on March 28, 2017, with new guidelines for the operation of the local content policy to be adopted in the new bidding rounds expected for 2017.

Oil and Oil Products Market

The significant expansion of the American non-conventional production as of 2011 was considered the main cause for the formation of the oil surplus that justified the downward trend in prices initiated in 2014. Until the beginning of 2016, the decision of the Organization of the Petroleum Exporting Countries (OPEC) not to attempt



to influence oil prices with a production cut strategy contributed to the maintenance of the downward trend.

The first few months of 2016 have been particularly critical, since the value of Brent crude oil reached the lowest level since 2003, still in January, adversely impacting the average of the first quarter. Despite the rise in prices in subsequent quarters, the year-on-year decline in prices was justified by the slowness in the process of rebalancing the market, which is still ongoing.

Despite the slower pace of growth in developed countries, the expansion of emerging economies was enough to result in a growth rate of 1.8% of world demand in 2016 (an increase of 1.7 million bpd), above the historical average, which is close to 1.5% pa (average increase of 1.1 million bpd). It is

important to note that the positive effect of the fall in prices, compared to 2015, contributed to the observed result.

The volume of oil supply recorded in 2016 was slightly higher than in 2015, with output growth in OPEC countries, despite the declining production in non-OECD countries. Outside of OPEC, American oil production is beginning a downward movement in response to low oil prices.

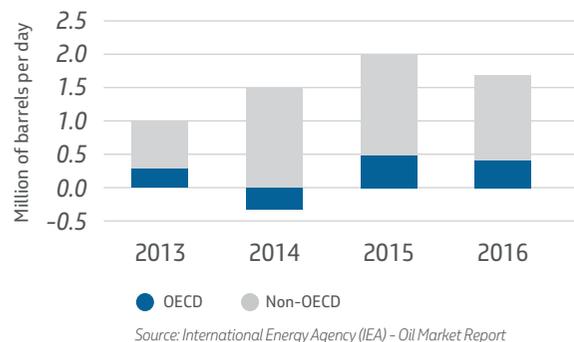
In November 2016, following ongoing discussions since the beginning of the year, OPEC member countries and a group of 11 non-OPEC producing countries, including Russia, agreed to reduce production volume in order to accelerate the rebalancing of the market, which created a positive impact on oil prices in December,

whose average of US\$ 54.07/bbl was 16% higher than in November. However, this effect was not enough to reverse the fall in prices in relation to the previous year.

The low oil price made oil companies reduce long-term investments in exploration and production technologies and prioritize efficiency gains and incremental advances in existing technologies, with a growing use of digital technologies.

Following the same trend, we worked on the adequacy of our Strategic Plan to the expected trajectory of oil prices in the international market, through the adjustment of our portfolio, care in the management and investment of capital and cost control. For further details, see Chapter: Business Strategy and Management System.

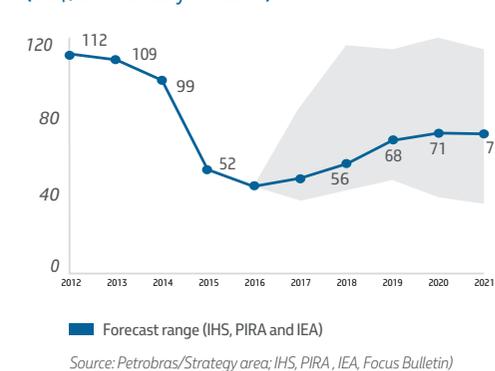
Increase in world demand of oil products



World Oil Supply



Brent Prices (US\$/bbl – base year 2016)



Note: Projections relating to BMP 2017-2021.



Organization Overview

We are a publicly traded corporation. We conduct our activities based on the following values:



In our vision, we are **an integrated energy company focused on oil and gas that evolves with society, creating high value, with a unique technical capability.**

We invest in the training of our 68,829 employees and allocated, in 2016, R\$1.8 billion for research and technological development.

We produce, on average, 2.79 million barrels of oil equivalent per day (boed) of oil and natural gas. The focus of our activities in exploration and production of oil is Brazil. Our portfolio is concentrated in the Southeast region, with most of the oil reserves located in maritime fields in deep and ultra-deepwater, located in the basins of Campos, Santos and Espírito Santo.

Abroad, we operate in this segment in Argentina, Bolivia, Colombia, the United States, Mexico and Nigeria.

We are world leaders in the exploration and production in deep and ultra-deep waters, recognized for pioneering the introduction of new technologies. In 2016 we operated 36% of the global production in these reservoirs. We are also the world's largest operator of FPSO (Floating Production Storage and Offloading) units. We closed 2016 with thirty-five of such units in operation.

According to the criteria of the Brazilian Agency of Petroleum, Natural Gas and Biofuels (ANP) and the Society of Petroleum Engineers (SPE), the volume of our proven reserves in 2016

reached about 12.51 billion barrels of oil equivalent (boe), of which 84.3% refers to oil and condensate, being 98% in Brazil.

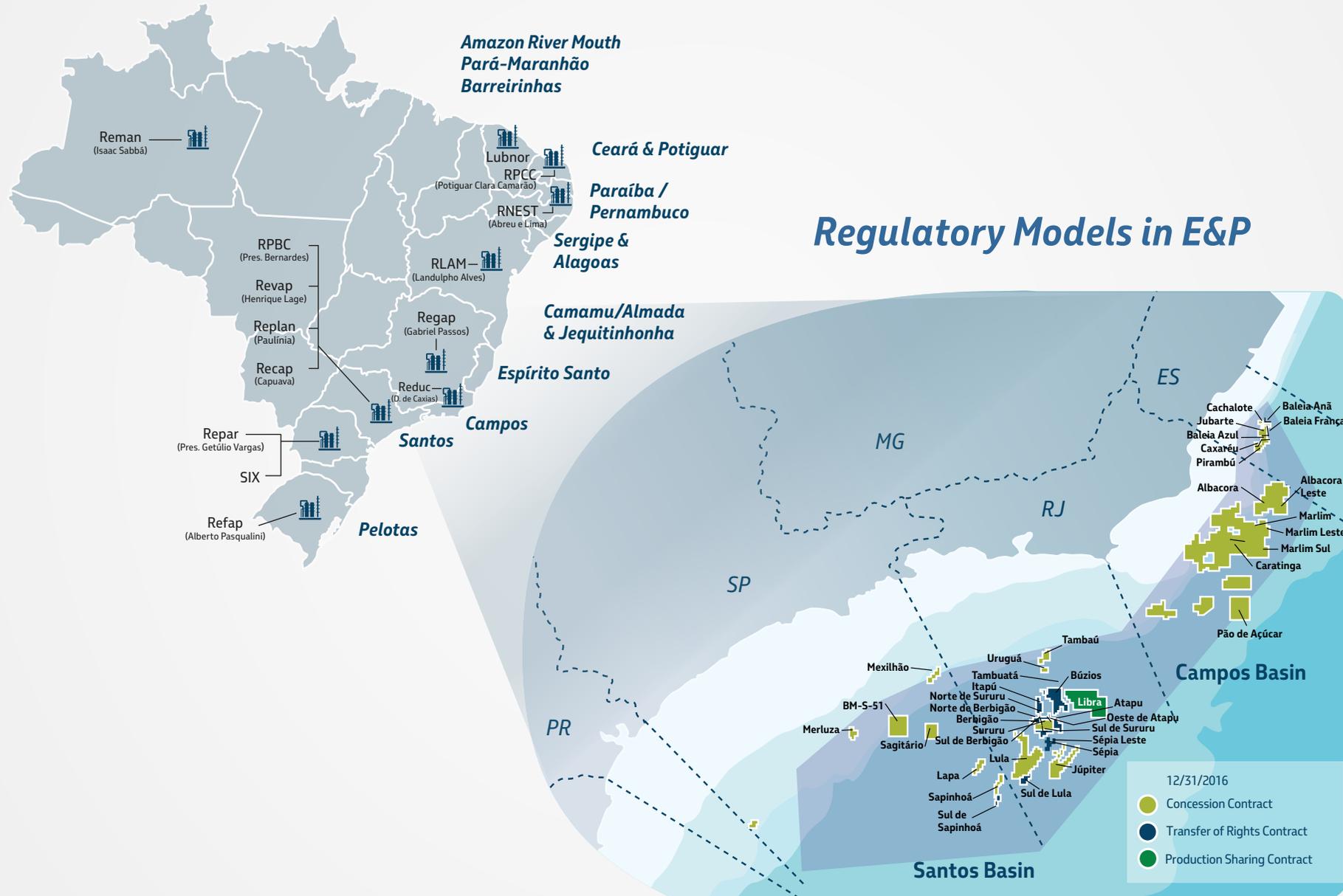
Our exploration portfolio in Brazil consists of 131 exploration blocks, totaling an area of 67,315 km², of which 20,818 km² are located on land and 46,497 km² at sea. We are working on 37 Discovery Assessment Plans (PADs), of which 35 are in exclusively exploratory areas and two in ring fence - an exploration area next to a field where there were previous discoveries. In development and production, our domestic portfolio consists of 316 active fields of oil and natural gas, of which 306 are governed by joint-operation agreements and ten, by the transfer of rights contract.

If we add to the national portfolio our units overseas, we will have a total of 166 exploration blocks and 337 fields in development and production, amounting to 503 concessions. Out of which we have 152 concessions in partnership with other companies. We are operators in ninety-one of these assets, while our partners are in charge of the operation in sixty-one of them.

We are responsible, as operators, for almost the entire refining capacity in Brazil. Our refineries have a total installed capacity of 2,176 million barrels per day (bpd) in Brazil.

Six of the thirteen refineries are located in the Southeast Region of Brazil, close to the most populous and industrialized markets and next to most of our oil reserves and production of crude oil in the Campos Basin and in the Santos basin.

Map of Refineries and Main Offshore Oil Basins in Brazil





Abroad, our refineries, located in the United States and Argentina, processed 126,000 bpd of oil and natural gas liquid (NGL) and produced 128,000 bpd of oil products.

In Japan, we operated Nansei Sekiyu Kabushiki Kaisha (NSS) Refinery until April 2015, when we suspended the oil processing. From that date, we continued with the activities of marketing products through imports or acquisitions in the domestic Japanese market until March 2016, at which time the operation was discontinued permanently (final shutdown). The sale was completed in December to Taiyo Oil Company.

Petrobras Transporte S.A. – Transpetro, one of our subsidiaries, is the leading fuel transport and logistics company in Brazil. The company also operates in the

import and export of oil and oil products, and currently has two business areas: pipelines and terminals and maritime transport. The company operates 14.87 thousand kilometers of pipelines and gas pipelines, 47 terminals (20 land terminals and 27 waterway terminals) and 56 ships.

At the end of 2016, Petrobras Distribuidora S.A., our subsidiary in the distribution segment, was responsible for 31.1% of the total sales in the segment of fuel distribution in Brazil. To provide services to 8,176 network service stations and approximately 14,100 consumers, we used the capillarity of our logistics infrastructure, operating in 74 locations covering all Brazilian states. In 2016, we kept the leadership in the network of stations, with a 25.4% market share and a volume of 24.0 million m³.

Liquigás Distribuidora S.A., our subsidiary in the bottling, distribution and sales of liquefied petroleum gas (LPG), marketed, in 2016, 1.6 million metric tons of LPG.

Our company operates also in the processing, logistics, marketing and distribution of natural gas through a network of gas pipelines and interest in several companies. The company processed, on average, 36 million m³ of natural gas/day in 2016.

We operate in the generation and sale of electricity with a 6,100 MW installed capacity, through twenty own and leased thermal power stations.

Through participations, we are present in the petrochemical sector and operates in the chemical gas sector, in the production and marketing of fertilizers.

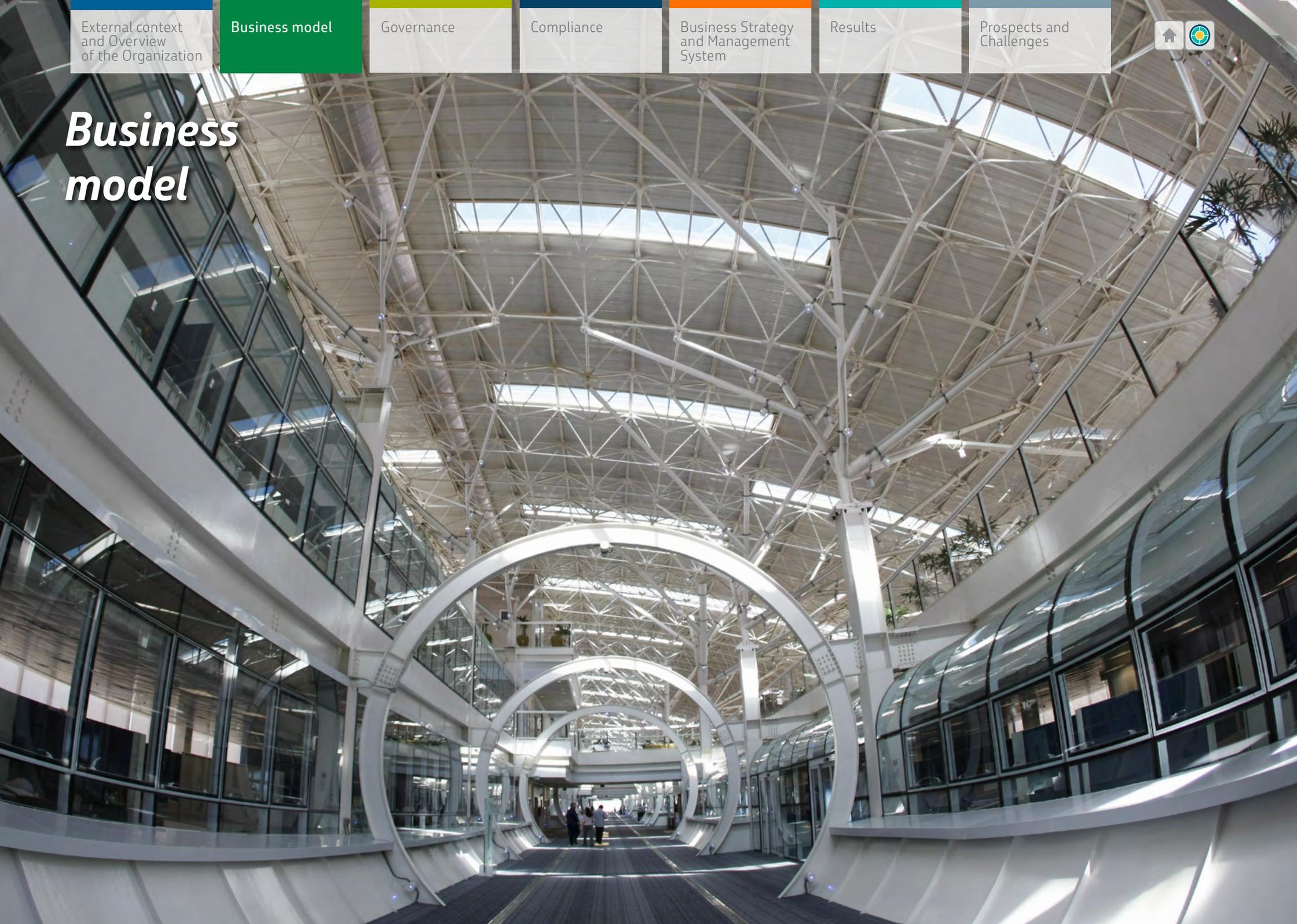
We are also present in the biofuels segment, by participations in companies managed by our wholly-owned subsidiary Petrobras Biocombustível S.A., and in the generation of renewable energy.

Our fixed assets amounted to R\$572 billion, at the end of December 2016, including land, equipment, assets under construction and other assets used in our activities.

An important aspect of our Strategic Plan is the expansion of the partnership and divestiture program. The partnership and divestiture program amounted to US\$13.6 billion in contracts signed in the 2015-2016 biennium. From 2015 to April 2017, we totaled US\$ 7.7 billion in cash inflows for this program.



Business model

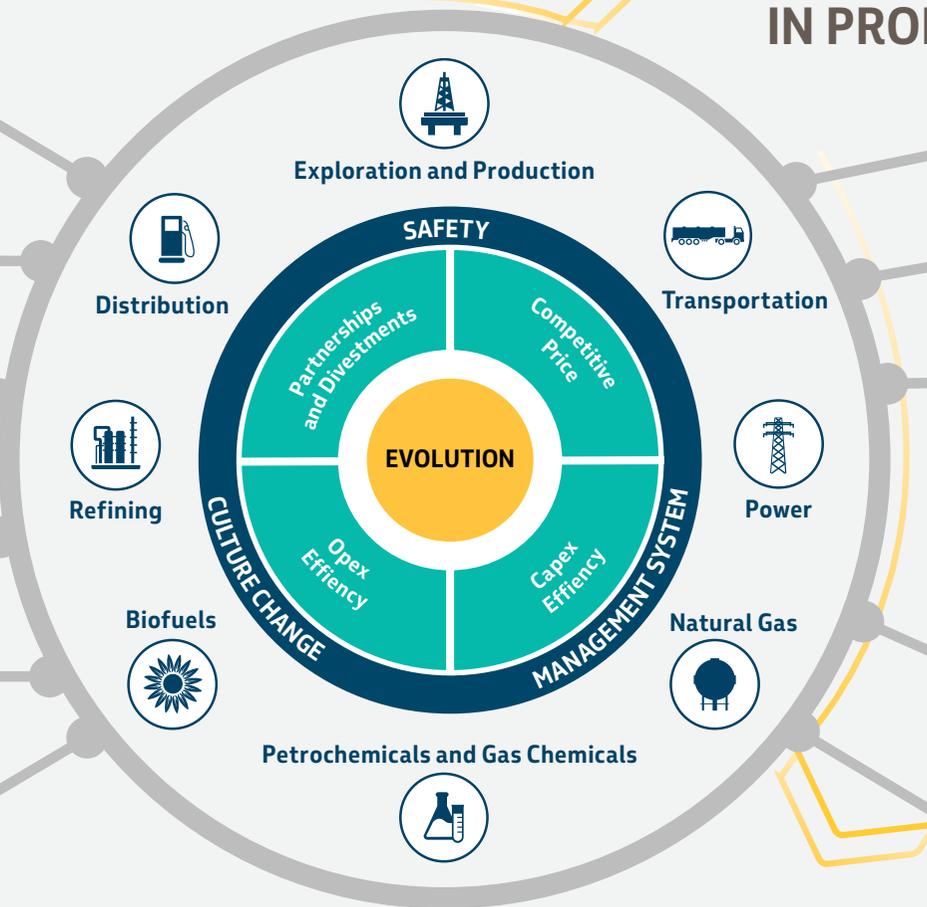


OUR RESOURCES...

APPLIED TO OUR PROCESSES...

RESULT IN PRODUCTS...

HUMAN N° of Employees (thousand)	68.8 2015: 78.5
INTELLECTUAL R&D Investments (R\$ billion)	1.83 2015: 2.02
NATURAL Reserves (billion barrels of oil equivalent)	12.5 2015: 13.3
PRODUCTIVE Propety, Plant and Equipment (R\$ billion)	572 2015: 630
FINANCIAL Net Debt (R\$ billion)	314 2015: 392
RELATIONSHIP Petrobras holding suppliers with transactions (thousand)	12.6 2015: 16.3



OIL AND NGL Production (million barrels/day)	2.22 2015: 2.23
NATURAL GAS Production (million m³/day)	90.8 2015: 89.8
OIL PRODUCTS Sales in the domestic market (million barrels/day)	2.06 2015: 2.23
AND POTENTIAL IMPACTS...	
SAFETY Total Recordable Injury Frequency Rate (TRIFR)	1.63 2015: 2.15
ENVIRONMENT Spill (m³)	51.9 2015: 71.6
Greenhouse Gas Emissions (millions t CO ₂ e)	66.5 2015: 78.1

...AND BY IDENTIFYING, MONITORING AND MITIGATING BUSINESS RISKS **CREATE VALUE** TO:

INTERNAL CONTEXT

INVESTORS Free cash flow (R\$ billion)	41.6 2015: 15.9	EMPLOYEES Direct remuneration (R\$ billion)	18.7 2015: 19.1	STATE AND SOCIETY Taxes (R\$ billion)	106 2015: 110
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EXTERNAL CONTEXT



Business Model

Our business model aims to demonstrate how we use resources and processes to create value for our stakeholders and how we analyze the external context and evolve in the processes of management, governance, business strategies and results.

In view of external and internal challenges, our strategy points to two main goals: increased safety in operations and reduction in financial leverage. To this end, we seek to enhance the safety awareness within the company, with commitment of leadership, continuous training focused on the knowledge of risks and processes. Regarding the reduction in financial leverage, in addition to competitive prices, we focus on the efficiency of capital investment and cost reduction, relying on partnerships and divestitures to reduce our net debt.

Regarding the management of the business, we adopt the core concept of evolution, which translates in the tripod of cultural transformation, a management system based heavily on performance and massive propagation of a culture of safety. Thus, we intend to deliver not only energy in the form of products and services, but also create value for our stakeholders.

The resources used in our production process, presented in our business model, were classified into six categories, according to the capitals model presented by the International Integrated Reporting Council (IIRC), and exemplified by means of indicators and their evolution from 2015 to 2016. The capital related to funds invested in our processes is detailed in the following items, which can be interactively accessed by the links provided at the business model.

HUMAN

Skills, abilities and experience of people and their motivation to innovate.

INTELLECTUAL

Intangible organizational resources based on intellectual property and technological and management knowledge, expressed in products, processes, systems and patents.

NATURAL

Renewable and non-renewable environmental resources providing essential inputs to the production process.

PRODUCTIVE

Industrial assets and infrastructure that we use in our production activity.

FINANCIAL

Financial resources available, whether own or obtained through financing and investments allocated to our productive activity.

RELATIONSHIP

Partnerships and relationships with our stakeholders and the ability to share information and build trust.

In Chapter External Context and Overview of the Organization, we detail the environment where we develop our strategies and initiatives. The evolution of our context is presented in the processes of Governance, Compliance, Management System and Identification and Treatment of Business

Risks and summarized in the Chapters: Governance, Compliance and Management System and Strategy.

> *The details of these items can also be found in the [Report of the Administration 2016](#) published in March 2017.*

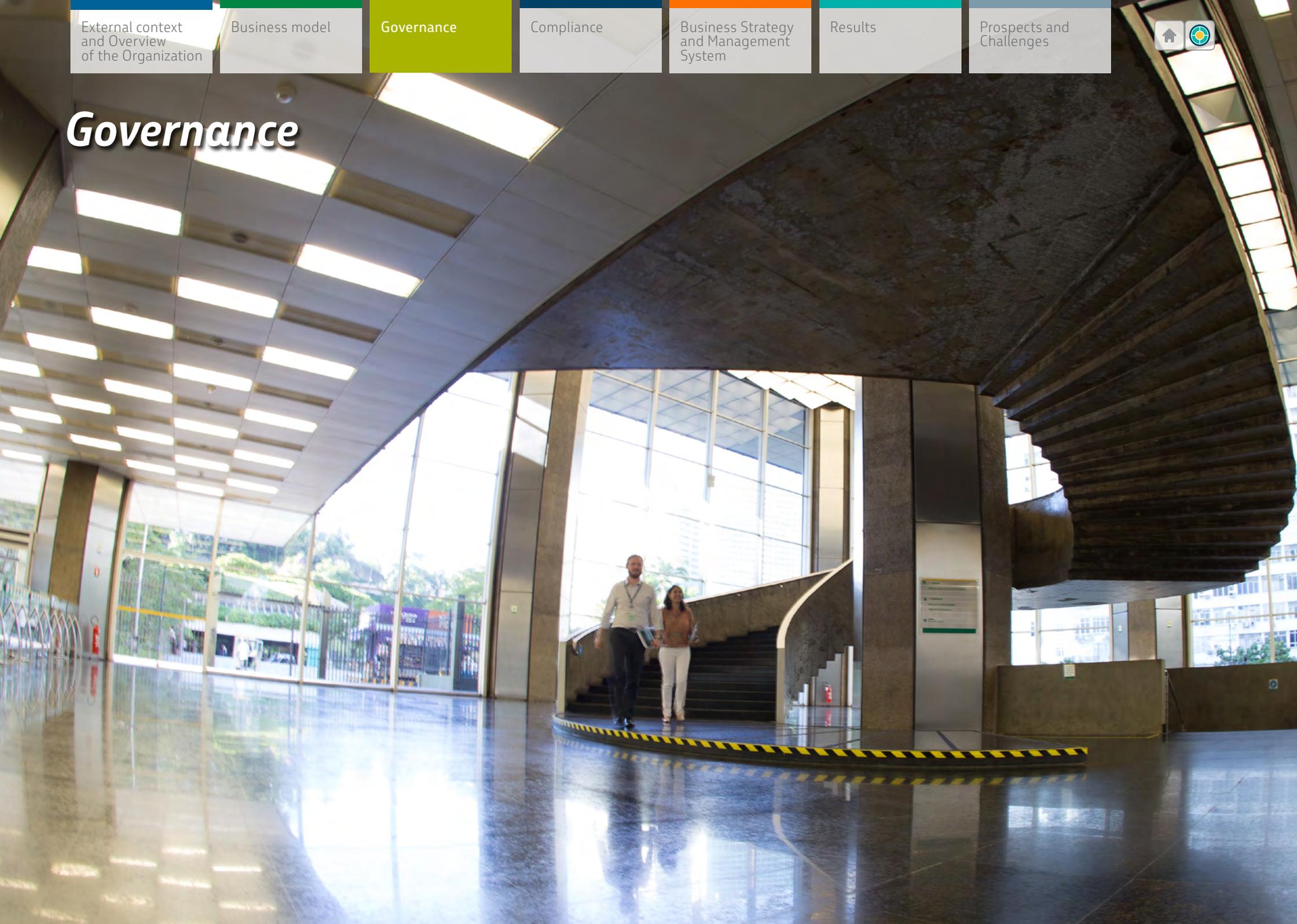
> *Information about our results, products and value creation is presented in the Chapter: Results ([Financial Summary](#) and [Operating Performance](#)) and the table "[Highlights](#)".*

> *Financial results and indicators have been further elaborated in our other published financial reports ([Report of the Administration 2016](#), [Form 20F](#) and [Formulário de Referência](#)).*

> *The information on Health, Safety and Environment is presented in Chapter: Results – [Health and Safety](#) and [Environment](#).*



Governance



Governance

Our commitment to good corporate governance practices is based on more transparency and fast adaptation to changes. In addition to the laws and regulatory requirements for government-controlled companies and publicly traded corporations, we follow governance procedures compatible with the national and international market rules by which we operate, seeking to adopt

international standards of transparency, strengthen our image and reputation and improve the relationship with our stakeholders: shareholders, investors, customers, suppliers, government, employees and society, among others.

Our corporate governance structure comprises: the General Meeting of Shareholders, the Audit Committee, the Board

of Directors and its committees, Audits, the Ombudsman Office, the Executive Board and its committees.

Our Board of Directors has a more heterogeneous and independent composition in relation to the controlling shareholder, the Federal Government, since 2015. In addition, the Board has several committees that assist in fulfilling its guidance responsibilities for Petrobras and the senior management of the company, listed in the figure above. They are: Strategy Committee; Finance Committee; Audit Committee; Safety, Environment and Health Committee; and Appointment, Remuneration and Succession Committee.

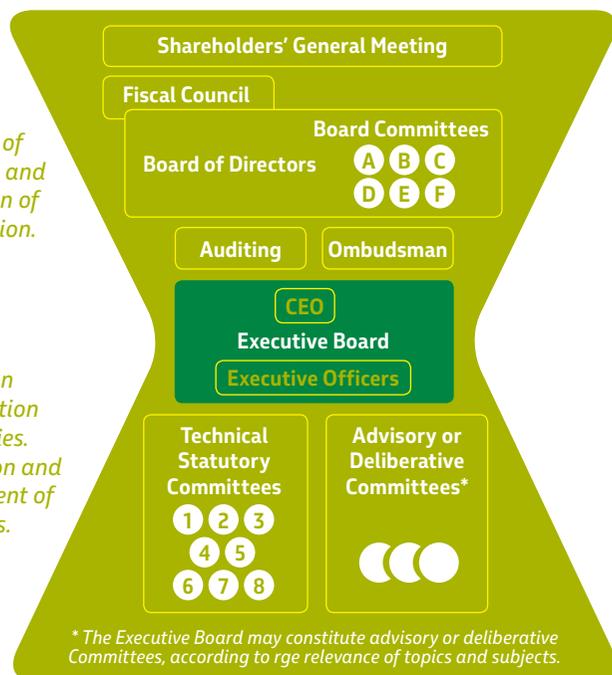
The Board also has the Minority Committee, which is independent and permanent, aiming to follow the process of reviewing the Transfer of Rights Contract and other related-party transactions involving Petrobras and the Government, their autonomous agencies and foundations, which are within the limitation of approval of the Board. A Special Committee was created, which is independent and reports directly to the Board of Directors, focused on the internal investigation of nonconformities arising from Lava Jato Operation.

Amendments to our Articles of Incorporation were necessary in order to reflect the changes of increased individual responsibility of the board members, including individual duties demanded from members of the Executive Board and the creation of statutory technical committees that match the duties and responsibilities of its members to the board members of the company.

Governance Structure

Definition of Strategies and supervision of the execution.

Proposition and execution of strategies. Supervision and development of operations.



Board Committees:

- A. Strategic
- B. Finance
- C. Audit
- D. Health, Safety, and Environment
- E. Nominating, Compensation and Succession
- F. Minority

Technical Statutory Committees:

1. Production and Technology Development
2. Exploration and Production
3. Refining and Natural Gas
4. Financial and Investor Relations
5. Corporate Affairs
6. Governance and Compliance
7. Strategy, Organization and Management System
8. Investment and Divestment



Thus, the members of the Executive Board now rely on seven technical advisory statutory committees: Statutory Technical Committee of Production and Technology Development; Statutory Technical Committee of Exploration and Production; Statutory Technical Committee of Refining and Natural Gas; Statutory Technical Committee of Finance and Investor Relations; Statutory Technical Committee of Corporate Affairs; Statutory Technical Committee of Governance and Compliance; Statutory Technical Committee of Strategy, Organization and Management System. The Executive Board is also assisted by the Statutory Technical Committee of Investment and Divestitures.

Furthermore, the following multidisciplinary executive committees are in operation for resolutions and consulting: Communication and Social Responsibility; Risks; Disclosure, Research & Development; Human Resources, Organization and Governance; Safety, Environment and Health and Information Technology and Telecommunications. They are composed by our executive managers and aim to propose and analyze matters within the authority of the Executive Board, reduce the concentration of technical decisions and increase reviews and discussions on topics related to its duties.

Approved in September, our Appointment Policy for members of the Executive Board, the Audit Committee, the Board of Directors and of the external participants of the respective Advisory Committees establishes minimum requirements for the appointment of members of these degrees of governance. The technical and management capacity, as well as the integrity assessment through Background Check are fundamental requirements.

Background Check seeks to increase the safety of our appointments to key positions. It is applicable to professionals

appointed both to management positions, including in senior management, and as officers and directors (officers, chairmen, directors) or members of the audit committee in other companies of the Petrobras system, when appointed by us.

Among the members of the Board of Directors and its advisory committees, only one has an executive function, the Chief Executive Officer (CEO) of the company. According to our Articles of Incorporation, the functions of Chairman of the Board of Directors and CEO of the company must not be exercised by the same person. The Chairman of the Board of Directors must be elected by the General Meeting of Shareholders.

Our employees are entitled to appoint a representative to the Board of Directors, by the direct vote of their peers, in an election organized by Petrobras, in conjunction with the unions represented by the category of employees.

In order to meet the provisions of the legislation, we created the Eligibility Committee in February 2017. On a temporary basis, it advises and assists shareholders in appointing board members and members of the audit committee in accordance with the requirements of Law 13,303/16, Decree 8,945/16 and the Articles of Incorporation.

Our Appointment, Remuneration and Succession Committee has, among its duties, the duty to propose the structure of compensation for members of the senior management of the company and present policies and mechanisms for compensation of our board members, considering our economic, financial, environmental and social results, and observing our market strategies and benchmarks. The Committee may rely on the advice of holders of the organizational units in our overall structure, when needed.

The Board of Directors is in charge of approving its proposals. Our CEO is a member of the Board of Directors; however, he does not participate in the votes for such matter.

In accordance with our Articles of Incorporation, reinforced by the Corporate Governance Guidelines, the Code of Good Practices, the Ethics Code, the Petrobras System Conduct Guide, the Petrobras Corruption Prevention Program and the Internal Regulations of the Board of Directors, one of the requirements that board members must meet is the absence of conflicts of interest.

> to learn more, visit our [website](#).

If any of the members of the Board of Directors changes his/her main position after his/her election, it is recommended that the fact be brought to the Board, which will review the requirements, impediments and possible conflicts of interest.

The director representing the employees cannot participate in discussions and resolutions on the agenda on human resources policies, issues of trade union relations, remuneration, benefits and advantages, including issues related to private retirement plan and assistance, where there would be a conflict of interest.

Our Related Party Transaction Policy, approved in December, sets out the principles that guide us in the execution of transactions and in situations where there is a potential conflict of interest.

We also have our Competitive Conduct Code, consolidating our commitment to strict compliance with the Brazilian antitrust laws and the antitrust laws of foreign jurisdictions where we conduct business.



Decision-making Process

The measures of improving our decision-making process aim at strengthening our internal controls and governance, ensuring transparency and efficiency of a risk prevention and anti-corruption system, providing for corrective actions. These measures were taken to give more security to the shareholder and basis for decision making by board members.

> For more details about our actions to remedy the significant deficiencies identified and material weaknesses, consult items "Governance, Management and Compliance - Internal Controls" of the [Report of the Administration 2016](#), 5.3 of the [Formulário de Referência](#) and 15 of [Form 20F](#).

We implemented, in 2015, the model of shared authority, i.e., upon cross-signatures of at least two managers who do not report to each other, for procurement, disbursements and other management acts.

Our process of delegation of authority is guided by the Limits of Performance Matrix – which consolidates the approval limits for the execution of plans, projects and budgetary goals, equity investments, current investments, sales, expenses, funding programs; and provision of guarantees – and the Limits of Competence Table, establishing, in monetary values, the powers of the members of the Executive Board.

For better performance in their activities, members of the Board of Directors may request, at any time, documents, clarifications and face-to-face meetings with executive officers, managers or other technical staff of the company in charge of the matters to be dealt with. The Internal Audit, the Ombudsman Office and the advisory committees of the Board may also submit topics for presentation to the board, or for review and resolution.

Senior Management Training and Performance

The evaluation of the performance of the Board of Directors and its advisory committees, as well as the Executive Board, is provided for in the Petrobras Corporate Governance Guidelines and aims to improve the performance and participation of these boards. In 2016, an external company was hired to implement and formalize the process of evaluation of performance of the Board of Directors and its committees, as bodies, and their members, individually, as well as the Executive Board, the CEO and the Executive Officers.

The creation of the evaluation methodology considered understanding of the internal strategy documents and external reports from investors, review of the institutional investors' perspectives and expectations around governance, *benchmarking* and review of the governance practices of other companies, research with the directors, individual interviews, review of the major conclusions, recommendations and priority actions, in addition to the monitoring of the implementation of the main recommendations of the project.

The first stage of the process, completed in January 2017, consisted of a broad diagnosis about our scenario and context, the moment we are going through and aspects of our governance. Then, an *online* research was conducted with the target public of the evaluation (CEO, executive officers and members of the Board of Directors), followed by face-to-face interviews, required to develop an objective and comprehensive evaluation of the effectiveness of the Board of Directors and the Executive Board. In the next

phase, the external company will present the results, compare performances in relation to market practices and submit the action plan to improve each of the executives. In addition, the contractor will also give feedback to those being evaluated, based on their individual and collective performance.

The Corporate Governance Guidelines provide for face-to-face meetings with members of the company's senior management and an introductory program for new directors addressing relevant governance issues. From December 2016, by virtue of Law and Decree 16/13,303 and Decree 8,945/16, we approved our new model of training of directors and officers, consisting of the Program of Introduction of New Board Members and the Periodic Training Program for Board Members.

Board members and members of the Audit Committee, including representatives of employees and minority holders, must participate, upon term of office and annually, in specific training provided by the company on aspects of corporate law, information disclosure, compliance, code of conduct, conflict of interest and other topics relevant to our activities, including economic, environmental and social aspects related to geopolitics and the global energy scenario in the context of the Brazilian market.

In line with the Commitment to Life Program, which aims to reduce accidents and preserve lives, Safety Moments were instituted at meetings of the Board of Directors and the Executive Board in November 2016. Among the topics discussed are the operational safety management in refining activities, fire prevention in exploration and production platforms, the prevention of traffic accidents, learning with fatal accidents, and others.

Critical Concerns

The Board of Directors and the Executive Board monitor the Petrobras Corruption Prevention Program by means of periodic meetings with the compliance area, in addition to reviewing quarterly reports prepared by the compliance area, in line with what is required according to best practices and by legislation and control bodies. These reports include, in addition to the evolution of activities developed to strengthen the compliance environment, the main challenges of the company in this respect, enabling the targeting of the necessary resources to overcome them.

On a quarterly basis, the General Ombudsman Office sends reports to the Executive Board and the Board of Directors, which presents a summary of the most critical information on fraud and corruption, of high and very high risk to the Petrobras system, and the level of risk is assessed quantitatively according to an array that includes issues such as materiality and risk to the company's image, and others. The total number of such information communicated in 2016 was 147, in all companies of the Petrobras system.

> See more details in Chapter: [Compliance](#).





Policies

In May 2016, the Inter-Ministerial Commission on Corporate Governance and Management of the Federal Government's Equity Stakes (CGPAR) established that the Board of Directors must be in charge of approving the company's general policies, a fact that is corroborated by our Articles of Incorporation. In December 2016, our Board of Directors recommended the review of the methodology for the approval of policies, in order to strengthen the obligation of all employees of the company to state that they are aware of such policies and monitoring thereof by the Executive Management of Corporate Governance, in addition to creating a centralized procedure of communication, monitoring and control of the adoption of policies by companies of the Petrobras system.

According to the determination of the Board of Directors, the fifteen documents to be named "policies" at Petrobras are:

- *Related Party Transaction Policy;*
- *Internal Control Policy and Guidelines of Petrobras;*
- *Corporate Security Policy of Petrobras;*
- *Enterprise Risk Management Policy of Petrobras;*
- *Policy and Guidelines on Ombudsman of the Petrobras system;*
- *Relevant Act or Fact Disclosure and Trading of Securities Policy;*
- *Corporate Compliance Policy of Petrobras;*
- *Corporate Policy and Guidelines of Safety, Environment and Health;*
- *Human Resources Policies and Guidelines;*
- *Communication Policy;*
- *Governance Policy;*
- *Ethics Code;*
- *Dividend Policy;*
- *Appointment Policy for Members of the Audit Committee, Board of Directors and Executive Board of Petrobras;*
- *Social Responsibility Policy.*

Social Responsibility Policy

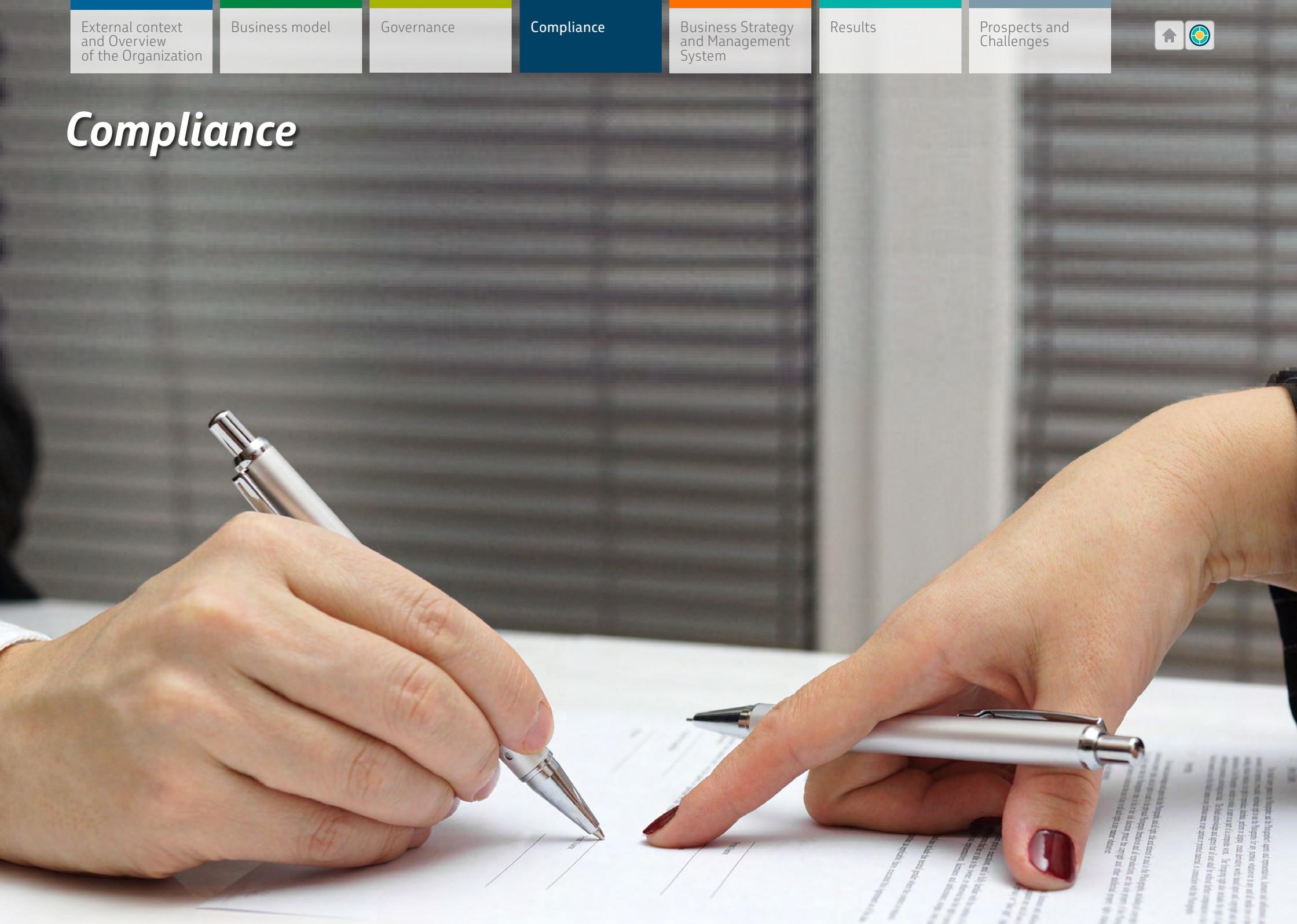
Provide the energy that moves society to accomplish its full potential, respecting human rights and environment, interacting responsibly with nearby communities and overcoming sustainability challenges of our business, including the transition to a low-carbon energy matrix.

We commit to:

- Identify, analyze, and mitigate social risks related to the interaction of our business, society and the environment and promote the social and environmental management in our supply chain.
- Integrate social responsibility issues into our business management and decision-making process.
- Respect human rights, seeking to prevent and mitigate negative impacts on our direct activities, supply chain and partnerships, and fight against discrimination in all forms.
- Manage our relationship with nearby communities on a continuous and transparent basis, contributing to our businesses and to local development.
- Invest in socio-environmental projects, contributing to nearby communities, and society as a whole, in alignment with our business objectives as well as collaborating to environmental conservation and livelihoods improvement.
- Be prepared for emergencies, potential conflicts and crises involving our nearby communities.
- Communicate and report clearly, objectively and transparently our sustainability performance to all stakeholders.
- Contribute to sustainable development and to climate change mitigation in alignment with national and international commitments which we are signatory.
- Disseminate the Social Responsibility Policy and commit our workforce in order to implement activities in a socially responsible manner.

The Social Responsibility Policy was approved by the Board of Directors in March 2017.

Compliance





Ethics and Integrity

Compliance Policy and Actions

In March 2016, our Board of Directors approved the Corporate Compliance Policy, containing principles and guidelines that aim at describing and disclosing the commitments made by the company to the promotion of the highest ethical and transparency values in the conduct of our business, with zero tolerance to fraud, corruption and money laundering.

The policy contributes to integrating and strengthening compliance initiatives in the Petrobras system, in particular the Petrobras Corruption Prevention Program (PPPC), which establishes mechanisms for the prevention, detection and correction of acts not consistent with the conducts established and required by the company.

The program is intended for our various stakeholders, such as customers, suppliers, investors, partners, public authorities, employees and contractors. In addition to the Ethics Code and the Petrobras System Conduct Guide, reading the program is mandatory for all employees and contributes to everyone's commitment to preventing and combating fraud and corruption. The program is in line with the best practices demanded by the market and complies with the anti-corruption legislation in force, in particular Law 12.846/2013; the Foreign Corrupt Practices Act (FCPA), American Federal Law of 1977; and the UK Bribery Act, the British law on anti-corruption of 2010.

The Due Diligence of Integrity (DDI) procedure is one of the elements composing the PPPC. Its goal is to understand and

assess health risks inherent in our business relationships, based on the evaluation of the profile, reputation, history and anti-corruption practices of our counterparts. This procedure has been applied to companies interested in purchasing our assets as part of our Acquisition and Divestiture Program.

>See more information in Chapter: [Management of Suppliers](#).

We conduct training for our employees, including CEO and directors, with specific modules on anti-corruption, provided by the United Nations Global Compact. Until the end of 2016, 96% of the employees of Petrobras holding had completed this training, totaling more than 60,000 employees.

In addition to training for new employees, conducted since 2014, courses on aspects of our corruption prevention program are offered to employees who pursue activities with greater exposure to compliance risks, such as employees involved in the procurement process and the company's managers.

Additionally, the CEO and executive officers of Petrobras and subsidiaries, and the executive managers of Petrobras holding participated in face-to-face training on integrity and conflict of interest, given by a representative of the Ministry of Transparency, Supervision and Control of the Government. Whereas the members of our Board of Directors attended specific training on Anti-Corruption and Money Laundering Prevention Laws, associated with the importance of the Compliance Program.

Furthermore, as provided in the Ethics Code and the Petrobras Corruption Prevention Program, we do not contribute or support political parties or political campaigns of candidates for elected offices.

Our Ethics Code and our Conduct Guide are individual and collective commitments of everyone, including members of the Board of Directors, the Audit Committee, the Executive Board, holders of management functions, employees, interns and contractors. Each must comply therewith and promote compliance thereof in all actions of the productive chain of the Petrobras system and in relations with all stakeholders.

We conduct in advance internal campaigns to disseminate the principles provided in our Ethics Code, preventing, for instance, conflicts of interest and nepotism, not accepting favoritism or undue advantages. Our Ethics Committee plays in the dissemination of content on the topic "Ethics" and provide consulting to the employees of the different areas of the company on the management of ethics.

For the external public, we carry out actions of communication by posting videos on [daquiprafrente](#), with the measures adopted for the improvement of our processes. We disclose information in our external channels, such as the Supply Channel and the Petronect Portal, on guidance, procedures, documents and compliance law.

Our main channel to receive and treat inputs about our activity, directly or indirectly, is the General Ombudsman Office of



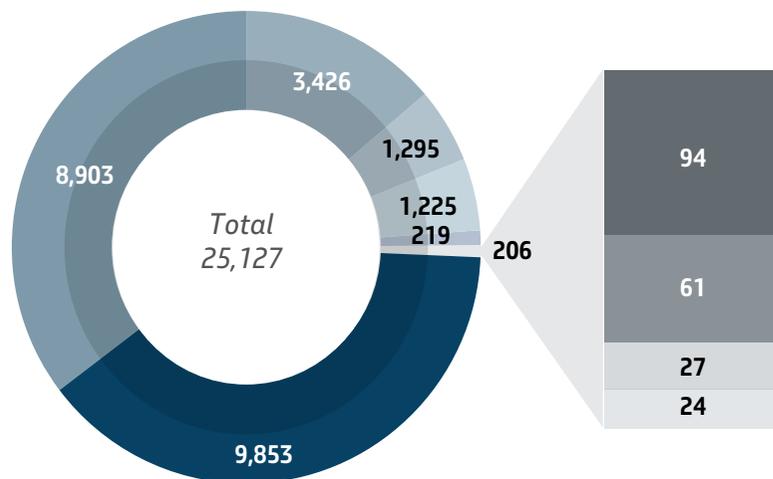
Petrobras holding. The Ombudsman Office acts on requests for information, in compliance with the Access to Information Act (LAI), by means of the Citizen Information Service, and information, complaints, requests, compliments and suggestions, queries, requests for authorization in the case of activities that may involve a conflict of interests in view of the Law of Conflict of Interests and demands related to the health benefit offered to employees and their dependents. In 2017, we enhanced our Transparency Portal, which brings together the information available to the citizen, according to the LAI.

Our General Ombudsman Office respects the confidentiality of those who provide inputs where necessary. It monitors the information from receipt to the implementation of corrective actions, and information involving fraud and corruption are forwarded to the Compliance Area.

Our Information Channel is managed by an external and independent company specialized in the receipt of information. Available 24 hours a day and in three languages (Portuguese, English and Spanish), the channel

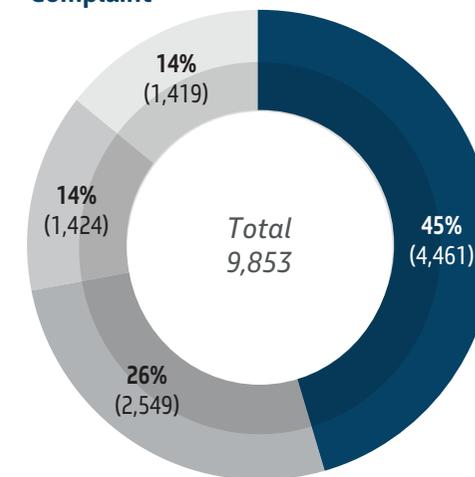
centralizes the receipt of information and transfers it to the General Ombudsman Office, which gives adequate treatment to the demands. The person providing the information receives an alphanumeric code and a password to accompany his/her demand by the external website. Anonymous information on behavioral issues indicating physical or psychological violence at work are also accepted and treated, provided that it contains the names of people related to the problem, the identification of the wrongdoer and any witnesses being mandatory.

Total Demands received by the Ombudsman's Office in 2016



- Complaint
- Request for Information
- Request
- Denunciation – Fraud and Corruption
- Denunciation – Others
- Suggestions
- Opinion
- Compliment
- Inquiry
- Authorization Request

**Data by category
Complaint**



- Complementary Health Care
- Management of Human Resources
- Goods and services Procurement
- Others



Transparency and Accountability

Taxes

We exercise the tax function in compliance with the national and international tax legislation and rules, applicable to the Petrobras system, evaluating the tax risk management and contributing to increase profitability in our businesses, within the context of a corporation modifying the economic environment in which it operates.

We also keep an ethical and transparent relationship with society, promoting development in the regions where we operate, since we are one of the biggest taxpayers in Brazil and our performance impacts significantly the collection of taxes administered by the Federal, State and Municipal Tax Authorities, as well as the collection of government take relating to the oil industry, administered

by the Brazilian Agency of Petroleum, Natural Gas and Biofuels (ANP).

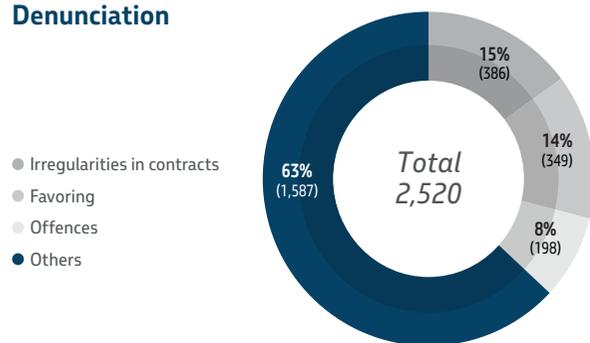
In 2016, as presented in our Statement of Added Value, we generated, as Petrobras system, over R\$ 105,7 billion in taxes, with more than 47% (R\$ 50,1 billion) for the Federal Government, including government take, which is equivalent to almost 4% (four percent) of the total amount collected by the Internal Revenue Service of Brazil in the period.

In addition, the fragmentation of the performance of our activities can be measured by taxes generated in the same period, to each state, which reached R\$ 49.6 billion, as well as to the municipalities, which reached R\$ 690 million.

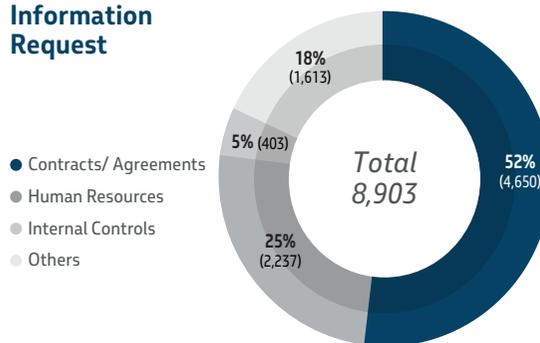
Extractive Industries Transparency Initiative (EITI)

We participated in the discussions of the Oil & Gas Constituency, provided input to the discussions and followed, in time, the decisions taken by the EITI Board, which establishes the transparency requirements that must be met by signatory countries. Currently, more than 90 companies involved in the oil, gas and mineral sectors are committed to supporting the EITI, in addition to the 51 signatory countries.

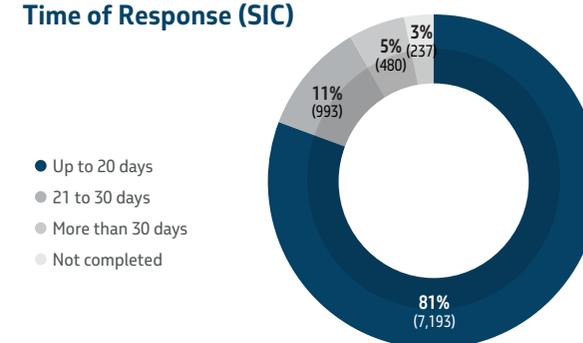
Denunciation



Information Request



Time of Response (SIC)





Transparency

The total number of accesses to our Transparency Portal throughout the year of 2016 was 151,458. Under the Access to Information Act, we received and completed 8,666 requests for information concerning Petrobras holding. We responded to 83% of the information requested within 20 days and 11% within 21 to 30 days, demonstrating our commitment to complying with the legal time limit provided by the Law (20 days, extendable for another 10). Most of the requests is about two topics in particular: contracts and agreements and human resources.

Our subsidiaries also accounted to society under the Access to Information Act. On Liquigás, we received 37 requests for information last year. On Transpetro, 2,129 requests for information were made. On Petrobras Distribuidora, 2,653 requests for information were recorded during the same period.

With the aim of enhancing the transparency of our actions due to deviations of conduct, we disclosed disciplinary measures applied to employees of different hierarchical levels. They amounted to 37 terminations of employment agreements, 134 suspensions and 423 written warnings. The cases refer to deviations of conduct such as negligence, breach of the company's regulations, fraud, disrespect and misuse of the company's resources, among others.

Compliance with laws and regulations

We develop our activities in accordance with the laws and regulations in force in the countries where we operate, in addition to complying with our, internal rules and procedures based on the best market practices. There are several compliance mechanisms to strengthen such commitment, as described in the previous chapters.

Even so, we received, in 2016, three notices of violation from federal and state agencies for environmental damage caused by leak in pipeline and vessel in the region of Sergipe, adding the value of approximately R\$16 million. All three notices of violation are in process of defense and action for annulment, with remote expectation of loss.

The Municipal Secretary of São Gonçalo, Rio de Janeiro, issued a notice of violation for environmental damage from floods in that municipality, claiming they result from the construction of the special equipment lane (UHOS) of the Rio de Janeiro Petrochemical Complex (Comperj), amounting to approximately R\$ 187.6 million. The case is in process of defense and action for annulment, as we believe that there is no causal link between the floods and the construction of the lane (UHOS).

In the region of Santos, we recorded two notices of violation issued by the federal agency, one for social impact in the enterprise licensing phase and another for environmental damage caused by a vessel. In Santa Catarina, we received a notice of violation from

the State environmental agency for environmental damage in a terminal. The three notices of violation amount to approximately R\$ 11.5 million and are in process of defense and action for annulment, with remote expectation of loss.

In relation to administrative proceedings filed by the Brazilian Agency of Petroleum, Natural Gas and Biofuels (ANP), we verified that the total monetary sanctions paid in 2016 was approximately R\$ 34 million, concerning 11 lawsuits.

This year, Liquigás filed two administrative proceedings with the Administrative Council for Economic Defense (Cade), one concerning an investigation of alleged cartels in the resale and distribution of LPG in Campina Grande, Paraíba, and another concerning the investigation of price adjustments and market reserve in the resale and distribution of LPG in the Federal District, in the surroundings and in some regions of the Central-West Region of Brazil. The cases are in the initial phase; however, in the event of a future conviction, the fine may cause a financial impact varying from 0.1 to 20% of the revenue from sales in the business activity in which the violation occurred and an impact on the image of the company.

On Petrobras Distribuidora, the only lawsuit filed in 2016 involved the company W. Torre and concerns the unenforceability in a bidding process for the execution of an atypical lease agreement, as "built to suit", of the Terminal of Rondonópolis, Mato Grosso.



Lava Jato (Car Wash) Operation

In 2009, the Brazilian Federal Police began an investigation called “Lava Jato Operation”, in order to investigate money laundering practices in several Brazilian states. Throughout 2014, the Federal Prosecutor’s Office focused part of its investigations into irregularities involving suppliers and contractors responsible for the provision of goods and services to Petrobras. This work revealed the existence of a scheme of undue payments to political parties, political agents and others, including some of our former employees.

Until December 2016, R\$ 661 million was returned to our cash as compensation for damages due to the Lava Jato Operation. During the last year, we assisted the institutions of competent jurisdiction to elucidate the facts and we kept our stakeholders informed on the matter on a regular basis through our relationship channels. We continue with the internal investigation carried out by two independent offices that have the Special Committee as interlocutor. Such committee, composed by the Chief Governance and Compliance Officer and two other independent representatives with well-known technical knowledge, reports directly to the Board of Directors.

In addition to measures for the reimbursement of misappropriated funds, we impose preventive measures on companies investigated by Lava Jato Operation, starting in 2014, which prevent them from

participating in new bidding processes and entering into new contracts with Petrobras. On a case-by-case basis, such measures may be suspended to the extent that the supplier is found not guilty in the administrative proceedings and undergoes the Due Diligence of Integrity.

We highlight that in all criminal actions and administrative misconduct actions in which our former employees are defendants for acts related to corruption, we have been officially recognized as victims of the irregularities found and, for this reason, we act as prosecution assistants or one of the parties filing the action (co-plaintiff), as the case may be.

We have taken the necessary measures to be reimbursed for damages suffered as a result of these acts, including those related to our publicity. For this purpose, we filed several public-interest civil actions for acts of administrative misconduct, including claims for moral damages. For each action for administrative misconduct, a provisional relief was assigned to freeze the defendants’ assets to guarantee our future reimbursement, which was granted by the respective courts.

In April 2017, we acted in 44 criminal actions filed as a result of Lava Jato Operation*, 41 of which were as Prosecution Assistants ** and three as interested parties (***). At the end of 2016, some of these actions were in the stage of production of evidence, while others were pending at the

lower court, the subject matters of which were organized crime offenses, corruption, money laundering, bid rigging, among others. In 2016, 16 criminal actions were filed as a result of the Lava Jato Operation. In 2017, until the month of April, we had four new criminal actions.

We present more information about the Lava Jato Operation in explanatory note 3 of the 2016 Financial Statements and in items 4.1, 7.9 and 10.3 of the Formulário de Referência 2016.

() Regarding the number of actions and criminal investigations involving corruption, it should be clarified that only the proceedings in progress in Rio de Janeiro were considered in the Report of the Administration 2016. This report considered the proceedings in progress in the courts of Brasília, Rio de Janeiro and Curitiba.*

*(**) We filed proofs of claim in 9 cases, but they are still pending decision by the judge.*

*(***) One of them became unappealable and the case is pending execution of the decision.*



Business Strategy and Management System



Business Strategy

Our Strategic Plan and 2017–2021 Business and Management Plan (BMP 2017–2021), approved by the Board of Directors in September 2016, were prepared in an integrated manner and had the direct involvement of the top management and of other company executives in all stages of preparation.

We have defined a strategic position that emphasizes oil and gas projects in the short and medium term, covering the period from 2017 to 2021. This decision is based on the portfolio management that guarantees the best risk versus return ratio.

In our view, we established that **“we are an integrated energy company focused on oil and gas that evolves with society, creating high value, with a unique technical capability.”**

From the five elements of our vision, 21 strategies were unfolded.

> Please refer to the [Report of the Administration 2016](#) for more details on the strategies.

Our main challenge is our financial sustainability, with the need to deleverage the company, recover

profitability, without compromising the safety of people and the operation. The central word is Evolution.

> To learn more about BMP 2017–2021 refer to [Report of the Administration 2016](#) on our website in the section Investors/Presentations.

In this way, our main goals in the Strategic Planning, until 2018, are:

- > Reduction in the Total Recordable Injury Rate (TAR) to 1.4 (reduction of 36% in relation to 2015);
- > Reduction in leverage – Net Debt/EBTIDA to 2.5 (in relation to 5.11 in 2015).

Strategic Plan

Our 21 strategies are based on five elements of our vision.



Evolution Project



Therefore, we have the following pillars of value generation opportunities: Competitive Prices; Capex Efficiency; Opex Efficiency; and Partnerships and Divestitures.

Involving these four pillars and the acceleration of the process of the company’s recovering are: safety; the management system; and cultural change.

Competitive Prices

Among the pillars of BMP 2017-2021 to optimize our value generation and to recover our profitability, we highlight our new policy for gasoline and diesel prices approved in October 2016.

The main changes are the frequent evaluations to review prices to be carried out at least once a month in line with international market trends. The following principles are part of our pricing policy:

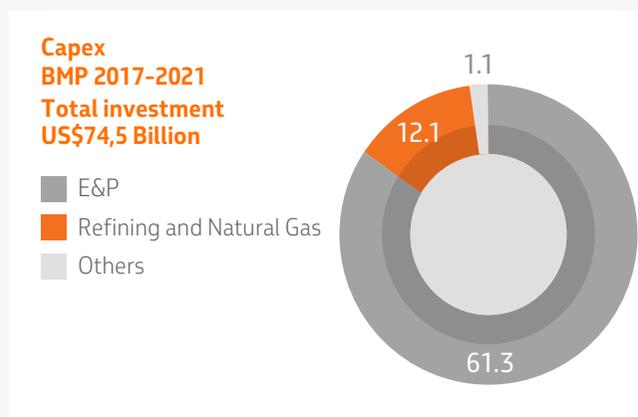
- *the International Parity Price (PPI) as reference;*
- *margin for remuneration of the risks inherent in the operations, such as exchange rate volatility and international prices, demurrage, among others;*
- *the level of Petrobras' participation in the market;*
- *prices never below international parity.*

Until May 15, 2017, seven revisions of diesel prices and six revisions of gasoline prices were made.

Capex Efficiency

Originally approved with investments of US\$ 74.1 billion for the period 2017-2021, the investment program of BMP 2017-2021 was updated to US\$ 74.5 billion due to the reallocation of programmed and unpaid resources for 2016.

In the investment portfolio of BMP 2017-2021, we prioritize oil exploration and production projects in Brazil, with emphasis on deepwater. In the other business areas, our investments are basically for maintaining operations and projects related to the oil and natural gas production.



The greater efficiency in the application of our resources will enable the reduction of our volume of investments, without great impact on our production targets.

Opex Efficiency

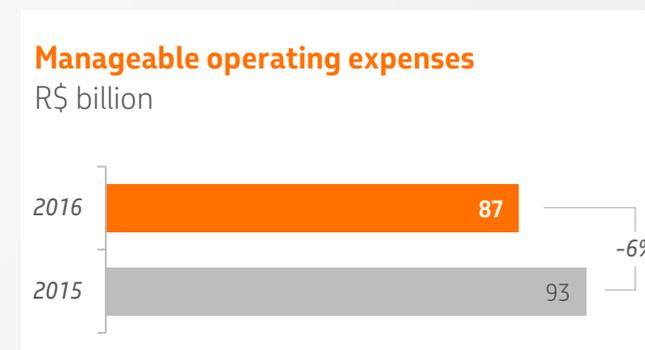
Our actions focused on efficiency in Opex essentially seek to focus the application of our resources on activities that truly generate value and contribute to the fulfillment of the commitments we assumed in the Business and Management Plan (BMP 2017-2021).

To this end, in addition to the results of a series of efforts that have been undertaken in recent years, we implemented the Zero Based Budgeting (ZBB) program in September 2016.

The program completed the data collection and analysis phases between September and December 2016, when 416 cost reduction opportunities were mapped.

Of this total, 148 opportunities were prioritized to achieve the operational expenses targets established in BMP 2017-2021, generating actions that permeate all areas of the company and on several fronts such as: underwater and well operations; efficiency of the maritime and air fleet, pipeline and terminal operations, productivity of teams in operating facilities, overhead costs, contracting models, information and communications technology, shared services (rentals, building maintenance, transportation), and others.

It is worth noting that in 2016 we have already reduced our manageable operating expenses (MOC) by 6%.





Partnerships and Divestitures

Partnerships and divestitures are emphasized in the Strategic Plan and in BMP 2017-2021 not only as ways to reduce financial leverage, but also to share risks in our activities and optimize our portfolio of projects. With partnerships, we are more competitive to meet the challenges of the industry.

In the 2015-2016 biennium, transactions involving partnerships and divestitures totaled US\$ 13.6 billion in signed contracts. From 2015 to April 2017, we already had US\$ 7.7 billion in cash inflows related to this program.

2015-2016 Partnerships and Divestitures

ASSETS	US\$ Billion
Austral Basin	0.1
Gaspetro	0.5
Petrobras Energía SA (Argentina)	0.9
Petrobras Chile Distribución	0.5
Carcará (BM-S-8)	2.5
Nova Transportadora do Sudeste (NTS)	5.2
Liquigás	0.8
Nova Fronteira	0.1
Guarani	0.2
Petroquímica Suape and CITEPE	0.4
Strategic Alliance with the French oil company Total	2.2
Nansei Seikyu (NSS)	0.2
Total	13.6

> Please refer to [Report of the Administration 2016](#) for more details

Among the partnerships and divestitures listed above, it is highlighted the strategic alliance signed with the French oil company Total, in the amount of US\$ 2.2 billion, through the execution of a Master Agreement on December 21, 2016, allowing both companies to combine their globally recognized experiences in all segments of the oil and natural gas chain in Brazil and abroad, along with the strengthening of technological cooperation covering the areas of operation, research and technology.

Another highlight was the sale of 90% of Nova Transportadora do Sudeste S.A. (NTS) in the amount of US\$ 5.2 billion. Through existing natural gas transportation contracts between Petrobras with NTS, Petrobras will continue to use NTS transportation facilities without any impact on its operations and the delivery of gas to distributors and other customers. The transaction contributes to the strengthening of Brazil's natural gas industry, fostering new investments in the expansion of gas transportation infrastructure.

For the 2017-2018 biennium, we work with the goal of generating US\$ 21 billion through partnerships and divestiture transactions. These initiatives, together with an operating cash generation estimated at US\$ 158 billion net of dividends, will enable investments to be made and the reduction of our indebtedness, without the need for new net funding up to the horizon of the plan.

Management System

To ensure the achievement of the main goals and the progress of the initiatives set forth in the Strategic Plan, a committee composed of executives of the company was created. This committee drafted the "Evolution Project", which aims to promote a new management system, which is supported by seven major themes:



Strengthening our safety culture



Reinforcement of the prevention against corruption

> See more in Chapters: [Governance](#) and [Compliance](#)



Performance management based on meritocracy



Improvement on the decision-making process



Implementation of the Zero Base Budgeting

> See more in Chapter: [Business Strategy and Management System](#).



Strengthening of Internal Controls

> See more in the Chapter: [Governance](#).

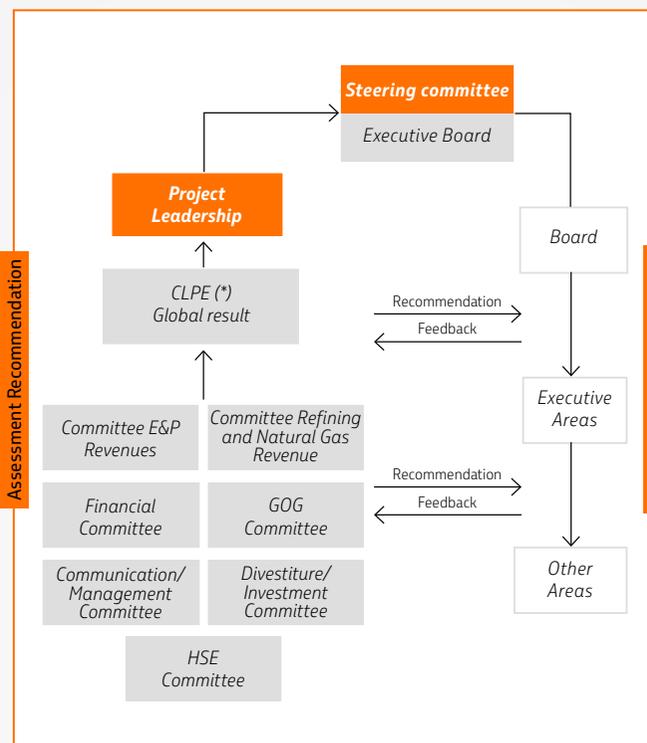


Enhancement of risk management



The monitoring and control of the performance related to the goals and initiatives are carried out by means of a system of critical analysis that works as follows:

- the strategic initiatives and main goals of the company were divided in such a way as to be accompanied by thematic subcommittees: Financial; Manageable Operating Costs (MOC); Investment/ Divestiture; Revenue from the Exploration and Production (E&P) Segment; Revenue from the Refining and Natural Gas (RNG) Segment; Health, Safety and Environment (HSE); and Human Resources (HR), Communication and Management.
- these subcommittees, which are composed of executive managers, are transversal to the organizational structure and perform a monthly analysis of indicators and related initiatives, recommending studies and actions to the responsible areas in the company.
- the Evolution Project Leadership Committee (EPLC), composed of ten executive managers led by the Director of Strategy and Management System, evaluates the top indicators and deviations detected in the subcommittees, recommending studies and actions to rebalance the plan. In addition, it presents the results of this evaluation to the Steering Committee, a group composed of the executive board and the CEO of the company.
- in parallel, each area of the company conducts Critical Analysis meetings (CAMs), providing inputs for the consolidated analyzes carried out by the subcommittees and the EPLC. In addition, the areas address the recommendations received from these subcommittees and the Evolution Project Leadership Committee, being responsible for corrective actions.



Strengthening of the Safety Culture and Commitment to Life Program

In the area of safety, the Commitment to Life Program was created, based on the analysis of the causes of accidents in recent years. The program aims at strengthening process security through initiatives such as leadership commitment, workforce training, contracted service oversight, task and facility risk analysis, operational discipline, compliance with procedures and inspection and maintenance.

> For more details, please refer to Chapter: Results - [Safety and Health](#).

Merit-Based Performance Management

The committee that structured the Evolution Project worked directly on the objectives of the Business and Management Plan, detailing initiatives and risks, identifying critical initiatives and implementing the management and governance tools necessary to achieve our strategic goals.

Such initiatives and goals are applied to employees, with performance management combined with a system of consequences and rewards (meritocracy) under development.

Process Simplification for Productivity Increase

The purpose of the Program Simplifica Petrobras is to increase the productivity without compromising safety and compliance by reviewing processes to simplify them. It consists of 16 projects of different areas. The scope of each was defined after extensive diagnosis with leaders and employees.

The governance of the program consists of a Steering Committee, steering and decision making body composed of the program coordinator and representatives from other areas of the company, and a General Management of the Debureaucratization Program, responsible for program management.

In order to stimulate a culture of simplification, a channel of interaction was opened with all the employees, who actively manifested their contributions, among suggestions and comments, for the improvement of our processes.



Risk Management

We believe that the integrated and proactive risk management is essential for the delivery of results in a safe and sustainable way. Our Corporate Risk Management Policy has as fundamental principles the respect for life in all its diversity, ethical performance and compliance with legal and regulatory requirements, as well as the full alignment and consistency with our Strategic Plan, with the integrated risk management and with the orientation of risk response actions aimed at aggregating or preserving value for the shareholders.

Our risk policy serves as a reference for the risk management process in the company, by defining the authorities, responsibilities and principles that guide our actions in this area. In addition, the policy makes explicit the categories of risks to which the company is exposed, consolidating them into five main groupings, as follows:

Strategic and Business Risks

In order to address strategic and business risks, our risk management system is fully aligned with our Strategic Plan and consistent with the document. Risks are considered in all our strategic decisions and management is always carried out in an integrated way.

Once the risks are identified, the response actions are evaluated against the possible long-term cumulative consequences and their probability of occurrence, being prioritized according to the aggregation or the preservation of value for the shareholders.

Financial Risks

To deal with financial risks, we operate in an integrated manner, privileging the benefits inherent in diversification. Financial

risks are actively managed, taking into consideration the various operational flows, the investments of cash and cash equivalents, the conditions of indebtedness and other positions in assets, liabilities, disbursements and receipts to reduce the exposure to risks of commodity prices, currencies and interest. Derivatives contracting may also be applied in the treatment of such risks.

Compliance Risks

The compliance risks management is part of the commitment to act in an ethical manner and in compliance with the legal and regulatory requirements established in the countries where we conduct our activities. The compliance risks, especially those related to fraud, corruption, money laundering and reliability of financial statements, are handled through internal controls and the constant disclosure of our Ethics Code and Conduct Guide, the Petrobras Corruption Prevention Program and other means of prevention against this type of risk, as well as through periodic training, both face-to-face and distance, systematically provided to the entire workforce at all levels, including executive board, CEO and board of directors.





Operational Risks

In order to reduce operational risks, especially those associated with work-related accidents, leaks, fires, explosions and others, we reinforce our commitment to safety in our Strategic Plan by emphasizing the value “respect to life”, in which the main safety challenge is to reduce accidents and any other types of damage to people.

Learn more:

SOCIAL RISK (strategic risk)

These are uncertain events arising from our direct and indirect decisions and activities and from external factors that, if they occur, can impact the company’s strategic objectives, human rights, livelihoods and the social and economic dynamics of a region.

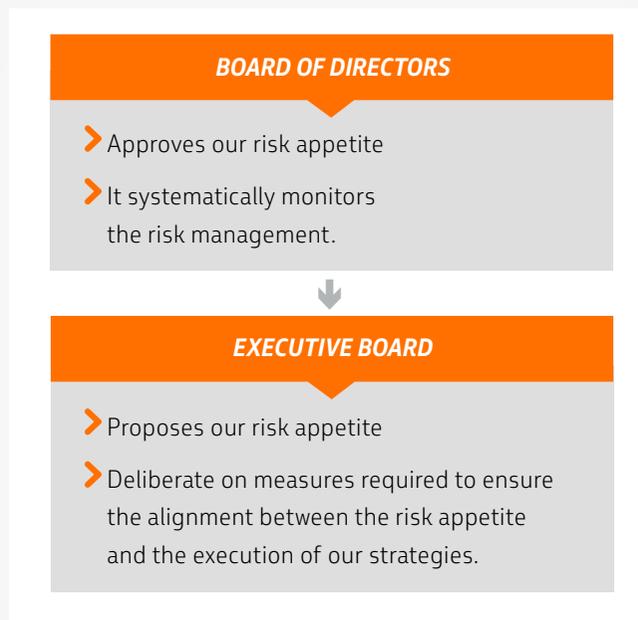
In order to guide the actions of our management team in social risk management, in 2016, in line with best practices in the market, we prepared our matrix and our glossary of social risks. These documents identify and explain to the manager, in a structured manner, the main risks associated with their activities and their severity (impact x probability).

In accordance with the approved social risk management standards, in 2015, we implemented the analysis of social risks in various projects and activities of the company.

Risk Governance

With the revision of the organizational structure carried out in 2016, several improvements were made in governance that contributed to the strengthening of corporate risk management.

The centralization of risk management teams in a single



organizational unit reinforced the necessary segregation of roles between risk takers and those responsible for their monitoring. Currently, the risk structure is linked to the Executive Director of Strategy, Organization and Management System.

Additionally, we have structured an Executive Committee of Risks with the purpose of advising the Executive Board (EB) on the analysis of specific risk management matters or, possibly, deliberating on specific matters,

with prior delegation of the EB. Each organizational unit should identify, prioritize, monitor and, together with the Corporate Risk Executive Management, periodically report to the Executive Committee of Risks the company’s main risks and planned mitigation actions.

Finally, the risk structure manager is one of the members of the newly created Investment and Divestiture Statutory Technical Committee, responsible for advising the Executive Board on the approval of investment and divestiture projects.

Risk Management in the Business and Management Plan

We are adopting specific risk management initiatives, including the identification and planning of mitigation actions, in order to allow timely and appropriate responses in any scenario.

In the process of preparing the BMP 2017-2021, the top management and other executives identified the risks that may impact the implementation.

Among the main risks identified, we highlight:

Relevant changes in market conditions

Most of our revenue comes basically from sales of oil and oil products in Brazil and, to a lesser extent, natural gas. Historically, international prices of oil, oil products and natural gas have fluctuated widely as a result of global and regional factors. Substantial or prolonged declines in international oil prices may have an adverse effect on our business, operational results and financial condition and also affect the value of our proven reserves.



Besides that, changes in the Brazilian political and regulatory environment, as well as a possible deterioration of the country's macroeconomic conditions, especially economic activity, inflation, Gross Domestic Product (GDP) and other factors, may impact the demand for fuels and can adversely affect our financial performance.

In addition, changes in the consumer profile, with a reduction in fossil fuel consumption and a faster energy transition to low carbon matrix in the world economy, leading to an increase in electrification in urban mobility, may have a negative impact on demand for our products and may even jeopardize the implementation, continuity and operation of some of our businesses and limit opportunities for growth.

Partnerships and divestitures below expectations

The recent fall in the price of oil, the worsening of the Brazilian and world macroeconomic scenario, the domestic political crisis, regulatory issues, among other unforeseeable factors, may reduce or hinder asset sales opportunities and the establishment of new partnerships, affecting the conduction of business in the conditions and within the time limits originally set forth.

Litigations

We are currently a party to several civil, administrative, tax, labor, environmental and corporate claims lawsuits against our company. These claims involve substantial amounts and other award of damages. A number of individual litigations relate to a significant part of the total value of claims. (See further information in Explanatory Note 30 in our audited consolidated financial statements, in our Report of the Administration.)

In the event that lawsuits involving material amounts for which we have no established provisions are decided against our company or if the estimated losses are significantly greater than the provisions set forth, the aggregate cost of the unfavorable decisions may have a material adverse effect on the results of the our operations and our financial condition.

> See details in the [Report of the Administration 2016](#).

Renegotiation of Transfer of Rights

The transfer to Petrobras of the rights to explore and produce oil and natural gas in specific areas of the pre-salt up to the limit of five billion barrels of oil equivalent is governed by Act No. 12,276 dated June 30, 2010, and by the Transfer of Rights Contract, which is a contract between Petrobras and the Federal Government, its controlling shareholder.

The Transfer of Rights Contract includes dispositions that foresee a subsequent review of the following items: value, maximum volume, term and percentage of local content. At the time the Transfer of Rights Contract was negotiated, its initial value was based on the assumed price of approximately US\$ 80/barrel for Brent oil and on other factors.

If the review determines that the acquired rights reach a higher value than the one initially paid, we shall either pay the difference to the Federal Government or reduce proportionally the total volume of barrels extracted under the terms of the Transfer of Rights Contract. On the other hand, if it is found that the revised value is lower than the initial value of the contract, the Federal Government shall return the difference to Petrobras.

- The negotiation of the Transfer of Rights Contract involved variables, such as:
 - the area covered by the transfer of rights, consisting of exploratory blocks;
 - the volume, based on barrels of oil equivalent, that can be extracted from that area;
 - the price to be paid by the Transfer of Rights Contract;
 - the terms of the subsequent revision of the value of the Transfer of Rights Contract;
 - the volume of oil equivalent, the term of validity of the contract and the percentage of local content; and
 - the terms of the reallocation of volumes of oil equivalent between the blocks assigned to Petrobras.

Negotiations with the Federal Government on the process of reviewing the Transfer of Rights Contract began in December 2013 and are still ongoing. There is not an estimate of when this agreement may be executed, nor can we assure that the terms of this new contract will be favorable to the company, which could negatively impact our operating and financial results.

Increased costs and delays in the investment projects.

The development of deepwater and ultra-deepwater reservoirs, including those of the pre-salt, granted by the Brazilian federal government, has demanded and will continue to require significant capital investments. The main operational challenges, especially for pre-salt reservoirs, are: ensure



the critical resources needed to meet production targets; allocate resources to build equipment and install them over considerable distances from the coast; and ensure the provision of offshore services and a qualified workforce to develop reservoirs of size and magnitude timely.

Due to the oil and gas market situation, some suppliers and service providers have faced problems of liquidity and even bankruptcy. In this context, there is a risk of ruptures or delays in the supply of materials and services, as well as risks associated with difficulties in the processes of replacing suppliers to continue the projects.

In addition, some suppliers participated in illegal conduct investigated by the Lava Jato Operation and may not be allowed to participate in future projects of the company.

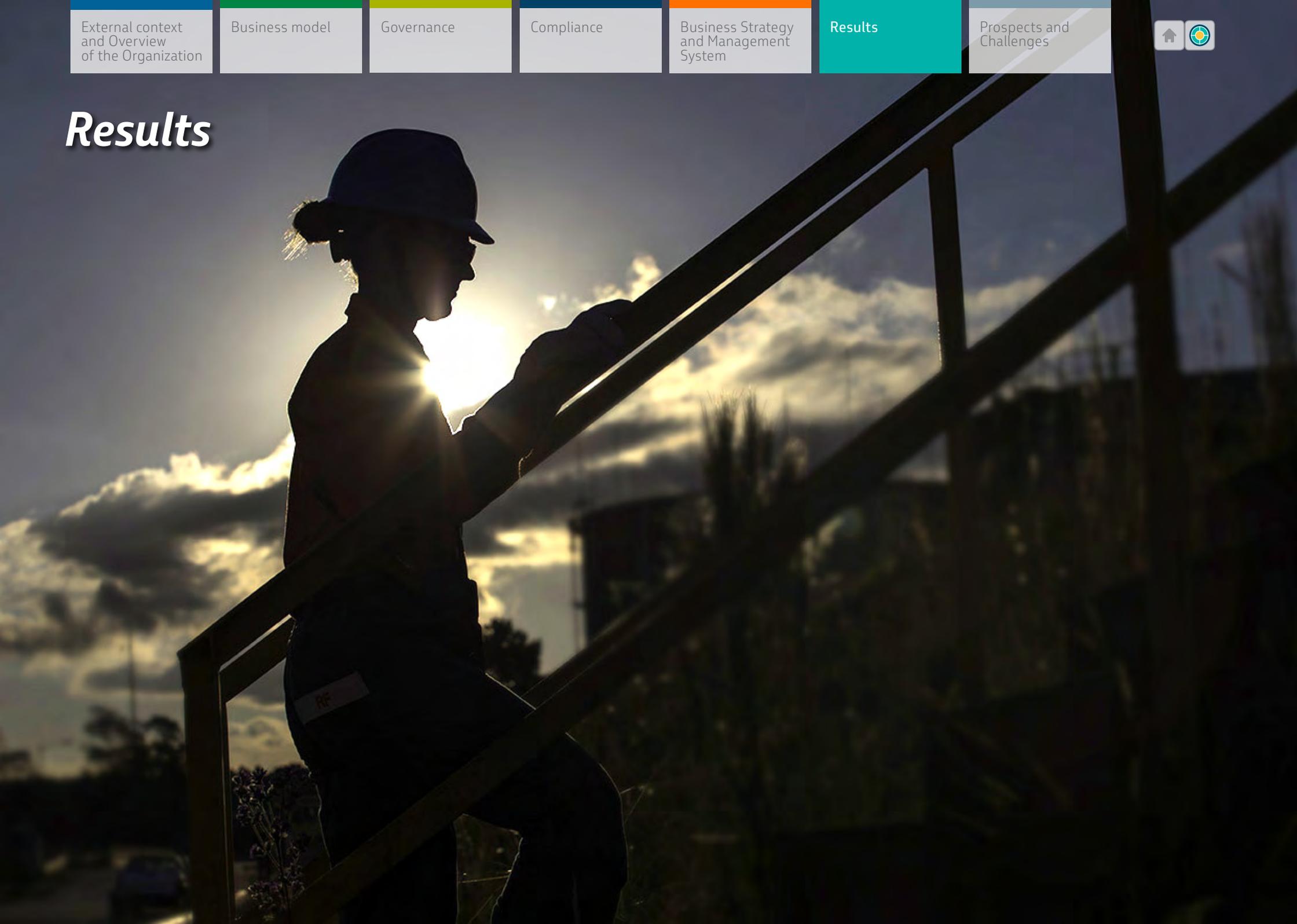
It should be noted that we are also subject to local content requirements arising from the contract, the Transfer of Rights Contract and the Libra Field Production Sharing Contract.

These issues pose additional risks to hiring processes (competitiveness, prices, shutdown of processes, dismissal of waiver applications, among others), with possible effects on the deadline, fines and cost increases in the execution of these projects.

> See more detailed information about the risks of our company in the Risk Factors section of the [Formulário de Referência](#) and the [Form 20F](#).



Results





Safety and Health

Safety

We reinforce our commitment to safety in our Strategic Plan by emphasizing the value “respect to life”, in which the main safety challenge is to reduce accidents and any other types of damage to people.

With the objective of improving the safety of our operations and preventing injuries and illnesses, we work through the dissemination of fundamentals, concepts and practices of process safety and occupational safety and the implementation of programs and actions in these disciplines.

The initiatives of Health, Safety and Environment (HSE) of our Strategic Plan are deployed in our BMP 2017–2021,

in which the Commitment to Life program, underway since October 3, 2016, stands out. The program, through preventive actions and treatment of deviations and incidents, aims to strengthen safety guidelines at all stages of our processes, aiming at eliminating critical deviations and thus preventing the occurrence of fatal accidents.

The program brings together a series of impacting actions aimed at the rapid and consistent reduction of accidents and the standardization of best practices in the company, taking into account the specificities of the business areas. “Assuming the continuity and evolution of current plans and actions, the operational discipline and active leadership participation, the Commitment to Life reinforces the training

and internalization of the so-called Golden Rules for the entire workforce. Launched in 2015, the Golden Rules are a set of ten practical rules designed to draw the attention of the workforce to the importance of adopting attitudes that prevent harm to people and strengthen the safety culture.”

Efforts to achieve the objective of the program are based on four pillars:

- reinforcing process safety, which incorporates principles and guidelines that also benefit Health, Environment and Occupational Safety;
- “obligation to do”, which provides for compliance with legislation, norms and HSE standards by all employees;
- HSE conduct treatment system which recognizes the employees that stand out in HSE and hold account those employees who do not engage in appropriate conduct; and
- integrated actions throughout the company.



Work Permit - Only perform task with a valid work permit, issued at workspace and with its full understanding.



Energy Isolation - Only perform tasks in equipments facilities after making sure that all energies sources have been isoated safety.



Work at height - Only perform tasks at heights using safety harness anchored on a safe and predetermined place.



Confined Space - Only enter in confined space if authorized, equipped and specific training.



Explosive Atmospheres - Never enter in explosive atmosphere place. Always obey the alarms and signaling.



Safe Positioning - Do not access isolated area. Never stand under a suspended load or between vehicles, stationary or moving. Keep yourself in safe and secure locations.



Personnel Protective Equipment - Always use PPE as recommended.



Attention to Changes - Pay attention to the risks of change. Only carry out any change that involves persons, facilities, materials or procedures after review and approval.



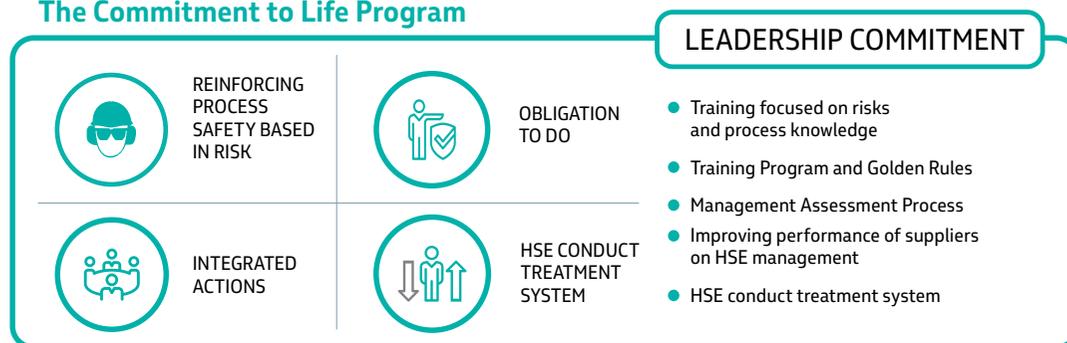
Traffic Safety - Respect traffic laws and practice defensive driving. Use the seatbelt, respect speed limits, do not use cell phone and never drive after drink alcohol.



Alcohol and other drugs - Never work under the influence of alcohol or other other drugs.



The Commitment to Life Program



The program aims to reduce the number of accidents in our operations, one of the top metrics of our Strategic Plan, which consists of a 36% reduction of the Recordable Injury Rate (local acronym TAR). The number of 2.2 accidents per million man-hours in operations in 2015 is expected to reach a maximum of 1.4 in 2018, reaching one in 2021. The results are already visible. We reduced TAR by 26% in the first quarter of 2017 compared to the first quarter of 2016, reaching 1.24.

We highlight below the actions implemented in the Commitment to Life:

HSE Daily Dialogues

We direct the Petrobras system units to conduct the Safety Daily Dialogues (SDD), which are short meetings conducted by the immediate leadership of the employees before the beginning of the working day, focusing on the day to day

activities of our operations and accident prevention. The theme of the dialogues should be associated with the activities to be carried out during that day. In addition to that, the SDD should be carried out at the places of execution of the field work or physically very close to such sites, such as a daily step prior to the start of any activity. During the dialogues, the risks related to the activities to be developed in each place, such as open channels, holes in the floor, conditions of use of tools, safety equipment to be used, etc. should be identified and pointed out. After this step, preventive actions to avoid accidents, such as plugging of channels and holes, installation of physical barriers, installation of safe accesses and installation of protections against hot parts of installations, among others, should be foreseen. Each Safety Daily Dialogue should always be conducted by a leader, evidencing the commitment of the leadership with safety at Petrobras. Another change is the performance of audits to evaluate the adherence of this practice.

HSE Preventive Alerts

In order to reinforce accident prevention, we have improved the standardized HSE Preventive Alerts in a document addressing, in simple and direct language, topics related to situations that are most likely to lead to accidents and fatalities. The alerts are used by leaders and teams in our Safety Daily Dialogues (SDD) for reflection and learning about risks and situations that have caused accidents, so as to avoid recurrence. With photos and summary cases of actual accidents, the alerts explain what happened, why, what can be done to prevent the same mistakes from recurring and which Safety Golden Rules apply to the case, out of the ten established for the Petrobras system.



Training in the Golden Rules

By the end of 2017, all of our own workforce and those of service providers must complete training in the Golden Rules, whether in the form of distance or face-to-face learning. Focusing on practical aspects and real cases, the course has shown that, often, the application of the ten rules goes beyond our activities in the Petrobras system. By May 2017, 41 thousand employees had already completed the course.

The distance learning training was prepared internally, considering the aspects of the company, the activities developed and the associated risks. It is mandatory and at the end of the course the employees are evaluated and must present at least 90 points.

Reinforcement of Health, Safety and Environment in the Inspection and Contract Management Processes

We reinforce the aspects of HSE with the suppliers through the training of managers and contract inspectors in the fulfillment of the contractual clauses, adopting appropriate sanctions, if necessary, and in the recognition of the good practices of the contractors. Therefore, we aim at increasing the commitment of the companies that provide services to us with our HSE value. We have executed contracts with more than 200 representatives and leaders of service business related to the Commitment to Life program and Golden Rules. Such initiatives reinforce the need for HSE area participation in all steps of the contracting processes, emphasizing Process Safety and Golden Rules.

Internal Campaign of Accident Awareness

In April and May 2017, we implemented an internal campaign with our workforce about the importance of adopting safe

behaviors. Pictures of our employees and their families were gathered in murals in the workers' allocation units. Next to the images, the words "In the last two years, 19 colleagues lost their lives in work accidents and will not have moments like these. That is why we have taken steps to improve our safety. Always opt for the safe behavior. With everyone doing their part, we will be safer." The campaign highlighted the importance of following the rules to avoid accidents, to preserve one's life and, consequently, the family, which awaits the return of the family member safe and sound.

Treatment of Conduct in Health, Safety and Environment

We reinforce the importance of aspects of HSE in the new Treatment of Conduct in HSE, a fundamental axis of the Commitment to Life program. The initiative, focusing on the expected and unexpected conduct, provides for the positive recognition of desirable conduct in situations of risk and different treatments in the case of unexpected conduct, in the case of non-compliance with the Golden Rules.

Accident Investigation

We have changed the process of setting up the Commission for the Investigation of Fatal Accidents which investigates the causes of the occurrences. The commissions were appointed by the director of the business area in which the accident occurred and were conducted by an executive manager of another business area, always with the participation of the HSE area executive manager. Thus, it has been possible to expand and disseminate learning in the company. After each accident with fatality involving own employee or contractor, a videoconference with the top management and the whole management body of the Petrobras system is carried out,

aiming at the mobilization of our managers around the analysis and the investigation started soon after the accident.

Management Evaluation Process

We reviewed our Evaluation Process and HSE Management, favoring the achievement of our main goal: reducing the risk of accidents and incidents. In addition, changes in process focusing on process safety and physical integrity of facilities aim to increase the efficiency of our management, promote learning and achieve continuous improvement of performance in our activities.

Behavioral Audit

With a focus on safe behaviors, leadership commitment and the importance of dialogue, behavioral audits represent a valuable tool for safety in our activities, establishing that our leadership, from contract inspectors in the operational areas to officers and CEO, shall periodically carry out such audits.

A key point about behavioral audits is that each leader, from the CEO to the supervisor, should dialogue and influence the behavior and attitude of our workforce, with minimum periodicity established for each level of leadership. The procedure is based on the commitment and responsibility of the leadership, the management of deviations and the search for continuous improvement.



Accident Reduction

In 2016, the Total Recordable Injury Frequency Rate (TAR “or TRIFR”) was reduced by 24% over the previous year, reaching 1.63. The Total Recordable Occurrences Frequency Rate (TOR “or TROFR”), which covers all accident classifications (including first-aid cases), showed a reduction of 25% compared to 2015, as a result of the implementation of initiatives to prevent injuries and illnesses.

These initiatives made it possible to reduce by 22% the Lost Time Injury Frequency Rate (TFCA “or LTIFR”) in relation to the previous year.

Despite our search for continuous improvement in HSE management, we recorded and lament the occurrence of three fatalities in the year 2016 involving our workforce:

- accident with employee: fall in refinery storage tank, in Rio de Janeiro;
- accident with contractor; fall from a height in oil platform in Rio de Janeiro;
- accident with contractor; fall from a height in fertilizer plant, in Paraná.

In all cases, our first action was to support the families of the injured employees. The occurrences are immediately disclosed, with the issuance of a preliminary alert aiming to begin the analysis of the extent of the accident and

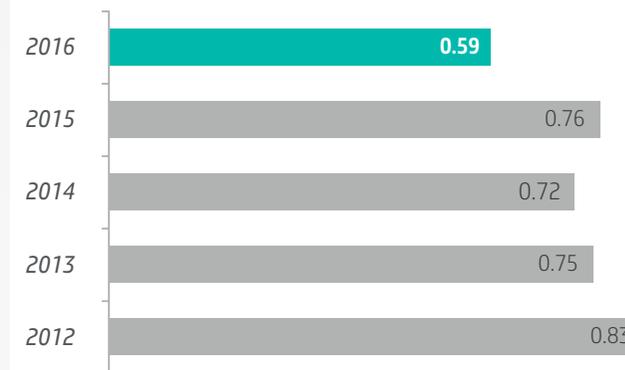
Recordable Injury Rate



the implementation of emergency actions to avoid similar occurrences. In the same way, we start the process of investigation and analysis to identify the causes of the accident, and consolidate the actions that can avoid recurrence throughout the company. The lessons learned from accidents are discussed in forums involving managers and disseminated to our workforce.

In the area of Process Safety, we follow the indicator Number of Process Safety Incidents Tier 1 (NPSI1), which records the most serious occurrences. The NPSI1 indicator was set in line with industry best practices, making it possible to compare our performance with that of our peers. The process safety incidents are characterized by the loss of primary containment of hazardous fluids or energy in process facilities (for example, the spilling of an oil product

Lost Time Injury Frequency Rate (TFCA)



into an operating unit caused by the rupture of a pipeline). Although rare, large process safety incidents can cause extensive environmental impacts and damage to industrial facilities and to the health of large number of people.

In 2016, we recorded 24 occurrences of process incidents (NPSI1), 27 fewer than in 2015. We investigated all the recorded incidents to identify their root causes. We recommend preventive and corrective actions with monitored implementation. In the event of serious incidents, we disclose company-wide alerts to enable units to assess the likelihood of a similar event occurring in their own operations and to decide on the suitability of the recommended measures.



Health

Our health management model integrates occupational health and hygiene, through the Programs of Prevention of Occupational Risks, Medical Control of Occupational Health and Promotion of Health.

The actions of health programs are present at both the corporate and organizational levels. The definition of these actions is supported by the monitoring of health indicators and the analysis of the epidemiological profile of our employees.

Annual occupational exams include medical, dental and nutritional evaluation, with a personalized clinical and occupational history approach and with a focus on integral health care.

The results obtained from the data collected annually during the occupational examinations, associated with the characteristics and risks of the employees' activities, guide the planning of actions aimed at prevention and health promotion and result in the elaboration of a health profile of our employees.

The epidemiological profile analysis considers health information from the monitoring of major diseases, chronic diseases, compulsory notification diseases, accidents, individual characteristics, such as: blood pressure, cholesterol, glucose and triglycerides, body mass index, as well as lifestyle habits related to physical activity, alcohol and tobacco use, eating habits and regularity of sleep. The results contribute to the

implementation and/or maintenance of actions to promote physical activity, healthy eating, prevention of problems related to the use of alcohol, tobacco and other drugs, management of ergonomics and health of the traveler.

In our health promotion programs, we develop strategies that stimulate the active lifestyle, aiming at the prevention and control of risk factors and diseases, stimulating healthy environments and habits, promoting physical activity and balanced nutrition, through educational actions, environmental and individual approach.

The actions related to the prevention, approach and treatment of problems associated with the use of alcohol, tobacco and other drugs are directed primarily to prevention. Prevention and education actions are developed to inform and guide the workforce, stimulate behavior change in relation to the use of alcohol, tobacco and other drugs, including restriction of the consumption of alcoholic beverages in our facilities. We also develop other actions directed at the employee, including the availability and follow-up of treatment and support to families.

We also carry out multidisciplinary health follow-up actions for employees with disabilities and employees away from work due to accidents or illness. These actions aim at the best relation between work and worker, providing that the working environment is always a contributor to the maintenance of productivity and the integral health of workers.

Other important actions that should be highlighted and which affect our entire workforce are the educational campaigns, health communication actions, corporate guidelines regarding the supply of food in our facilities and the annual vaccination campaign against the flu.

Our health actions are also affected by the quantitative and qualitative monitoring of the Percentage of Lost Time (PTP "or PLT") indicator, by demonstrating the evolution of absenteeism due to accidents and diseases, as well as its main causes, related or not to work. In 2016, the PTP "or PLT" remained at 2.47%, higher than the Alert Limit of 2.40% established for the year. For 2017 we are keeping the Alert Limit at 2.40%. The occurrence of occupational diseases is monitored by the Occupational Illness Frequency Rate (TIDO "or OIFR"). It should be noted that only about 3% of leaves due to health reasons were related to work and that, in 2016, there were no new cases of occupational disease.





Human Resource Management

We had a year of challenges in adapting the effective and organizational structure to our new strategy and our new profile. The Strategic Plan provides for an innovative and more flexible human resource management model, based on employee appreciation and contributing to our sustainability. We implemented the following initiatives:

- adaptation of personnel in all regions, implementation of specific programs, such as the Volunteer Dismissal Incentive Program (PIDV), the Internal Transfer of Employees Program (Mobiliza), as well as actions such as the facilitation of unpaid leave;

- development of our employees prioritizing training in the country, distance education and training in compliance and effectiveness in operations; and

- strengthening performance management, implementing the meritocracy system, both in the career development and managerial succession processes.

We ended the year with 68,829 employees, a decrease of 12.3% over the year 2015. We recorded a greater oscillation of our staff in the years 2014 and 2016 due to the PIDVs held on these two years.

Dismissals through PIDVs changed the distribution of sections by length of service, as well as the age pyramid, creating a more balanced professional profile. This new profile is important to our growth in terms of personal resources and knowledge management.

Guaranteeing non-discrimination and an equality process, the ingress of our employees in Brazil is done through competitive public-service examination, according to Constitutional provision, for 56 different professions, being 20 of secondary education and 36 of higher education, with equal base salaries established for men and women. According to Brazilian legislation, 20% of vacancies are reserved for self-declared black or brown candidates and 5% for people with disabilities. In other countries, the selection is made through interviews and curricular analysis, prioritizing the local workforce.

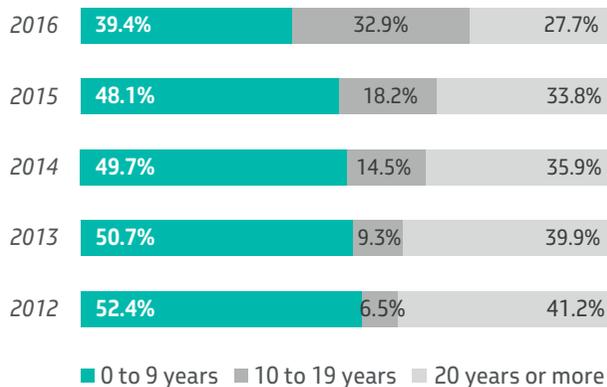
In Brazil, in 2016, 876 people joined our company, being 710 males and 166 females, most of them under the age of 30. The highest number of admission occurred in the Northeast and Southeast regions and the lowest in the Central West region. Our admission rate was 1.6% in 2016.

Of the total of 51,255 employees of Petrobras holding, 42,959 (84%) are male and 8,296 (16%) are female. Regarding the type of employment contract, 51,221 of our employees are subject to the consolidation of labor laws and 34 are linked to the top management, with eight officers (CEO and the executive officers) and 26 professionals with special contracts (secretaries and assistants to the CEO and the

Staff Evolution (Petrobras system)



Length of Service (Petrobras holding)





Profile of Our Staff by Gender and Level of Positions (Petrobras holding)

	Secondary Education			Higher Education		
	Female	Male	Total	Female	Male	Total
2014	4,519	31,669	36,188	4,737	17,693	22,430
	8%	54%	62%	8%	30%	38%
2015	4,433	30,566	34,999	4,697	17,178	21,875
	8%	54%	62%	8%	30%	38%
2016	3,809	26,792	30,601	4,487	16,167	20,654
	7%	52%	59%	9%	32%	41%

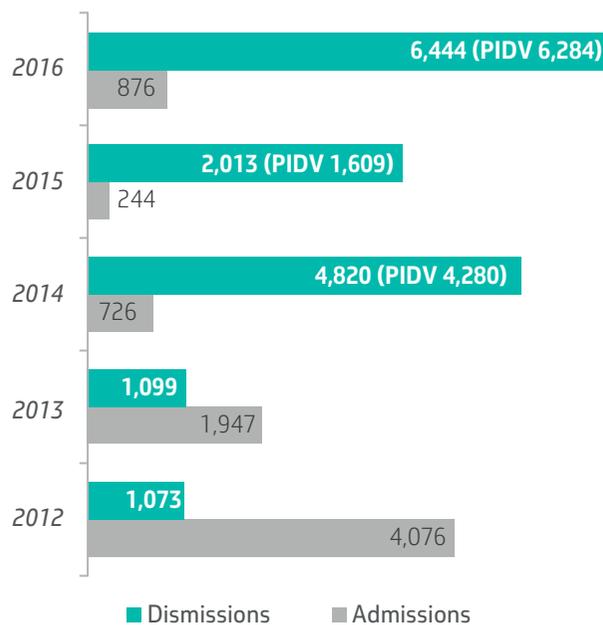
executive officers). The majority of the employees are located in the Southeast region (36,883 employees).

In 2016, we had 99,423 contractors, 25% less than the previous year. The Northeast and Southeast regions concentrate the largest number of employees of service providers, 22,475 and 70,130, respectively.

Staff Adequacy

Our low turnover rate was changed from 2014 on due to the PIDVs. The new program launched in 2016, as well as 2014, was based on principles of knowledge management, managerial succession and operational continuity, seeking a planned and systemic dismissal of registered employees.

Turnover (Petrobras holding)



The 2016 PIDV was open to all employees and registered 11,866 applicants. The total number of employees already dismissed by the PIDV (2014 to 2016) is 12,173 (being 85% men and 15% women). It is expected that more than 6,383 employees will be dismissed in 2017.

Our salary expense was R\$ 18.7 billion, lower than 2015, when the total was R\$ 19.1 billion. However, considering gross payroll expenses, the amount increased from R\$ 29.7 billion in 2015 to R\$ 34.5 billion in 2016, mainly due to expenses with the PIDV.

Although the estimated total of indemnities to be paid in 2017 due to PIDV is R\$ 4 billion, the expected return of the program until the year 2021 will be R\$ 18.9 billion. Petrobras Distribuidora also launched its own Volunteer Dismissal Incentive Program in 2016, which registered a total of 1,105 applicants.

We have an Internal Transfer of Employees Program (Mobiliza) exclusively for employees without managerial function, which aims to adjust our staff, seeking to match the needs of the company and the interests of employees, within a specific rule. In 2016, we had 155 migrations between areas. In view of the new needs and challenges of the Strategic and Business and Management Plans, Mobiliza has become a continuous program (Continuous Corporate Mobility Process) since December 2016.

Cultural Transformation

Cultural transformation is one of the strategic initiatives integrating the scope of the Evolution Project focused on the implementation of the Strategic Plan and BMP 2017-2021 by means of short, mid and long term actions. Such initiative is intended to synchronize efforts towards cultural transformation in line with strategic priorities. It is also bound to Human Resources activities, as a priority and foresees a series of actions to foster the required changes in the organizational culture and



in our management instruments, guiding them towards safety, results, efficiency, meritocracy, simplicity and compliance.

The initiative is divided into three steps:

1. Turn around Culture

with the purpose of creating a “turn around Culture” for the executive officers based on clarity, commitment and focus on short-term mandatory results. It also aims at maintaining an active conscious to adopt those new behaviors and to carry out the rollout for the executive managers.

2. Prosperity Culture

Focused on implementing this culture management in our company in order align and engage executives on what is culture and how it affects results, as well as setting the long term cultural strategy and developing the culture plan.

3. Perenniality Culture

Focused on preparing support and providing adjustments to the implemented culture, in addition to making the leadership aware of the impacts from their behaviors and carrying out technology transfer by means of rollout to the whole managerial staff.

Development of Human Resources

In 2016 we invested R\$ 76.2 million in the qualification of our employees, which represents a reduction of 56% against 2015. This reduction occurred respecting the strategy of reducing costs with focus on the intensification of training courses performed in our own units, on institutions

across the country and the larger use of distance-based education platforms, and reflects the reduction in the number of employees, mainly due to the PIDV.

According to our Human Resources Development Plan (PDRH) we had almost 249,000 attendances in qualification courses for new employees and in continuing education in Brazil and abroad in 2016. In general terms, we have recorded 53.1 training hours per employee, whereas 12.4 hours dedicated to qualify new employees and 40.7 hours dedicated to continuing education.

We accounted for 1,098 attendances in compliance qualification actions and nearly 60,000 attendances related to distance-

based training on corruption prevention provided to employees of holding and of other companies of the Petrobras system.

> *More details in the Chapter: [Governance](#).*

We implemented the Retirement Preparation Program (PPA) in order to develop a wide and critical understanding on this new step, as well as to favor its planning and thus contribute to the appreciation of employees and their life quality, in addition to encouraging the preservation of the knowledge produced by the employees throughout their active years in the company.

The program is not focused on the continuity of the employability of those about to retire, however, the program has a relatively wide range of topics to assist the employee in that endeavor, if there is any interest by their part. It is included in the basic content, for example, the “Future Project” theme, which is intended to favor the reflection on the possible paths to tread towards retirement.

Concerning our corporate security activity, we have our own Personnel and services provided by companies specialized in private security working in compliance with the laws. Our internal security inspectors, both men and women, must attend an applied laws and human rights course with an hour load of 20 hours and refresher course is mandatory in accordance with the laws. Contracted companies are required to follow the same legal rules. Any eventual violations of human rights concerning security activities can be reported through our Denouncement Channel.

Training Hours (MHT) /Employees

By professional category

Top management position	4.3
Assistant position	10.8
Specialist position	31.8
Managerial position	38.0
Supervisor position	40.8
Employees	51.7

A) HTE - Hours of Training per Employee: measures the average amount hours of training per employee in a given period.

B) We recorded 57.7 hours of training for women and 52.2 hours of training for men.



Performance Evaluation

In 2016 we approved the performance evaluation process of the Board of Directors, its committees and of the Executive Board, in addition to the internal succession process standard for the members of the Executive Board and of the higher management, assistants and technical advisors of the Board of Directors.

> more details in the Chapter: [Governance](#).

Additionally, we performed a revision of our organizational structure with the purpose of preparing the company to new challenges in search for the creation of a model grounded on meritocracy and focus on results.

One of the purposes to review the organizational structure was the reduction of the amount of managerial positions in corporate and business areas, not including, at first, the operational areas. This reduction of positions impacted most women in terms of percentage, as the areas subject to review concentrated 84% of the women with managerial positions and only 65% of men in the same condition.

As per Act 13,303/2016, with the legal statute of public and mixed-capital companies and of its subsidiaries and with our Policy to Appoint Members for the Audit Committee, Board of Directors and Executive Board, approved by the Board of Directors in September 2016, we carried out some internal selection process for board positions.

> More information on requirements in the Chapter: [Governance](#)

Sum of Employees Evaluated by Gender and Level

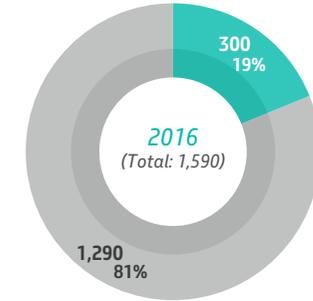
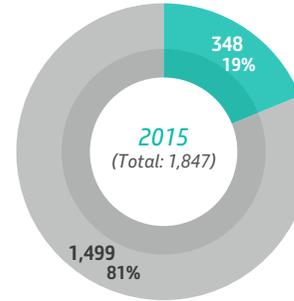
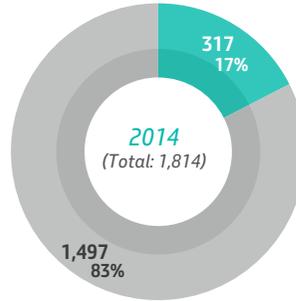
<i>Level</i>	<i>Function</i>	<i>Female</i>	<i>Male</i>	<i>Overall Total</i>
High school Education	No function	3,316	22,121	25,437
	With function	330	3,258	3,588
Total of high school evaluations		3,646	25,379	29,025
Total of high school employees		3,809	26,792	30,601
Higher Education	No function	3,296	11,224	14,520
	With function	974	4,084	5,058
Total of higher education evaluations		4,270	15,308	19,578
Total of higher education employees		4,487	16,167	20,654
Others	No function	70	178	248
	With function	33	82	115
Others – Total		103	260	363
Overall Total		8,019	40,947	48,966

1. Others are, for example, those requesting evaluation, directors and functions with special contracts.
2. Information related to Petrobras holding.
3. Some employees subscribed in PIDV were not evaluated.



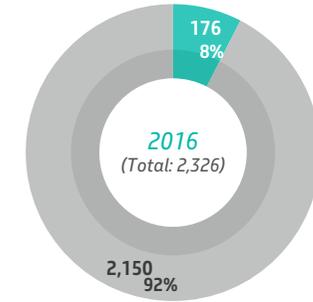
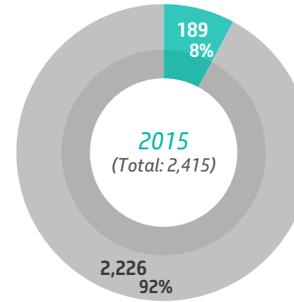
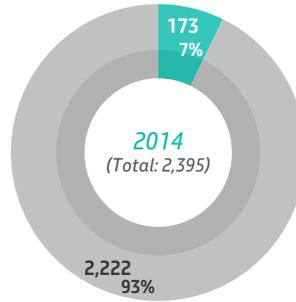
Evolution of Managerial and Specialist Positions (Petrobras holding)

Specialist Position

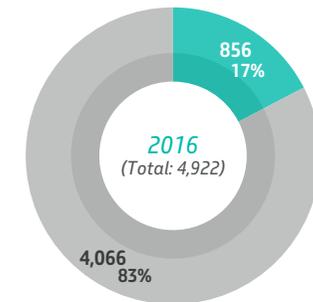
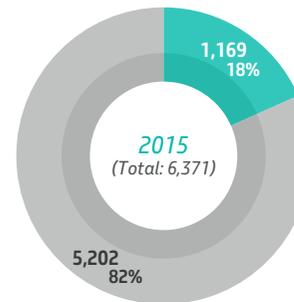
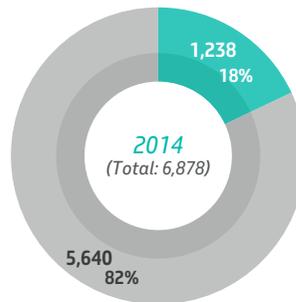


■ Female
■ Male

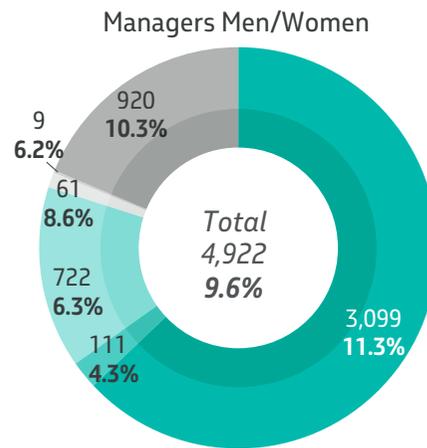
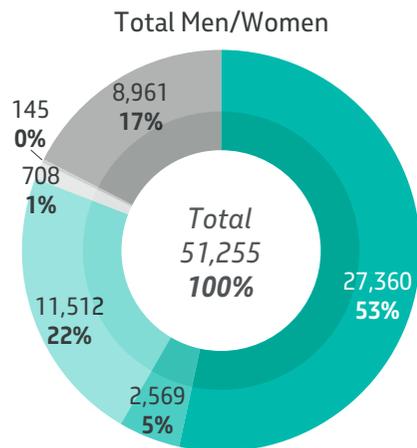
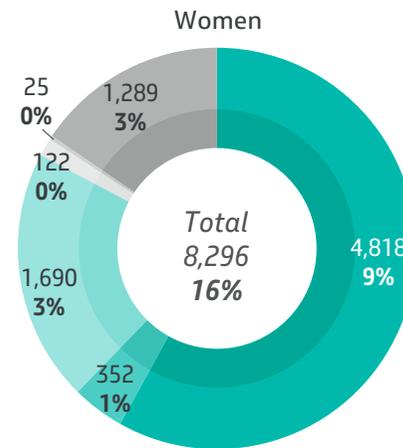
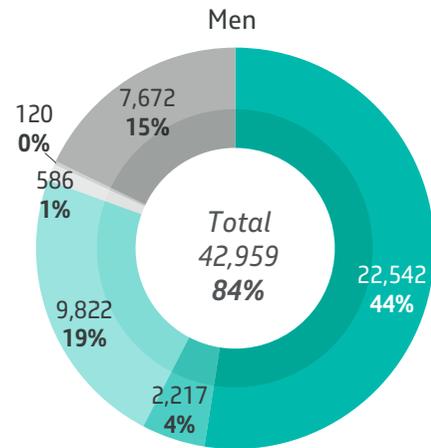
Supervisory Position



Managerial Position



Ethnic-Racial Diversity per Gender (Petrobras holding)



■ White
 ■ Black
 ■ Brown
 ■ Asian
 ■ Indigenous
 ■ Not Informed

Information provided by our employees





Reasoning of the Salary and Remuneration between Men and Women

Relevants Operational Units	Position	Secondary Education	Higher Education
E&P	Employee without Position	0.77	0.90
	Employee with Position	0.84	0.91
Refining and Natural Gas	Employee without Position	0.77	0.90
	Employee with Position	0.74	0.93
Others	Employee without Position	0.88	0.93
	Employee with Position	0.91	0.95
Total		0.77	0.90

a) We classified the areas directly related to our core business as "Relevant Operational Units": Exploration and Production (E&P) and Refining and Natural Gas (RGN). The other operational and administrative units integrate the item "Other".

b) Average remuneration for women divided by the average remuneration for men in each group.

c) We have a salary chart with several levels of basic wage, all applicable to both men and women. However, in order to calculate remuneration, basic and additional wages are taken into account, such as transportation vouchers, school aid, etc.

d) Information related to Petrobras holding.

The employee with the highest pay receives an annual remuneration approximately 5.2 times the average annual remuneration of the other employees. The proportion between the remuneration variation of the employee with the highest pay and the average remuneration variation for the others is equivalent. In 2016 the same percentages from the collective agreement were applied (8.57%).



Discrimination Complaints

A total of 26 discrimination complaints were received involving gender, race/skin color, ethnicity, sexual orientation, religious identity and employment contract type (contractors). Thirteen complaints are currently under treatment and ten were assessed, closed and filed as unfounded. From the three confirmed complaints, all were closed followed by guidance (to the one accused of discrimination or the whole team) and warning.

Transpetro's Ombudsman's Office received four complaints of discrimination all concerning racial discrimination. Three complaints were recorded by the same employee and after investigation, they were all considered unfounded. The other was filed after an attempt of contact by the Ombudsman's Office with the complainer due to lack of sufficient information.

Collective Agreement and Social Advances

We value transparency in the relationships with all our publics of interest, among which are the trade unions. Currently, we have relations with 17 unions (Sindipetro) representing onshore employees and 08 representing offshore employees. The totality of our employee is covered by collective bargaining agreements.

The management of trade union relations is present in the value chain of Human Resource by keeping a negotiation policy with the representatives of employees by means of biannual permanent commission meetings to deal with



themes such as work regime, outsourcing, healthcare plan and follow-up of the collective agreement. Such actions seek not only to improve working conditions but also to facilitate negotiations to enter into collective agreements.

During the year of 2016, despite the negotiation challenge concerning the Amendment Term to 2015 Collective Agreement ended only in January 2017, there was a good relationship between unions and employees, resulting in a 3-day strike only.

Following this amendment term, our employees achieved:

- Adjustment of 8.57% to salary tables and 8.97% to educational benefits and meal tickets;
- Allowance of up to 02 daily hours for breast-feeding employees (up to 1-year-old babies) and for employees with disabilities;
- Optional reduction to working hours from 8h to 6h with proportional reduction of remuneration for administrative employees in flexible hours without function;
- Paternity leave of up to 20 days as per the program Citizen Company; and
- Paternity leave to employees whose spouse or partner is under a maternity leave with a benefit recognized by Brazilian social security.

In 2016, 1,858 people exercised the right to maternity or paternity leave, being 614 women and 1,244 men. After the

license period, the return-to-work rate was of 100%. We have the Program to Support Pregnant Women and Incentive to Breastfeeding, where they are offered practical and theoretical courses on pregnancy, baby care, rights and duties, responsible parenthood and other topics available to the whole workforce and their dependents, as well as to those undergoing adoption.

Environmental Management

Atmospheric Emissions and Climatic Strategy

We follow up international negotiations whose agreements Brazil is a member and that require transition to a low-carbon energy model. In this sense, we monitor worldwide alternatives focused on providing energy towards social and economic development with less intensity of greenhouse gas (GHG) emissions.

In 2016 we obtained our highest score in the Carbon Disclosure Project (CDP) since we joined the organization back in 2006, receiving the grade A-, which means leadership and transparency.

Our effort concerning programs and actions to optimize processes and mitigate emissions resulted in a reduction of around 15% of absolute greenhouse gas emissions against 2015.

Several practices seek to incorporate appropriately business risks and opportunities resulting from the transition to a low-carbon economy, among which we mention:

- Strategic planning in a systematic way considering in its scenarios the possible transition paths to achieve low carbon. Such scenarios are used in the assessment of business and portfolio.
- Systematic monitoring of regulatory and market trends: it seeks to evaluate the potential carbon pricing and its effects on the portfolio.
- Technologic direction: includes focus on "Transition to Low Carbon".
- Analysis of potential physical risks to our operations resulting from climate changes and the adaptation of projects and facilities.



External Context

Climate Change

The Conference of the Parties within the scope of the United Nations (COP 21) held in Paris, 2015, approved of a global coverage agreement to reduce greenhouse gas (GHG) emissions and mitigate climatic impacts with the purpose of keeping the planet warming below 2 °C in relation to the pre-industrial period and of sparing no efforts to limit it to 1.5 °C up to the end of the century. The effectiveness of such agreement, initially forecasted to 2020, was anticipated to 2016. At the UN's General Meeting Brazil delivered its ratification to the Climate Agreement. The goal of the country is to reduce greenhouse gas emissions by 37% up to 2025, with an expected reduction of 43% up to 2030 in comparison to the levels of 2005.

In November 2016, the 22nd Climate Convention (COP 22) was held in Morocco, whose main goals covered not only the discussion of deployment of the Global Agreement to reach the goals proposed by the countries but also the review of processes that are likely to leverage policies in order to intensify the reduction of emissions, with the purpose of reaching the temperature raise threshold of 2 °C as per said agreement. In such context, we are committed to reduce the intensity of greenhouse gas emissions, to increase the energy efficiency of our processes and products and to incorporate risks and opportunities associated with climate change in decision-making processes.

Management of Greenhouse Gas (GHG) Emissions

Management of our atmospheric emissions is performed in units where we have the operational control based on an annual inventory that we voluntarily disclose and that gathered in 2016 data related to nearly 30,000 registered sources, covering 75 different source typologies.

Programs and actions to optimize process and mitigate emissions – such as modernization of facilities, utilization more efficient equipment, increase of natural gas exploitation, standardization of projects and operational practices and investments on research and technology – are the ones responsible for the achievement of positive results. In 2016 the reduction of electric energy generation from thermal power plants and divestiture on assets also contributed to emissions decrease. Our effort resulted in a total of approximately 72 million metric tons of CO₂e in the period between 2010 and 2015, as verified by third parties. In 2016, we reduced by 11.6 million the amount of GHG-related CO₂e (in metric tons), which means nearly 15% less than 2015.

In 2016, in addition to other process optimization actions to increase the energy efficiency in our operations, we worked in the reduction of significant emission sources such as fixed combustion sources, gas flaring, turbine exhaustion, furnaces, fluidized-bed catalytic cracking (FCC) units and the purification of natural gas.

We reinjected in 2016 around 1.62 million metric tons of CO₂ separate from the gas produced in our pre-salt fields of the Santos Basin and avoided the emission of approximately 15,000 metric tons of CO₂/year by replacing part of the natural gas consumed in the Refinery Duque de Caxias (Reduc), located in Rio de Janeiro, by biogas from landfill. By means of the Petrobras Socio-environmental Program we sponsored, in 2016, 16 preservation projects of natural areas, productive reconversion and recovery of degraded areas and vegetal formation of biomes, which represented as accrued result a worked area of around 1 million hectare, thus contributing to the fixation of carbon and mitigating of climate change.

We estimate our indirect emissions, that is, those that occur in sources controlled by other entities of our value chain. Among such emissions, the most relevant ones are those related to the use of our products and are estimated considering that all products sold were used in the same year, releasing emissions to the atmosphere.

Our total investment in research and development in 2016 was of approximately R\$ 1.8 billion. Low carbon technologies have an expressive representation in our research and development portfolio, which has projects in areas such as CCUS, wind, solar, biomass, biofuels and bioproducts and other projects related to climate changes and sustainability.



Greenhouse Gas Emission (in million metric tons of CO₂ equivalent - CO₂e)

	2014	2015	2016
Direct emissions (Scope 1 – GHG Protocol)	79.6	77.4	66.1
Indirect emissions (Scope 2 – GHG Protocol)	1.8	0.7	0.4

a) Emissions related to operations such as exploration and production, refining, manufacturing of fertilizers, petrochemistry, generation of power, onshore (pipeway and roadway) and offshore transportation, as well as distribution activities in Brazil, Argentina, Bolivia, Colombia, United States, Mexico, Paraguay, Peru and Uruguay.

b) The atmospheric emission inventory is prepared according to the guidelines of the GHG Protocol, developed by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD). The approach of the inventory follows the bottom-up methodology, that is, the total inventory is the result from the sum of emissions from each emission source. GHG emission calculations are based on international references such as the API Compendium and “AP-42” (US EPA), as well as GHG Protocol.

c) CO₂e emissions were calculated based on values of Global Warming Potential (GWP) of IPCC’s 4th Assessment Report (AR4). In the previous reports, such emissions were calculated considering the GWP values of IPCC’s 2nd Assessment Report (SAR). Therefore, changes can be seen in data related to 2014 and 2015.

d) Other possible changes in historical numeric information related to previous publications of the Sustainability Report are due to improvements in the atmospheric emission management system or due to recommendations resulting from the verification process by third parties.

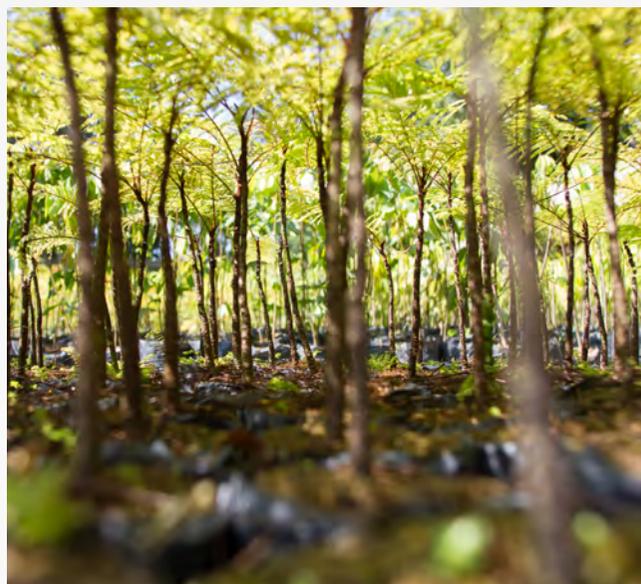
e) We submit our entire inventory to verification process by a third party as per ISO 14064 standard.

Direct Greenhouse Gas Emissions (metric tons)

	2014	2015	2016
Carbon Dioxide – CO ₂ (million)	75.1	73.0	61.9
Methane – CH ₄ (thousand)	154	150	144
Nitrous Oxide – N ₂ O	2,294	2,332	1,825
Indirect emissions (million metric tons CO ₂ e) (Scope 3 – emissions by the use of products – GHG Protocol)	520	502	473

a) Other possible changes in historical numeric information related to previous publications of the Sustainability Report are due to improvements in the atmospheric emission management system or due to recommendations resulting from the verification process by third parties.

b) We use as basis the consolidated data on sale of products and the methodology of the GHG Protocol for the Scope 3



Our Investments and Technologies in Emission Mitigation

From 2006 to 2016 we invested more than US\$ 115 million in our project portfolio with the goal of contributing to mitigate atmospheric emissions, as well as to establish the best GHG management practices concerning operations and products. In this context, we are continuing to invest in technologies to geologically capture and store CO₂ (Carbon Capture Utilization and Storage - CCUS). We have

an important role in the process of research, development, innovation, implementation and operations of CCUS projects by contributing to Brazilian science and technology institutions thanks to partnerships formed by means of the "Thematic Network of Carbon Sequestration and Climate Change". The network comprises 15 national institutions, nearly 53 contracted projects and includes an investment of R\$ 50 million.

Natural gas processing operations of the Stationary Production Units (SPU) in the pre-salt reached the reinjection milestone of 4 million metric tons of CO₂ in the Lula and Sapinhoá fields.



Other Significant Atmospheric Emissions (metric tons)

<i>Emissions</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>
Nitrogen Oxides (NO _x)	298,511	267,116	234,841
Sulfur Oxides (SO _x)	126,077	120,043	130,665
Particulate Material	21,617	19,181	15,265
Volatile Organic Compounds (VOC)	234,558	230,159	233,366
Fugitive Emissions	96,369	80,888	79,985
Carbon Monoxide	180,475	191,119	166,494

a) We considered direct and indirect emissions in the calculation.

b) We consider as VOC the non-methane hydrocarbon emissions contained in the inventory.

c) Fugitive emissions are made of total hydrocarbons (THC) from process sources. They do not include emissions by flare burn.

d) Other possible changes in historical numeric information related to previous publications of the Sustainability Report are due to improvements in the atmospheric emission management system or due to recommendations resulting from the verification process by third parties.

Atmospheric Pollutant Emission Management

In addition to inventory greenhouse gases, we perform the inventory of atmospheric pollutants, also under directly monitoring in operational units.

Emission reduction to nitrogen oxides, particulate material and carbon monoxide resulted mainly from the drop in the amount of sounding activities in the Exploration and Production area and in the reduction of power generation. As an impact from the implementation of monitoring and repair programs in operational areas we observed a reduction trend in fugitive emissions.

We monitor the management of atmospheric resources by observing the risk of saturation in air basins, mainly in urban regions and by investing on air quality monitoring initiatives in several regions where we operate. With 44 stations to monitor air quality and meteorological parameters in 09 Brazilian states, this assessment allows us to know and manage the impact of our activities, in addition to contribute with information for the public management of air quality when such station integrate the state-controlled networks.

In the refining activities, we invested on the improvement of fuel quality. Since 2009, we have been producing diesel with low-sulfur content (S-10), which resulted in a

Unused Hydrocarbons (millions of cubic meters)

<i>Destination</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>
Flared	3,074	2,894	2,998
Dissipated in atmosphere	34.6	72.0	60.3

a) We consider records of flared gas volume in activities such as Exploration and Production, Refining, Manufacturing of Fertilizers, Gas Treatment and Transportation.

b) We consider records of gas released directly to the atmosphere following ventilation and depressurization events.

c) Possible changes in history and number information are related to previous publications of the Sustainability Report are due to improvements in the atmospheric emission or due to recommendations resulting from the verification process by third parties.

progressive reduction of sulfur oxide vehicle emissions (SO_x) throughout the years, thus contributing to an improvement of the air quality in cities. Investments also included the expansion of sulfur recovery capacity in refineries, which allowed not only to prevent an increase of Sox emissions but also enabled a reduction of around 3% of such emissions in the period between 2009 and 2016.



Energy Consumption and Energy Efficiency Actions

We recorded a total energy consumption of 899,500 terajoules (TJ) or 418,000 boed, an amount 19.3% lower than the previous year, considering as one of the key factors the reduction of the thermal and electrical dispatch following a request from the National System Operator (ONS).

In the objective to reduce operating costs and improve our activities, we keep on investing on actions focused on energy integration, modernization of facilities, optimization and advanced control of processes, adaptation of equipment, standardization of projects and operational systems, conversion of thermal power plants, from open to combined cycle, and exploitation of natural gas associated with petroleum production.

Actions to improve energy performance allowed us to save 2,100 terajoules per year (TJ/a) or 970 boed, which is equal to the power consumption of a city with 290,000 inhabitants per year.

Energy Consumption in the Petrobras System (in TJ)

	2014	2015	2016
Diesel Oil	92,510	79,648	57,672
Fuel Oil	79,383	59,415	75,342
Natural Gas	728,146	719,597	550,027
Fuel Gas	131,515	124,596	100,560
Residual Gas	10,350	17,990	11,488
Petroleum Liquefied Gas (PLG)	223	1,254	147
Coke	70,945	69,161	61,755
Others	2	-3,114	-3,066
Imported Steam	26,224	28,256	26,870
Imported Electricity	15,923	18,382	18,693
Total Energy	1,155,220	1,115,185	899,487

a) Electricity and steam are calculated based on the theoretical thermal equivalent (0.0036 TJ = 1 MWh).

b) Volume of natural gas and of flared liquid fuel in 2016 totaled 103,000 TJ and is not considered in the calculation of energy consumption.

c) "Others" includes exported steam and electricity.



Product Quality and Impact Reduction

All our traded products meet the specifications regulated by the Brazilian Agency of Petroleum, Natural Gas and Biofuels (ANP). We adopt a quality policy establishing limits stricter than those of the applicable laws with the purpose of ensuring the perfect adequacy of our products.

Diesel oil "S-10" is being supplied to all urban bus fleets of metropolitan regions and is available in the whole country to other consumers.

In 2016, we joined the Brazilian Program of Fuels, Vehicle Technologies and Emissions (PCVE), by an agreement signed with local public and private entities with the purpose of improving the monitoring and modeling of the air quality through studies on the influence of fuel and vehicle technologies from the Brazilian fleets in atmospheric emissions.

Biodiversity

The spatial distribution and diversity of our operations result in a frequent interface with protected and sensitive areas. The identification of such areas aims at a step to prevent and mitigate associated impacts and risks. Our biodiversity risk and impact management is directed by guidelines established in internal rules and standards, in addition to managerial

instruments such as the registration of environmental data (Cadam) with approximately 6,200 entries; the GeoPortal, which allows integration of georeferenced and environmental databases in a single visualization platform; and our Annual

Biodiversity Platform, which consolidates management measures and other initiatives related to biodiversity and interfaces, thus representing an important subsidy in the critical assessment and improvement of our strategies.

Table: Types and Amount of Protected Areas

<i>Type of Protected Area</i>	<i>External Area</i>	<i>Internal Area</i>	<i>Overall Total</i>
Permanent Preservation Areas (APP)	61	464	525
Priority Areas for Preservation, Sustainable Use and Distribution of Biodiversity Benefits	22	37	59
Natural Cavity	3	-	3
Ecological Corridor	1	-	1
Legal Reserve	4	8	12
Archeological Site	112	52	164
Indigenous Lands	7	5	12
Quilombola Territory	15	2	17
Preservation Units	353	43	396
Damping Zone	3	-	3
Not classified	12	7	19

In 2016, 43 events were recorded with actual or potential impact to the fauna, flora or habitat, such as, for example, suppression of vegetation, erosion and accidental death of animals in units, considering that most of such events, 51%, occurred in units related to areas in Refining and Natural Gas, followed by 34% of occurrences in Exploration and Production Area, 10% at Transpetro and 5% in the Technology and Production Development area. Such events are subject to mitigation, treatment or environmental impact recovery measures such as the replenishment of protected species and reforestation, treatment and recovery of degraded areas, adaptation of facilities and other measures. Regarding causes, 49% of such events were caused by routine operations, 28% had no sorted causes and 23% resulted from accidental causes.

About the occurrence of species inside the influence areas of our activities, taking as basis the national and international lists of threatened species, we have identified:

We have identified and assessed impacts in order to support the definition of preventive, mitigating and compensatory measures at the installation, operation and deactivation stages of our enterprises.



Support to Environmental Projects

By means of the Petrobras Socio-environmental Program we sponsor initiatives whose coverage areas are distributed within several Brazilian biomes such as the Atlantic Forest, Cerrado, Amazon, Caatinga, as well as shore and marine environments. Actions performed by those projects involved several partnerships with institutions of the civil society with the goal of preserving and recovering species and habitats in land and water ecosystems. Approximately 430 fauna species were studied, monitored or protected, including the *Uçá crab*.

With our support the Uçá Project carried out researches on marine invertebrates, zooplankton and benthos within the area of the Guanabara Bay, involving the monitoring of the crab and analysis of plankton samples, which resulted in the largest survey of decapods (crustacean order) of the bay with the identification of 30 species. Additionally,

the project worked to recover degraded mangrove areas, an ecosystem of extreme ecological, social and economic importance. Even though the characteristics of the surveyed area – such as soil type, climate conditions and access roads to transport equipment and seeding – represented a challenge, the project successfully carried out in June 2016 the reforestation of 16.5 hectares in the Environmental Protection Area of Guapimirim, Rio de Janeiro, with typical arboreal species of the environment (*Rhizophora mangle*, *Laguncularia racemosa* and *Avicennia schaueriana*). The treatment and monitoring throughout the year demonstrated that the areas are currently undergoing an ecological succession process as it was found out an abundance of natural regeneration in the analyzed environments.

> See more information on socio-environmental projects in the chapter [Relationship with Stakeholders](#).

Number of Threatened Species

International List (IUCN)

Vulnerable	Endangered	Critically endangered
76	39	10

Number of Threatened Species

National List

Vulnerable	Endangered	Critically endangered
73	33	11



According to the lifecycle stage of the enterprises, typology of operations, environmental factors, legal requirements, requirements from environmental agencies (in the event of license conditions), among other factors, we develop several studies in order to assess risks to biodiversity and then establish action plans. In 2016, 354 initiatives were developed by 65 units, involving environmental monitoring and characterization, recovery of degraded areas, mapping of protected areas, fauna treatment, among others.

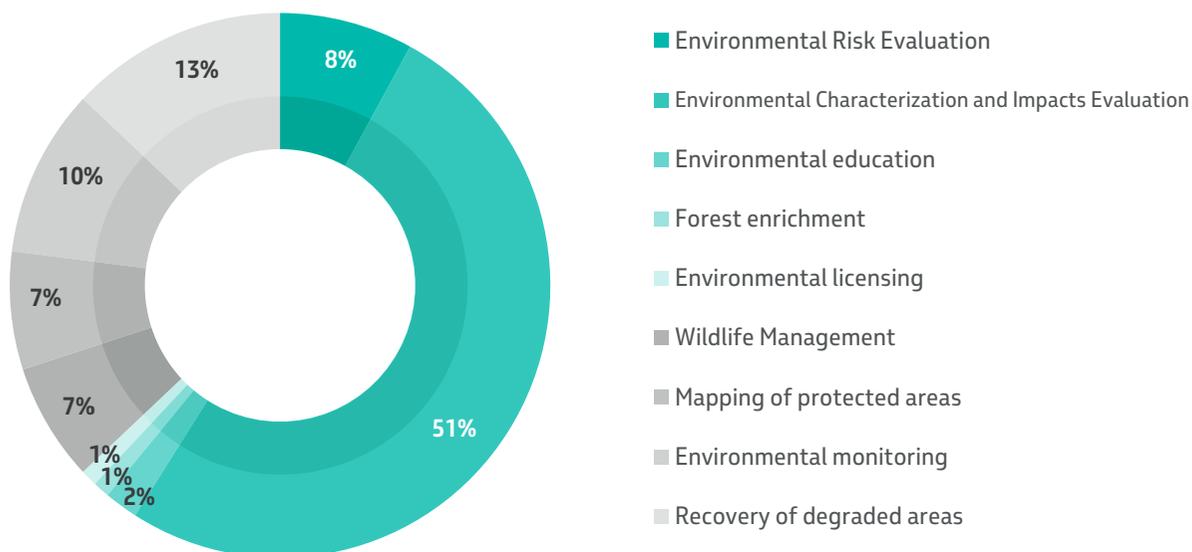
In the Santos Basin, a permanent project was started back in 2015 with the purpose of recording occurrences of disabled, wounded or dead birds as well as of capturing, collecting, treating and transporting birds found in oil production offshore units in

order to ensure their wellbeing and safety during the referred activities. In the Potiguar Basin we implemented the Action Plan to Protect Fauna in the event of oil spill during offshore drilling activities in blocks BM-POT-16 and BM- POT-17. At the Refinery Presidente Bernardes, in Cubatão, São Paulo, we performed surveys and monitoring of fauna groups located in the Atlantic Forest (avifauna, herpetofauna, mastofauna and ichtyofauna). At the Refinery Alberto Pasqualini, in Rio Grande do Sul, we implemented a shrub-arboreal vegetation plantation program in the area of the refinery with the purpose of recovering the native arboreal characteristics by planting eucalypts.

We also invested on research and development projects for technological solutions and methodologies that foster the

improvement of the environmental management and the mitigation of impacts from our operations. Ongoing project contemplate environmental characterizations, mitigations or reduction of effects on the ecosystems and the biodiversity and recovery of degraded and impacted environments by means of reforestation, replenishment of native species projects, among others. We can highlight the Environmental Characterization Projects of the Santos, Potiguar and Sergipe Basins, which are intended to survey, systematize and make available existing and qualified environmental information for the region and the Project of Environmental Recovery for Onshore Areas, which is intended to assess and make available low-cost and high-efficiency technologies to recover degraded areas and make them available for the main three biomes of the Exploration and Production area.

Distribution of Studies and Projects Carried Out on Biodiversity



Water Resource Management

To ensure, the water supply required to the continuity of our activities on an environmentally responsible manner is the priority of our water resource management.

Every year, we perform our Water Resource and Effluent Inventory, which comprises 466 water-using facilities and consolidates information on the used water volumes, collection sources, released potentially-polluting loads, industrial and sanitary effluent volumes and involved costs, among other aspects required to the management.

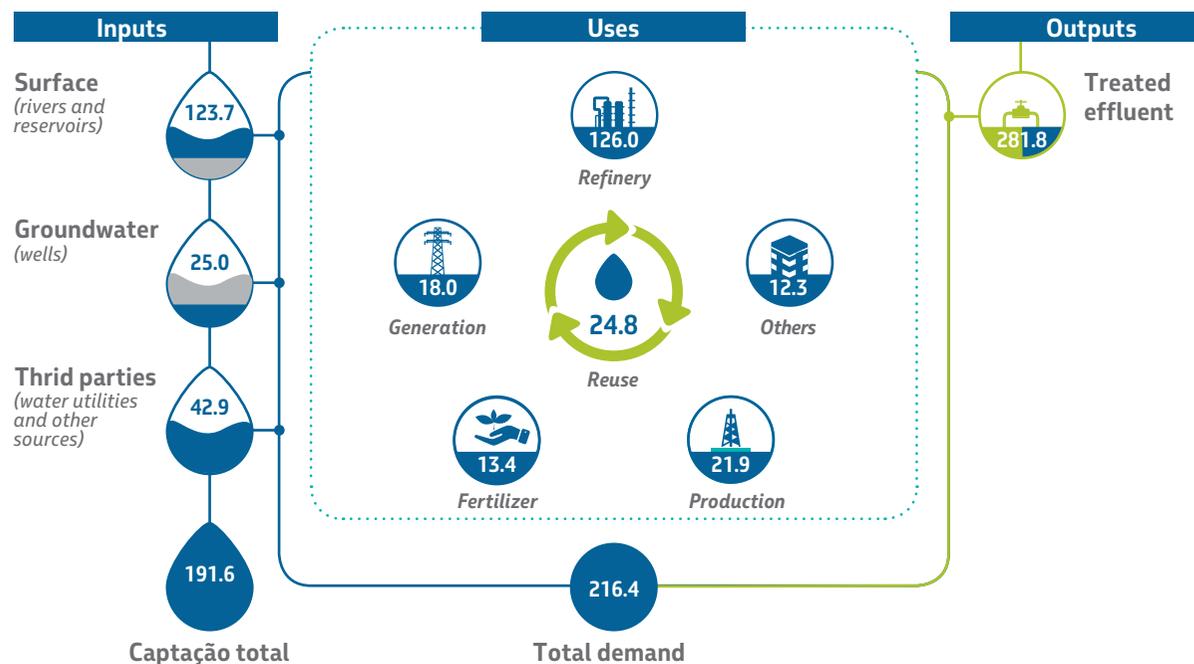
Water Use

We collected a volume of 191.6 million m³ of fresh water for our operational and administrative activities in 2016. We used 211 collection sources, 153 located in Brazil (answering for nearly 91.5% of the total volume of fresh water collected) and the remaining 58 are located in other countries where we operate. In Brazil, the public agencies in charge of managing water resources set the maximum limits to take fresh water from the environment, considering hydrologic criteria and the multiple human and ecological uses of water within a drainage basin.

We invested on the impact assessment of our activities on a regular basis, observing protected areas and identifying sensitive areas located in the regions within the influence of our units. In 2016 we had no knowledge about significant impact on mangroves where we carried out direct collection of water or on the biodiversity of water bodies eventually caused by the disposal of our effluents.

As part of our management strategy concerning water risks from our activities, we use a tool to preliminarily assess the exposure of our facilities to shortage risks by means of the “Water Shortage Risk Index” (IREH), which provides us with information on where we should prioritize mitigating measures to tackle such risks and where we should apply the required investments to water safety, as well as to reduce risks associated to critical events (drought).

Simplified water balance petrobras (millions of m³)



- Data source used for calculations was the 2016 Water Resource and Effluent Inventory.
- The volume of water effluents disposed submitted above contemplates industrial-origin effluents, sanitary effluents and produced water associated with extracted oil.
- As per the identity of the Collected Fresh Water indicator and the defined calculation system, rain water volumes are accounted in the category “Third Parties” as provided above. The collected volume of rain water is not significant (0.012 million m³).
- The fresh water volume received from other units of the Petrobras system is accounted in the category “Third Parties” due to the defined calculation system.
- Among our operations, those with higher fresh water collection were: refining (65.8%), power generation (9.4%) and oil and gas production (11.4%).



In 2015 we applied the index to a set of 44 operational units, which correspond to nearly 90% of the total fresh water collected by our operations in Brazil. According to the results in 2016, we classified such facilities into water risk magnitude levels and started implementing a set of risk mitigation and monitoring actions. The corporate action plan is revised periodically, and among other tools, is supported by the biannual application of the IREH.

According to our Water Resource and Effluent Inventory, the total reuse volume was of 24.8 million m³, which corresponds to 11.5% of our total fresh water demand, and is enough to supply, for example, a city with approximately 600,000 inhabitants per year. Considering the reuse actions, we estimate annual savings of approximately R\$ 20.8 million in costs with water collection and effluent release. The refining

activity, the most water-demanding activity, answers for approximately 98% of the total volume of reused water.

For example, we reached at Refinery "Landulpho Alves" (RLAM), located in Bahia, savings of 14.4 million m³ of water in the last five years due to water reuse. In such period, there was an increase of 75% of water volume reused by the refinery, from 2 million m³ in 2012 to 3.5 million m³ in 2016.

In order to collaborate with the participative management of the watershed where our facilities are located, we joined several forums, such as the watershed committees. In order to follow-up discussions and identify possible management improvements on that particular theme, we have integrated the Water Resource Network of the Brazilian National Industry Confederation (CNI).

Disposal of Effluents

As a result of our operations, we disposed of a volume of 281.8 million m³ of water effluents of industrial, sanitary and produced water nature from the petroleum extraction process. The total volume of effluents contained: 1,600 metric tons of oils and greases; 6,600 metric tons of chemical oxygen demand (COD) and 1,400 metric tons of ammonia (the last two were present in effluents from refining and fertilizer production activities in Brazil). Our effluent disposal processes are regulated by release standards set forth in laws.

We use 90 surface water bodies, 53 underground disposal points and 51 treatment/supply concessionaires or outsourced companies to assimilate our effluents. We have no knowledge on significant quantitative or qualitative impacts on mangroves caused by release of our effluents.

Total Volume of Reused Water

	2014	2015	2016
Reused Water (million m ³)	24.5	23.7	24.8
Reuse in relation to the Total Fresh Water Used (%)	10.6	10.0	11.5

Data source used for calculations was the 2016 Water Resource and Effluent Inventory.

Total Disposal of Water by the Petrobras System per Destination

Destination	Disposed Volume (million m ³)			Disposed Volume (%)		
	2016	2015	2014	2016	2015	2014
Surface water bodies	274.8	270.7	242.7	97.5	97.7	95.3
Underground water bodies	1.1	3.2	6.3	0.4	1.15	2.5
Supply concessionaires or outsourced companies	5.8	3.2	5.8	2.1	1.15	2.2
Total	281.8	277.1	254.8	100	100	100

Data source used for calculations was the 2016 Water Resource and Effluent Inventory.

We have invested around R\$ 14 million in projects of research and development (R&D) concerning management of water resources and effluents in partnership with nine Brazilian universities. Due to the recent water shortage scenarios we gave priority to projects seeking to increase the offer and improve the quality of the treated water and of effluents in our operational units. Among such projects, we can highlight the construction and assembly of Mobile Online Analyzers Unit, which allows us to assess the quality of different aqueous currents available with the purpose of reducing consumption, optimizing concentration cycles and reuse effluents in cooling systems.

Wastes

On a continued basis, we seek to prevent and minimize waste generation by deploying reutilization actions. We use in our units computerized systems to provide support to information management and to waste management operations. Training courses on this subject are offered regularly to our workforce, both presence- or distance-based.

This year we generated 132,000 metric tons of hazardous solid waste in our processes, an amount 30% lower than

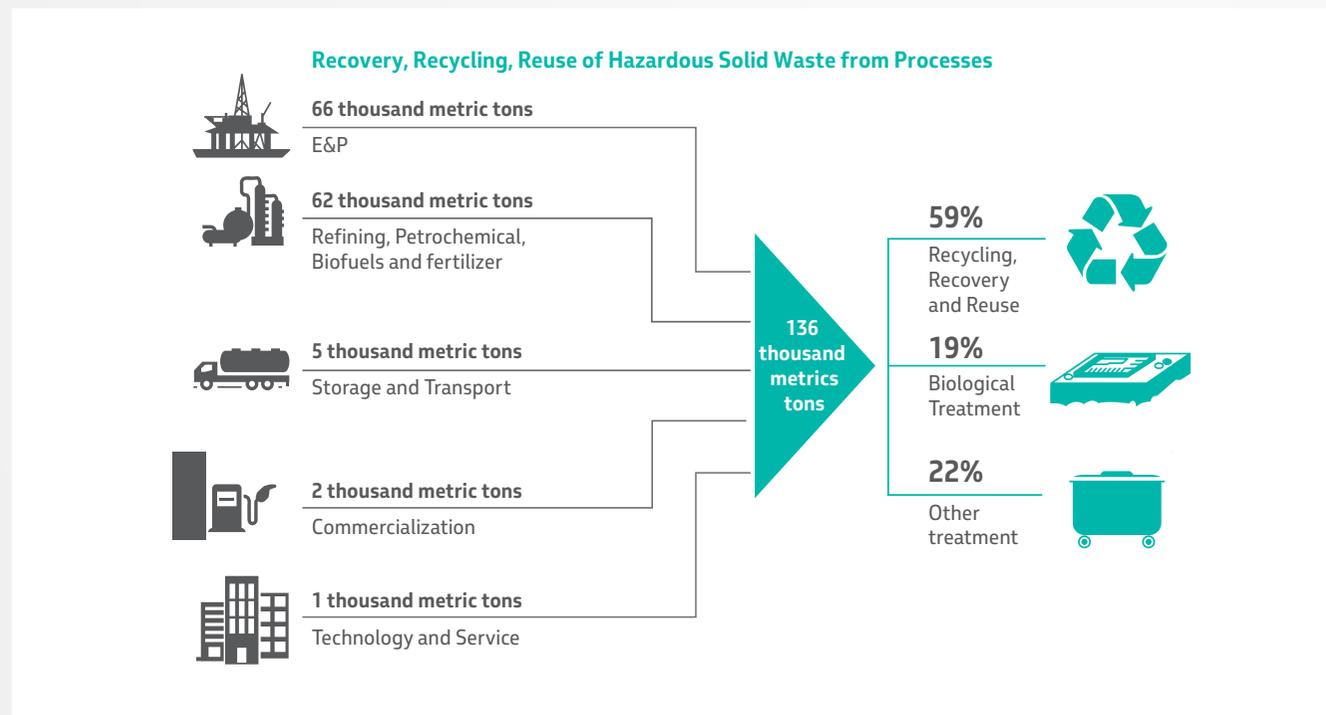
the previous year, and we reduced the generation of non-hazardous solid waste from processes, reaching 210,000 metric tons. We sent 136,000 metric tons of hazardous solid waste from industrial processes, an amount higher than the generation of the same year.

In 2016 we generated 28,000 metric tons of gravels and hazardous fluids from exploration and production process. According to technical criteria established by the environmental agency that licenses offshore activities, only water-based drilling fluid waste and gravel waste can be disposed overboard. In order to reduce waste generation in this kind of operation, we invest in the reuse of non-aqueous-based drilling fluid and of inputs from the non-aqueous fluid manufacturing process. In onshore activities, we also carry out practices such as incorporation, co-processing and recycling of gravel waste.

Among the reuse and recycling actions with recover of hydrocarbons, we can highlight the implementation of the process unit at Refinery Alberto Pasqualini, in Rio Grande do Sul, which allowed the reprocessing of 10,000 m³ of oily residual currents with incorporation of solids to the green petroleum coke and destination of 64,000 metric tons of oily waste currents to reprocessing at the Shale Industrialization Unit, located in the State of Paraná.

Our non-hazardous waste management from processes allowed us to reach the following reuse recycling percentages: 90% paper, 88% wood, 96% scrap, 51% glass and 81% plastic. We performed no international shipment of waste.

Our subsidiary *Petrobras Biocombustível* develops the Program Cuidar ("or Caring") with the purpose of producing biodiesel from waste greases, fats and oils (OGR), such



a) we determine by weighing or rather we estimate waste mass considering technical and engineering criteria either by our company or companies hired to manage waste.



as used frying oil and those from the processing of fish entrails, the latter developed together with the Industrial Technology Center of the State of Ceará (NuteC). In 2016, the volumes were of, respectively, 167 and 74 metric tons. The program strengthens the social organizations and networks, creates job opportunities and income, as well as stimulates recycling, thus avoiding contamination to the environment.

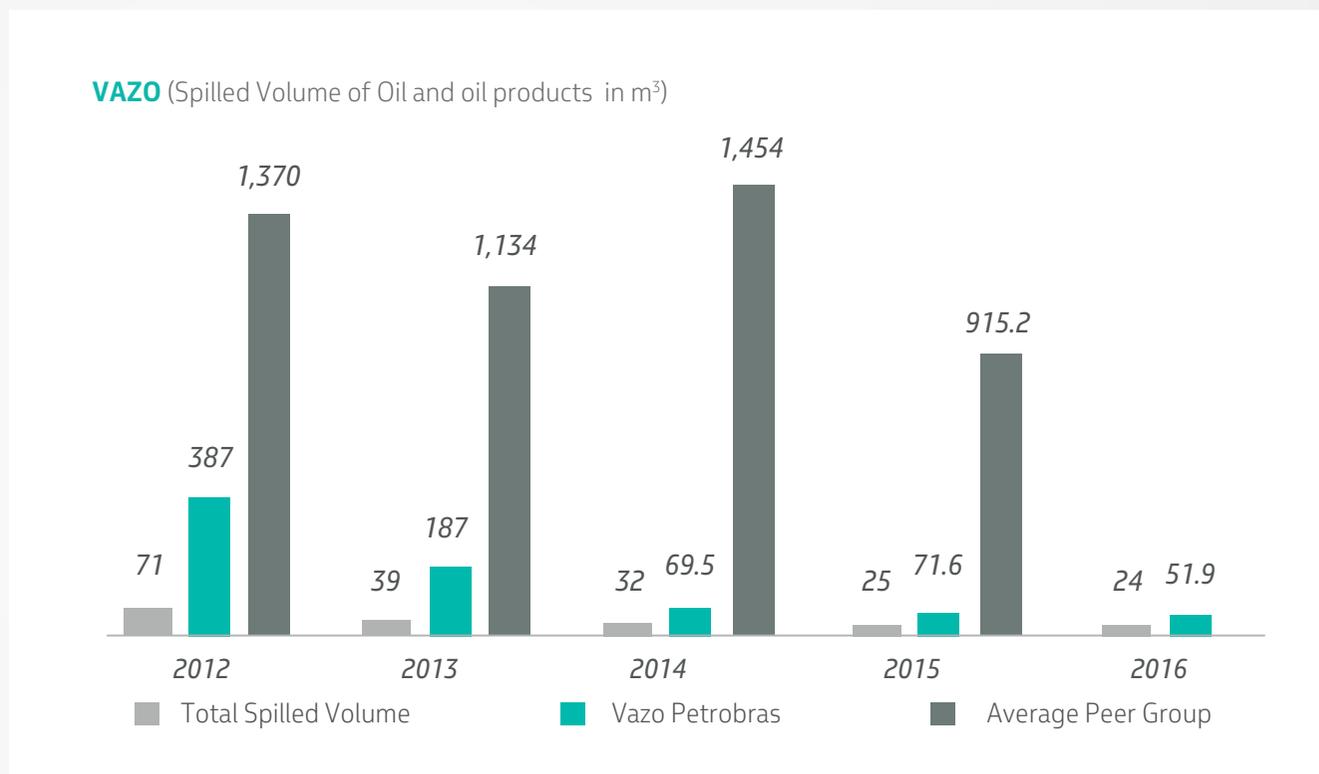
Percentage Distribution of Process Waste intended for Destination

Destination	Hazardous Solid Waste	Non-Hazardous Solid Waste
Reuse as Fuel	28 %	3 %
Recovery, Recycling and Reuse (excepting the previous one)	31 %	36 %
Biological Treatment	19 %	19 %
Incineration	3 %	3 %
Disposal in Landfill	6 %	35 %
Others ^a	13 %	4 %

a) Waste returned to suppliers, submitted to non conventional destination technologies or to more than one treatment type.

Leak of Oil and Byproducts

Spill volume of oil and oil products recorded was of 51.9 m³ in 2016, 27.5% less than the volume recorded in 2015.

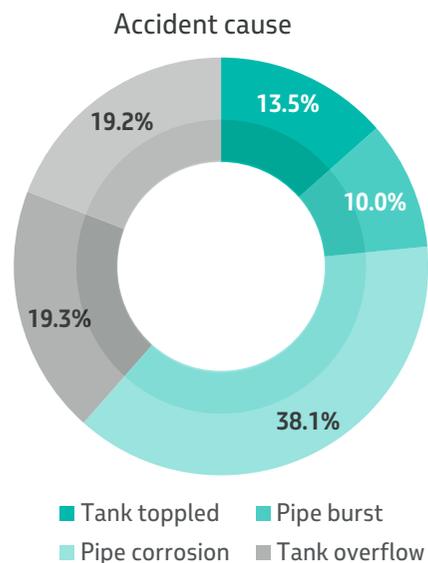
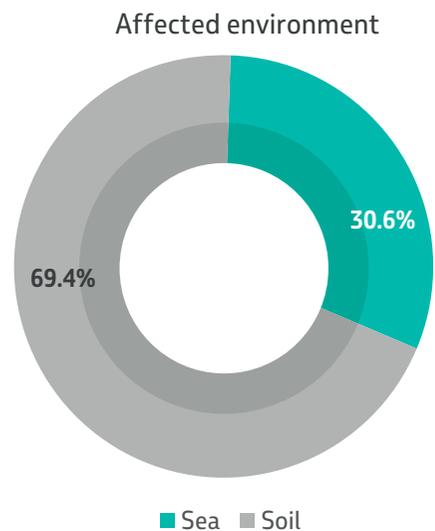
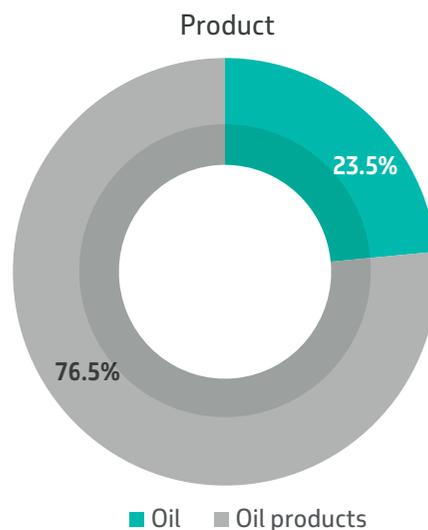
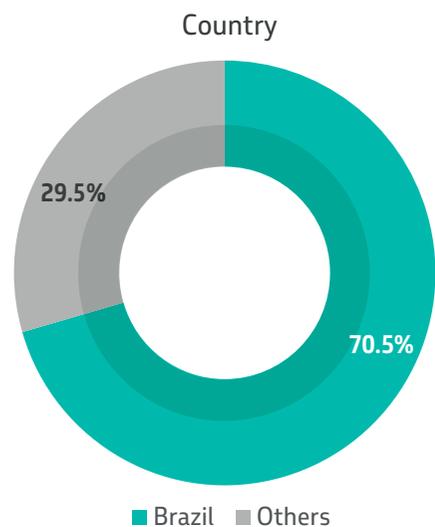


a) Total spilled volume was rectified in March 2017, from 48.32 m³ to 51.9 m³ (equivalent to around 326 barrels) due to results from the investigation of a leak occurred on Nov29, 2016.

b) Average peer group: data from spilled volume extracted from sustainability reports or similar published by companies that are part of Petrobras' peer group. Up to the closure of this report there was no disclosure of all data concerning volumes spilled by companies of Petrobras' peer group.

c) Leak of volumes exceeding a barrel (0.159 m³) that affected the environment is calculated.

Characteristics of Occurrences per Spill Volume



We are constantly improving our standards, procedures and response plans against leaks, which are structured at the local, regional and corporate levels. In order to operate in an efficient manner during such emergency types, we deploy resources distributed in our Environmental Defense Centers (CDA) and advanced bases, located in several places of the national territory, in addition to the Emergency Response Centers of Transpetro. We are associated with the Oil Spill Response Limited, an organization with global scale influence and specialized in providing and complementing resources to implement an efficient answer to petroleum leaks. In 2016, we performed 13 drills in regional scope, including spill response training courses.





Financial Summary

Evolution of the Main Economic and Financial Results

In 2016, our gross profit had a reduction of 9% against 2015, reaching R\$ 89,978 million, due to the drop of 8% in sales of oil products in the domestic market, mainly diesel and fuel oil, and due to the lower generation of electricity. Other factors also contributed to this result: the smaller volume of natural gas traded in the internal market, the drop in the prices of oil and oil products exports and the increase of the depreciation due to reduction of reserve estimates. On the other hand, there were higher diesel and gasoline margins and lower expenses with imports and governmental participations in Brazil.

We managed to have operational profit, reaching R\$ 17,111 million, reversing the loss recorded in 2015.

This result represents a less significant recognition of impairment in comparison to 2015. Other factors also contributed to the operational result, such as the revision to abandon oil and gas areas occurred in the third quarter of 2016, the earnings accrued with the sale of assets and less expenses with the return of fields. However, the result was affected by major expenses such as the new PIDV, reclassification of losses with exchange depreciation resulting from the sale of Petrobras Energia S. A. (Pesa) and by other major expenses with rig idleness.

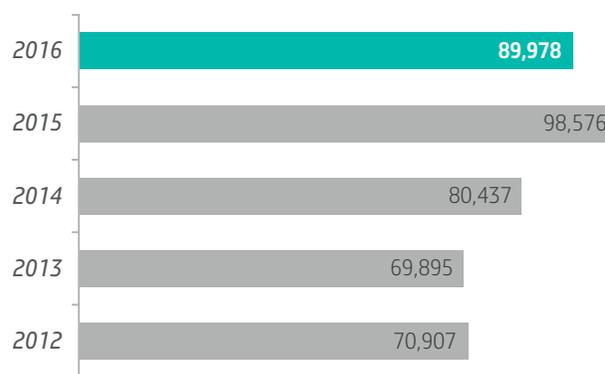
Adjusted EBTIDA increased 16% in relation to 2015, totaling R\$ 88,693 million due to bigger diesel and gasoline margins and less expenses with imports and governmental participations. Adjusted Ebtida margin was of 31% in 2016.

Net financial expenses of R\$ 27,185 million was lower than 2015 due to the lower negative impact from monetary and exchange variations, while expenses with interest increased due to the depreciation of the average quotation of the Brazilian real against the American dollar. As a result of our activities we recorded losses (Petrobras shareholders) of R\$ 14,824 million in 2016.

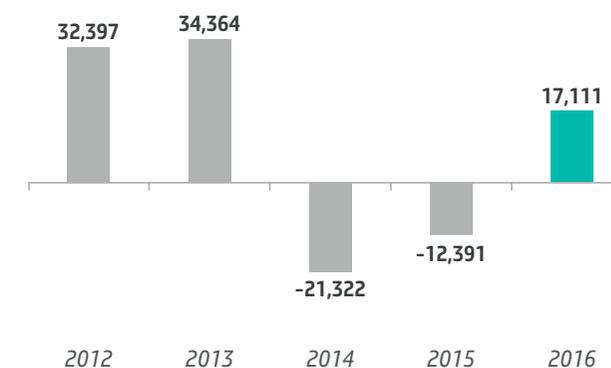
Net Profit (Loss) (R\$ million) –Petrobras Shareholders

2012	2013	2014	2015	2016
21,182	23,570	(21,587)	(34,836)	(14,824)

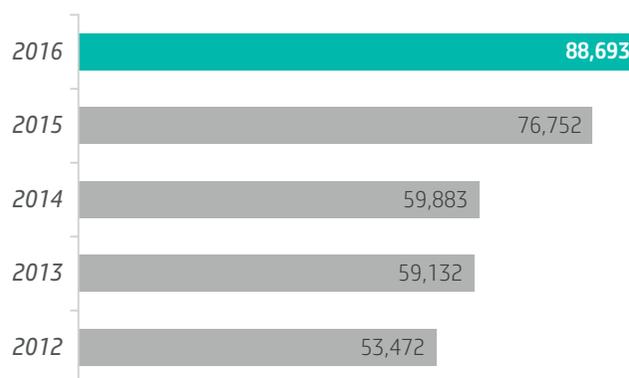
Net Profit (R\$ million)



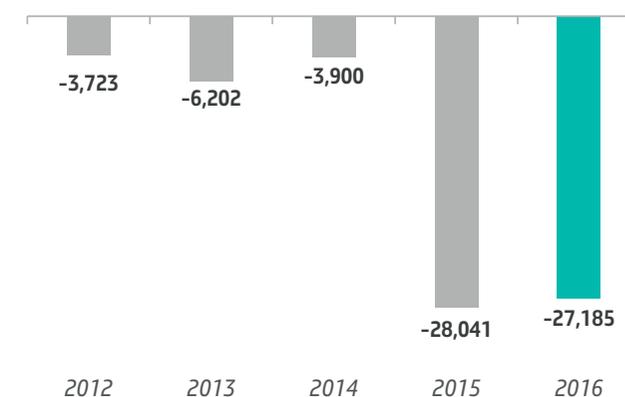
Operating Profit (R\$ million)



Ajusted EBITDA (R\$ million)



Financial Result (R\$ million)



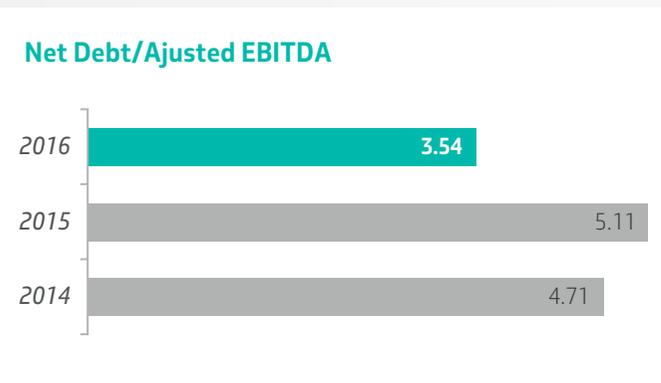


Free Cash Flow

The higher cash generated by operations and the reduction of investments resulted in the positive free cash flow of R\$ 41,572 million, 2.6 times superior than the one recorded in 2015. The higher free cash flow and divestiture made, with the cash inflow of R\$ 7,231 million contributed to a reduction of the company's leverage.

Net Debt / Adjusted Ebtida

With such results, higher free cash flow and divestitures, the evolution of the net debt/adjusted Ebtida presented a significant contribution to reach one of the main metrics of the BMP 2017-2021: to reach a financial leverage of 2.5 until 2018. The leverage dropped from 5.11 in 2015 to 3.54 in 2016.



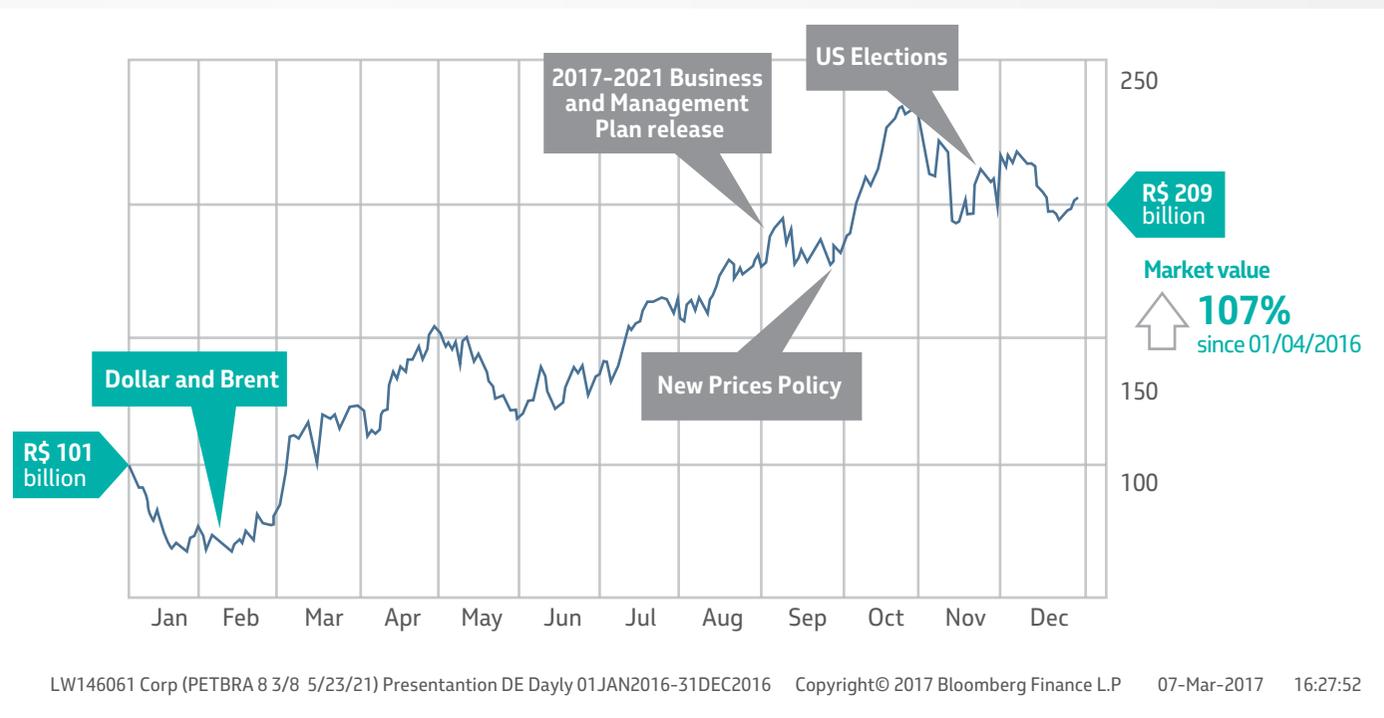
Performance of Our Actions

The beginning of 2016 was impacted by the increase of aversion to risk and by the drop of the oil price. Both factors negatively impacted our shares. Throughout the year, however, there was the occurrence of a change of path, with several factors positively affecting the performance of the shares.

In this context, Ibovespa, main Stock Exchange index in Brazil, advanced 34% in relation to the previous year, while our market value reached R\$ 209 billion by the end of 2016, an annual increase of 107%.

Following the drop of the sovereign rating and due to issues related to our activities, risk rating agencies lowered our corporate rating: Standard & Poor's from BB to B+; Moody's from Ba3 to B3; Fitch, from BB+ to BB.

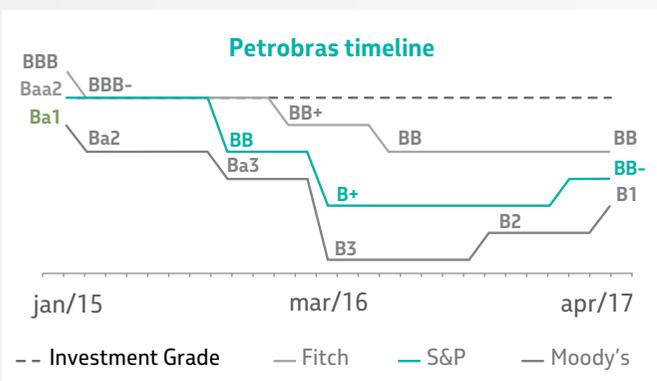
Factors such as changes to the Brazilian regulatory milestone, the expectation of a better operating performance at the mid-term and the fact that we are achieving our goals regarding cash generation and sale of assets influenced Moody's to increase our rating to B2 in the second half of the year and change the perspective from "negative" to "stable", reflecting a lower liquidity risk and an improvement





to the company's fundamentals. On February 2017, Standard & Poor's also increased our rating from B+ to BB-, changing the perspective from "negative" to "stable".

On April 2017 Moody's increased once again our rating from B2 to B1, and the perspective was changes from stable to positive. In its report, Moody's highlighted the continuous improvement of the liquidity profile and of our financial metrics in the last two quarters thanks to, among other factors, our cost efficiency and new price policy.



Operating Performance

Exploration and Production

We produced, in average, 2.79 million barrels of oil equivalent per day (boed) of oil and natural gas. In December, we reached an average of 2.94 million boed. Activities in Brazil accounted for respectively, 96.4% and 84.9% of annual average production for oil and natural gas liquid (NGL) and of natural gas of Petrobras.

Production (thousand boed)

Fluid

Oil, NGL and condensate	2,224	79.7 %
Natural Gas	566	20.3%
Total	2,790	100%

Location

Brazil	2,629	94.2%
Other countries	161	5.8%
Total	2,790	100%

Records

We reached in 2016 an annual record in our average oil production in Brazil. The milestone of 2,144,256 barrels per day (bpd) was in line with the expected goal (2,145 million bpd) and represented an increase of 0.75% against the result from the previous year. Natural gas production without liquefied in the country in 2016 totalized 77 million m³/day. Considering the production of natural gas in Brazil and abroad, we reached 90.8 million m³/day.

We also recorded the annual average record of the production operated in the pre-salt layer. It was of 1.02 million bpd, which means a growth of 33% in comparison to the production of 2015. We highlight the production in the Lula and Sapinhoá fields (both located in the pre-salt of the Santos Basin) and in Parque das Baleias (Campos Basin). We have also started the operation of three production system, two in the Lula field and one in Lapa, also located in the pre-salt of the Santos Basin.

Another record we achieved in the year was the percentage of 96% of gas usage thanks to internal programs aimed at improving efficiency and optimization, as well as the inclusion of project guidelines to minimize gas burn in new production systems.

Extraction Cost Reduction

In 2016, our average extraction cost, excluding governmental rates, was of 10.33 dollars per barrel of oil equivalent (boe), which means a reduction of 11% in relation to the average cost of 11.67 dollars per boe extracted in 2015. This reduction is mainly due to the decrease of intervention activities in wells at the Campos Basin and the rationalization of costs with air and sea transports, in addition to the increase of participation in pre-salt fields, which presented lower extraction costs.

Reserves

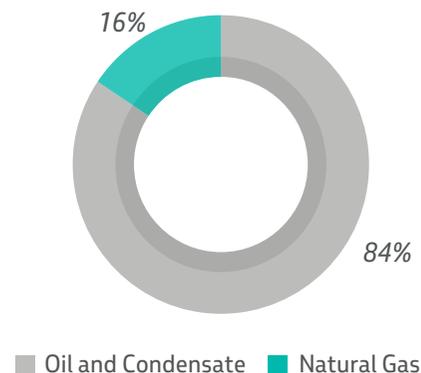
We recorded a decrease of our proven reserves of oil, condensate and natural gas. According to ANP/SPE criteria, we ended 2016 with 12.514 billion barrels of oil equivalent (boe), around 5.8% less than 2015, while 98.2% are located in Brazil. Balance related to the variation of our reserves is detailed in next table:



Composition of Proven Reserves

Petrobras
(billion boe)

Reservations



a) Proven Reserves December/2015	13.279
b) New Discoveries and Accumulations in 2016*	0.110
c) Monetization of Reserves in 2016**	-0.153
d) Revisions in 2016***	0.203
e) Balance of 2016 (b+c+d)	0.160
f) Annual Production of 2016	-0.925
g) Annual Variation (e+f)	-0.765
h) Proven Reserves December/2016 (a+g)	12.514

The Exploration and Production area has a portfolio management model that seeks to maximize the potential of risk/return of the set by analyzing the potential of each field. Partner companies absorb part of the higher risk and lower return reserves for us, but due to scale, portfolio differences or any other factors, those are business they are interested in. This is the context where partnerships and divestitures are set in such segment.

Our Reserve Reposition Index (IRR) was of 34% not considering the effects from divestitures made in 2016. We ended 2016 with the development index of our proven reserves totalizing 50.1%. The relationship between volume of reserves and our production is of 13.5 years.

* Includes extensions that comprise expansions of the proven reserves areas by means of drilling wells after discovery.

** Divestitures representing anticipated monetization of reserves.

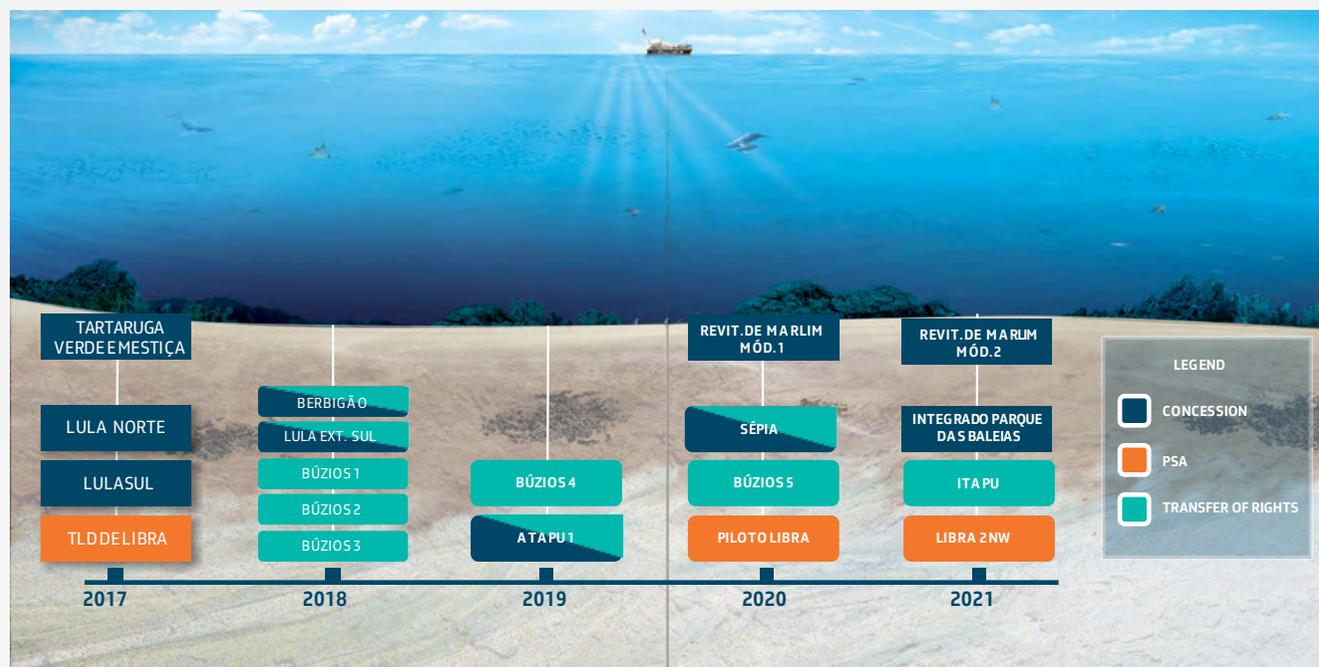
*** Revisions based on technical (ex.: characteristics of reservoirs) and economic criteria.

Production Systems

In 2016 three systems were installed in the pre-salt area.

Currently, we have ten major systems to be installed between 2017 and 2019. Lula and Búzios fields are particularly important to support the growth of our production. Only in those two fields seven FPSOs (ship-type platform capable of producing, storing oil and/or natural gas and transferring production by ships).

Year	Basin	Field	Unit	Platform	Oil Production Capacity (M bpd)	Gas Processing Capacity (MM m ³ /d)	Water Depth (m)
2016	Santos	Lapa	FPSO	City of Caraguatatuba	100	5.0	2,140
2016	Santos	Lula Central	FPSO	City of Saquarema	150	6.0	2,100
2016	Santos	Lula Alto	FPSO	City of Maricá	150	6.0	2,100



Refining and Commercialization

In 2016, we processed 1.945 million bpd of oil and NGL in our refineries both in Brazil and abroad, resulting in approximately 2.015 million bpd of oil products. Our 13 refineries in Brazil produced 1.887 million bpd of oil products. From the total volume, 92% of the processed oil in our Brazilian refineries came from Brazilian fields.

We highlight the record of diesel oil production “S-10” in Brazil with 228,000 bpd (volume 13% higher than 2015). The fuel, known for its low sulfur content (10 parts per million), contributed to the reduction of polluting gas emissions caused by vehicles.

We commercialized 2.064 million bpd of oil products in the internal market, a volume 8% lower than the one in 2015. The table below shows the performance of the sales in the internal market per oil product:

Smaller commercialized diesel volumes are explained by the lower economic activity and to the expressive increase of import by third parties. Gasoline presented a drop of only 1% due mainly to the increase of volume commercialized by importers, petrochemical centrals and particular refineries.

Sales in the Internal Market in million bpd

	2016	2015	Percentage (2016x2015)
Diesel	780	923	-15%
Gasoline	545	553	-1%
Fuel Oil	67	104	-36%
Nafta	151	133	14%
GLP	234	232	1%
Jet Fuel	101	110	-8%
Others	186	179	4%
Total	2,064	2,234	-8%



Transportation and Logistics

The area of pipelines and terminals of Transpetro, our subsidiary, moved a total of 603.3 million m³ of oil, oil products and biofuels in terminals and oil pipelines in 2016.

The participation of Transpetro corresponds to 40% of the total transported cargo by sea in the whole Petrobras system. In 2016 the fleet of Transpetro ships moved 78.7 million metric tons of oil and oil products, which equals to 551.8 million bbl or 18.8% more than 2015.

In 2016 we can highlight the receiving of four new ships expected by the Program to Expand and Modernize the Fleet (Promef). 12 ships are currently under construction. Two ships from the fleet were assigned.

Concerning safety and the operational availability of Transpetro's fleet, there is no record of oil and oil products leaks in 2016 and the Operational Availability Index (IDO), which measures hours in which the vessel were operating or ready to operate in relation to the total hours of a certain period, reached 99.81%, a figure superior than the result from 2015.

Distribution

Petrobras Distribuidora, one of our subsidiaries, accounted in December 2016 for 31.1% of the total sales in the Brazilian fuel distribution segment.

We kept the lead in the service station market, which has, as clients, reselling and franchised stations, totalizing annual market share of 25.4% and commercialized volume of 24.0 million m³.

For the big-sized consumer market – which corresponds to direct sales of fuels and lubricants for industries, governments, transportation companies, thermal power plants and Retailing Reseller Transporters (TRR), in the whole national territory – we supplied 8,764 clients reaching a market share of 44.8%, corresponding to a total volume of 11.8 million m³ of products sold.

For the Aviation Market in 2016 we reached a market share of 55.1% with 3,751,422,000 m³ in sales and around 3,000 clients supplied in the whole national territory, involving an average of 62,750 aircraft supply operations per month in a grid with 108 airports.

Gas and Energy

We were responsible for generating 2,252 Average Megawatt (aMW) of power, 52% less than 2015 due to factors such as improvement in hydrological conditions and reduction of industrial activities, as well as the commerce sector, which impacted the load in the National Interconnected System.

The lower thermal power demand in 2016 contributed to reduce sales of natural gas, causing a reduction, in comparison to 2015, in the imports of Liquefied Natural Gas (LNG) by 65% and of Bolivian natural gas by 12%.

We supplied in 2016 an average of 74.64 million m³/day of natural gas for the market and the internal consumption of Petrobras. From the total offer, 44.03 million m³/day resulted from national production, 3.84 million m³/day resulted from liquefied natural gas regassified at the LNG terminals in Pecém (CE), in the Guanabara Bay (RJ) and Bahia and 28.38 million m³/day were imported from Bolivia.

From that total, 1.63 million m³/day was used in the natural gas transportation system.

Renewable

Our energy production from renewable sources gave priority in 2016 to the generation of wind origin (173,900 MWh), solar (1,900 MWh) and biomass (1,400 MWh) and by means of small hydropower plants - SHP (19,300 MWh).

Biofuels

Biodiesel units of Candeias (BA), Montes Claros (MG) and Quixadá (CE) delivered 295,600 m³ of biodiesel in 2016.

The units located in Marialva (PR) and Passo Fundo (RS), with total capacity of 425,000 m³/year and owned by BSBIOS, a company where Petrobras Biocombustível has a share of 50%, delivered 397,300 m³ of biodiesel in 2016.

In the ethanol segment, Petrobras Biocombustível operated by means of three invested companies – Guarani (SP), Nova Fronteira (GO) and Bambuí (MG), reaching the milestone of 1.15 million cubic meters of ethanol produced in 2016. In 2016/2017 those companies also made available to the electricity distribution grid, a surplus of 1,435 GWh, which is enough to supply a city of nearly 720,000 inhabitants for a whole year.

Distribution of Liquefied Petroleum Gas

Liquigás, one of our subsidiaries, is the market leader in Liquefied Petroleum Gas (LPG) bottles with up to 13 kg – the ones most used for residential purposes. It is currently ranked 3rd in the bulky LPG distribution market, and 2nd as



the largest LPG company, also considered one of the largest distributors in Brazil according to the ANP. In 2016 1.6 million metric ton of liquefied petroleum gas was commercialized.

Fertilizers

In 2016 we calculated record-breaking productions of 435,000 metric tons of ammonia and 418,000 metric tons of urea in the factory of Bahia. In total we produced 1.1 million metric tons of ammonia (from which 743,000 metric tons were used in the production of urea and 21,000 metric tons in the production of ammonium sulfate) and 1.3 million metric tons of urea.

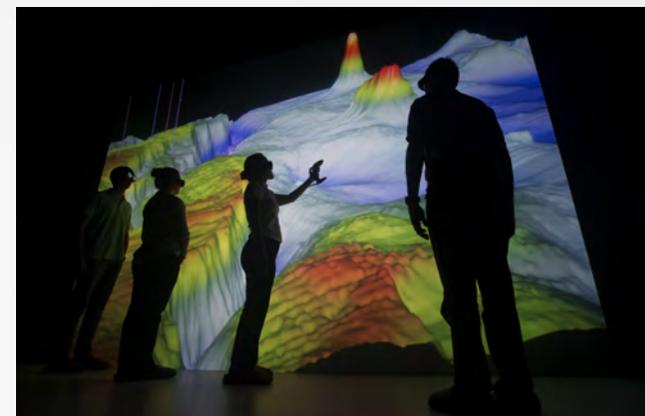
Decommissioning

On September 2016, we concluded the first stage to deactivate the Cação field in the shores of Espírito Santo, which will be our first offshore field to be fully deactivated by removing all structures. We performed the definitive abandonment of its 13 wells, followed by disassembly of process facilities and support to decks of fixed platforms PCA-2 and PCA-3, all in compliance with the legal requirements.

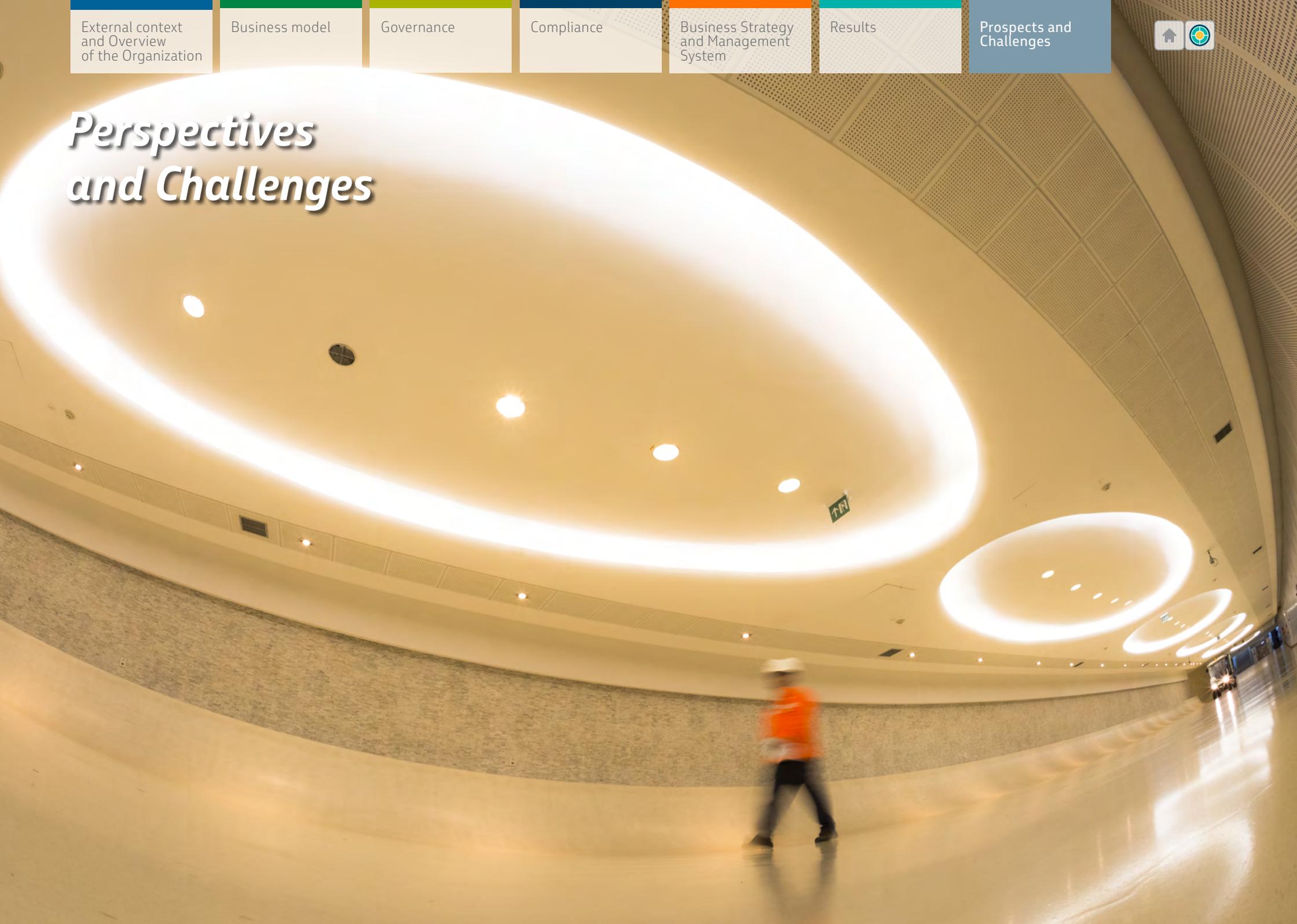
Some other assets in decommissioning process are the platforms P-07, P-12 and P-15, which already shut down their productions, in addition P-33, which must cease production by 2017. These processes forecast operations such as cleaning and disconnection of pipes, abandonment of wells and destination of platforms meeting the applicable regulations.

We also decided to interrupt production of biodiesel in our unit of Quixadá (CE) due to unsatisfactory economic results

and our strategy to fully stop biofuel production activities. In 2017 we will perform the cleaning of the unit, carry out the due destination of waste, and then we will promote the hibernation of the asset by applying nitrogen and anticorrosive materials. Thus, the plant will remain preserved for future destination.



Perspectives and Challenges





Research and Development

Projects and investments in research and development (R&D) collaborate towards the evolution of our business and the technological advance of the oil and gas sector. In 2016 the total amount invested in research and development reached R\$ 1.8 billion, a reduction of 9.78% when compared to the previous year.

In 2016, from the total investments, R\$ 548.5 million were applied by means of partnerships with 90 universities and research institutes in Brazil and 21 abroad. This year, we requested 24 patent claims in Brazil and 38 abroad.

In our Research and Development Center *Leopoldo Américo Miguez de Mello* (Cenpes) we organize the whole relationship with the scientific and academic community, whose topics cover segments such as oil, gas, energy and the management of R&D projects.

Main Cutting-edge Research Lines

Cenpes has several research lines, most in connection with universities and research institutes covering several knowledge areas related to oil, gas and renewable energy. Some of them are at the very edge of the knowledge, known as cutting-edge research lines, such as:

- Riserless drilling: this project consists in the development of a drilling technique where the drilling riser is removed. Therefore, the time used to maneuver pipes across deep and ultra-deep water depths is eliminated from the critical path of the process to construct offshore wells, thus allowing the performance of several parallel operations;
- Laser drilling: in the last decade several technological breakthroughs occurred in fiber laser. The purpose of this project is to develop a fiber optic laser drilling system that matches a drill with conventional cutters, making the rock fragile before the cutters reach it. It is estimated, with this system, that is possible at least doubling the penetration rate, allowing for a reduction of well costs, mainly in the pre-salt;
- CO₂ absorption process with biphasic solvents to capture CO₂ both exhaust and natural gases: technology with potential to promote increased energy efficiency of the process and to reduce the size and weight of CO₂ capture units;
- CO₂ capture process in exhausted gases by means of ionic liquid aqueous solutions: among technological differentials we highlight the savings in energy in comparison to industrial processes currently in operation;
- Auto-learning system in geophysics, with researches on rock/profile/seismic integration: provides support to the interpretation of seismic attributes for the evaluation of prospects, reservoirs characterization and assistance in the automatic sorting of the seismic quality, which are important to process and manage seismic data;
- High Performance Computing to simulate reservoirs and geological simulation: it aims to reduce the simulation time of reservoir models, allowing the use of more complex and representative models;
- Production of carbon advanced materials using residual refining streams: project conducted in partnership with the Army's Technological Center (CTEx) since 2003, it has achieved success in developing technologies to produce different carbon materials.



Technologies and Gains

Some of the main technological solutions and results in 2016:

- Optimization of the mooring platform systems for P-67, P-68, P-69, P-70, P-74, P-75, P-76 and P-77, reducing the need of 30 mooring lines expected in the original projects, which enable us potential savings of R\$ 470 million related to the reduction of material and installation costs.
- Development and utilization of software “PWDa” (Pressure While Drilling analyzer), which receives real-time well drilling information, identifies risk situations and alerts on the occurrence of operational problems. Its utilization allowed the reduction of drilling rig time in 18 days, generating savings of R\$ 34.4 million in the year.
- Development and utilization of “ENDFlex” tool to define new deadlines to inspect pipelines, risers

and submarine umbilicals. The software uses technical criteria based on risk classification and history and consequences of field failures. In the Campos Basin Operational Unit, with the application of new inspection deadlines, the potential cost reduction is of R\$ 120 million thanks to the reduction of vessel fleet.

- Establishment of new recommendations for the procedure to open producer well in the *Marlim* field, for laboratory tests and numerical simulations, which allowed the gradual increase in flow rate, and thus avoiding production losses and generating an additional revenue of R\$ 125 million in the year.

participated in the preparation of a Brazilian standard for the characterizations of sugarcane bagasse. In the biodiesel technology there was progress in the development of processes that allow conversion of lesser-value charges and non-food use. New catalyzers of superior performance were developed to produce aviation biofuel. Also, FCC bio-oil co-processing tests in demonstration scale were performed, a route to insert renewable carbon in gasoline and diesel. Progress has also been achieved in the development of bio-lubricants for application in ship systems. Produced bio-lubricants met manufacturers specifications of equipments consolidated in the market.

Research and Development in Renewable Energies

We invested R\$ 28.9 million in research and development for the production of renewable energy in 2016.

Biofuels

In 2016 the development of biofuel production processes was continued and focused on the costs reduction. Production processes of cellulosic ethanol (2G), biodiesel, aviation biofuel, renewable gasoline and diesel presented progress. In the cellulosic ethanol area, studies were developed to reduce operating costs by reducing the use of inputs. Moreover, we

Investment in Renewable Energies and Biofuels Researches

ENERGY TYPE	R\$ MILLIONS
Advanced biofuels	8.19
First generation biofuels	3.69
Bioproducts	2.55
Waste energy	5.44
Hydroelectric energy	0.99
Thermoelectric energy	0.82
Solar energy	5.01
Alternative Energies	0.17
Wind energy	1.56
Electric and Hybrid Vehicles	0.46
Total	28.9



We can highlight some technologies made available by Cenpes, in 2016, that promote improvements in health, safety, integrity and environment:

- Installation of the Stationary Production Unit control simulator and dynamic virtual compression plant, which improved and corrected control settings, as well as adjustments to new operation scenarios, reducing involved risks and optimizing compressor operation, startup and shutdown. The use of this simulator avoided 23 unscheduled stops on P-43, representing a gain of approximately R\$ 2.5 million;
- Development of multi-size “stick” PIG, tool for internal inspection of oil and gas production pipelines, successfully used in fields of the Espírito Santo Operational Unit and the Santos Basin Operational Unit. The differential of the tool is profiling of the internal corrosion of pipelines throughout the different existing diameters across its extension. In addition to contribution given to the oil industry, this technology, now available to Petrobras, is helping us to optimize inspections in order to ensure the integrity of equipment and to reduce costs due to the minimization of the frequency of required inspections. For the future, there is the expectation of applications to the Rio de Janeiro Operation Unit and in pipelines installed in the pre-salt of the Santos Basin;
- Development of first filling diesel, that ensures protections to the new vehicles stored in the courtyard of outmakers for a period of up to 180 days before sale. The product reduces the occurrence of oxidation reactions and minimizes formation of deposits in the injections system, reducing wear of parts and decreasing human exposure to degraded product. The reduction of fuel waste and worn parts brings significant environmental gains, and meets fuel specifications and environmental and logistic requirements;
- Application of new catalyzer technology in one of the two catalytic cracking units at the *Paulínia* Refinery, in São Paulo, which, in connection with other initiatives, reduced particulate material emissions in 22%. Its use provided an increase in the conversion of heavy fractions for diesel and gasoline production, with estimated R\$ 35 million on an annual gain basis, in addition to anticipate the compliance to CONAMA Resolution 436, which sets out the maximum limits of emission of atmospheric pollutants concerning installed fixed sources or with installation license request before January 2nd, 2007 and without investment of relevant capital.

Supplier Management

The value-focused management of suppliers of goods and services is one of the strategies in our 2017-2021 Strategic Plan and Business and Management Plan. This chapter will address information on our supplier management as well as of our subsidiaries Petrobras Distribuidora, Petrobras Biocombustível and Transpetro.

Supplier Chain

Our suppliers may be divided into two major groups: “Support or Non-Core Activities” and “Primary or Core Activities”. The Core Activity group enables a better characterization of who attends to business; generally the most relevant ones are the following:

Petrobras

Chartering of production platforms, chartering of rigs, wells services, Engineering, Procurement, Construction and Installation – EPCI, subsea operations, flexible lines, valves, pipes, aircraft chartering, chartering of ships and special vessels, chemicals and catalysts, geophysical services, Engineering, Procurement and Construction – EPC and maintenance of equipment.

Petrobras Distribuidora

Acquisition of Fuels and Biofuels. Additives, Basic Oils, Packaging, Production Inputs and service providers



correlated to the Petrobras Distribuidora industrial area. Additionally in the part of Transport: Road Transport Services, Coastwise Shipping, River and River-Road transport used in movement and circulation of fuels and lubricants distributed by Petrobras Distribuidora;

Petrobras Biocombustível

Vegetable oils (soybean, cotton, palm and OGR – Residual Oils and Fats), animal (beef, pork and poultry) fats in addition to metanol;

Transpetro

Operating support services such as inspection and maintenance or complementary services such as transportation.

In 2016, Petrobras holding operated with 12.6 thousand suppliers; out of this total, 10 thousand suppliers had individual contracts and orders entered into during the year and the remaining 2.6 thousand had current contracts entered into in previous years. In 2015 the number of suppliers with which we operated was 16.3 thousand.

Considering Petrobras holding, Petrobras Biocombustível, Petrobras Distribuidora and Transpetro, the amount of operations was R\$ 99.2 billion through approximately

8.5 thousand new contracts and 237.9 thousand new individual orders distributed as follows:

Commercialized Volume

COMPANY	NUMBER OF SUPPLIERS WITH COMMITMENTS ENTERED INTO IN 2016	CONTRACTS ENTERED INTO IN 2016	INDIVIDUAL ORDERS ENTERED INTO IN 2016	AMOUNT OF TRANSACTIONS R\$
Petrobras holding	10 thousand	2.8 thousand	90 thousand	65.5 billion
Petrobras Biocombustível	1.3 thousand	571	2.8 thousand	1.04 billion
Petrobras Distribuidora	13.8 thousand	4.8 thousand	92.8 thousand	30.5 billion
Transpetro	4 thousand	409	52.3 thousand	2.2 billion

Note 1: The number of suppliers cannot be added due to the possibility that one same supplier may have transacted with more than one of the listed companies.

Note 2: In relation to Petrobras Biocombustível, it includes legal entities and individual suppliers (family farming).

Note 3: There are other companies in the Petrobras system which are not comprised in the reported data.

Contracts Profile

COMPANY	% SUPPLIERS WITH BUSINESS UP TO R\$ 100 THOUSAND	% SUPPLIERS WITH BUSINESS BETWEEN R\$ 100 THOUSAND AND R\$ 1 MILLION	% SUPPLIERS WITH BUSINESS BETWEEN R\$ 1 MILLION AND R\$ 100 MILLION	% SUPPLIERS WITH BUSINESS ABOVE R\$ 100 MILLION
Petrobras holding	69%	18%	12%	1%
Petrobras Biocombustível	91%	4%	5%	0.1%
Petrobras Distribuidora	89%	5%	5%	1%
Transpetro	80%	15%	5%	0.1%



Supplier Registration Portal and Requirements

The companies Petrobras, Transpetro and Petrobras Biocombustível use a unified registration portal managed by the holding company. Petrobras Distribuidora has its own supplier registration portal; Petrobras and Petrobras Distribuidora websites offer tools for suppliers to inform their data and items of interest. The two registration portals also have technical, economic and legal requirements for suppliers in addition to requirements of integrity and health, safety and environment (HSE), the latter being specific for services suppliers. Registrations are the base for the selection of suppliers in biddings and contracting; the assessment criteria provided vary according to the criticality of the supply items and type of supplier.

Health, Safety, Environment

Companies should submit evidence and certifications related to the enforcement and compliance with health, safety and environment standards as well as representing that they meet all the requirements, laws and ordinances in connection therewith.

The Risk and Scope Categorization Matrix is used to assure the proper application of rules for each type of service by setting forth the degree of risk in each type of service in the topics of health, safety and environment (HSE).

The Matrix lists the severity and probability of occurrence of events related to the following six topics: community health and safety, workforce safety, workforce health,

environment (spill of liquids, gaseous emissions and solid waste), legal impact and attention to the company image.

Environmental criteria were used in 66% of the new commitments formalized by Petrobras holding in 2016.

Social Responsibility

At the registration phase all suppliers shall state to be in agreement to comply with the Social Responsibility Term. This document addresses the following topics related to labor practices and human rights: prohibition of child labor and forced labor (similar to slave labor or under degrading conditions), freedom of association and collective negotiation, prohibition of discrimination of sex, gender, race, religion, sexual orientation, among others. The contracts also provide that the supplying companies shall comply with the provisions of the Petrobras Social Responsibility Policy. In the new commitments formalized in 2016, 100% considered criteria related to labor practices and 66% in Petrobras holding considered criteria related to human rights.

Integrity

In Petrobras holding new commitments, 100% of the 10 thousand suppliers are oriented on the policies and procedures to fight corruption in the organization through the Ethics Code and Conduct Guide which are referred to in the contracts as well as published in the Petrobras Supplier Channel. These documents state that the process of selection and contracting of suppliers is grounded on strictly legal and technical criteria of quality, cost and punctuality besides requiring from

suppliers an ethical profile in their management and social and environmental responsibility practices, by refusing practices of unfair competition and others contrary to the principles of the documents including in the supply chains of such suppliers.

In 2015, we made the supplier management more rigorous and stricter in order to increase the security in contracts of goods and services aiming to mitigate fraud and corruption risks, especially those referring to third parties' integrity (procedure known as Integrity Due Diligence - DDI) representing deviations of conduct or damaging acts to the public administration. Thus, in order to be part of the Petrobras Registration Portal, companies should provide detailed information on their profile, business structure, history, third party relationship and compliance mechanisms. Approximately 1,500 companies were subject to DDI in 2015 and had their Integrity Risk Rating classified as high, medium or low. In 2016 we completed the Integrity Due Diligence process for 9,532 companies; such assessments are used as basis for the process of selection of companies in biddings and contracting.

Impacts on the Supplier Chain

Petrobras holding assesses suppliers under environmental criteria throughout the enrollment and registration renewal as well as on the performance of services agreements.

In 2016 at Petrobras Distribuidora we had 229 road transport service companies audited in periodic audits of Health, Safety, Environment and Quality (HSEQ).



Where non-conformities are found after the registration of a Divergence Occurrence Notice in the system, suppliers are required to develop a plan of improvement of the divergence found negotiated with the Contract Supervisor.

In 2016 no company was included in the list of companies barred to contract due to environmental issues.

In terms of negative impacts in labor practice, six companies were confirmed in 2016 as having exhibited high severity occurrences. Concerning negative impacts on the society seven companies had high severity occurrences in 2016 (dishonesty reasons). Therefore, such suppliers had their relations terminated with Petrobras and barred from contract for a period of time and included in the List of Companies Banned from Contracting, published in Petrobras website.

Our subsidiary Petrobras Biocombustível is attentive to the risk of using child labor by suppliers in family farming. It is worth mentioning that no such case was ever been identified; all contracts entered into as of 2015 for acquisition of raw material of this origin have a clause of "no utilization of child labor".

Through the company *Contrato Seguro* Petrobras offers to its workforce and stakeholders the Denouncement Channel under the General Ombudsman Office's management where any deviations may be reported including violations to the exercise of freedom of association and collective negotiation among other issues related to labor practices and human rights. Claims are investigated and according to the results of such investigations our area of Supply of Goods and Services is alerted to mitigate risks in new contracts. In the event of no compliance of contract clauses the contract manager is contacted to take the appropriate actions.

Implementation of IDF – Supplier Performance Index

In October 2016 we implemented a new method to assess the performance of suppliers of goods and services: the Supplier Performance Index (IDF) in replacement of the Performance Assessment Bulletin which will be gradually discontinued. All contracts recorded as of such date are already assessed by the new system; more than one thousand evaluations were generated according to the new methodology up to the 1st half of 2017.

The purpose of such change is to provide a simpler, more objective and effective performance assessment process to support the implementation of a standardized consequence system throughout the company being also used as criterion in the selection of suppliers.

Macro-criteria of Assessment of IDF

HEALTH, SAFETY & ENVIRONMENT	MANAGEMENT	QUALITY	DEADLINE
Anomalies & Incidents	Administrative Aspects & Human Resources	Compliance with Contract Scope	Punctuality
Recordable Accident Rate (TAR)	Planning & Productivity	Effectiveness in Enforcement of Contract Object	Flexibility
Regulatory Standards & Environmental Issues	-	-	-



Supplier Occurrence Status (SOF)

In the Supplier Registration Portal we implemented the SOF – Supplier Occurrence Status whose purpose is to identify recent occurrences observed by the Supervision and investigated by the specialist area in the matter.

At first the types of occurrences are the following:

TYPE OF INCIDENT
No compliance of fiscal or taxes obligations
Supplier leaves the contract
No compliance with social or labor obligations
Use of child or forced labor
Fatal accident

The SOF influences the suppliers' selection by signaling risks to the contract. Suppliers with no occurrences will have a "green" status in the registration. Medium and high gravity occurrences will place the suppliers in "yellow" and "red" status respectively representing restrictions to the selection.

In the case of contracts in force, the need of actions to be taken shall be analyzed such as, for example, the creation of a Commission for Review and Application of

Sanctions (Caase) to assess occurrences of types "use of child labor or slave-like labor" and "fatal accidents".

Application of Sanctions

During 2016 we conducted 256 processes subject to sanction through the Caase. The resulting facts covered: suspicions of fraud, no compliance of contract obligations, environmental damages and other non-conformities practiced by suppliers. Also in 2016 there were 150 current sanctions applied to suppliers, as well as in the same period, 24 companies were included in the List of Companies Banned from Contracting, as they suffered the application of administrative sanctions by Petrobras.

Centralization of Procurement Area

In 2016, due to the review of our organizational structure, that addresses a new management and governance model, the acquisitions of goods and services were partially centralized, considering preestablished limits with the following purposes:

- To optimize our cash generation through better efficiency of contracts by setting appropriate strategies using a healthy supplier base and competent conduct of bidding processes;
- To assign to the new structure a culture grounded on integration and aligned to the business needs, valuing merit and compliant action.

Our procurement area has strategic initiatives addressing actions for recovery of our cash through negotiation of contracts, reduction of purchases and inventories available; mapping and redesign of processes seeking to simplify and eliminate bottlenecks; standardization of documents and systems so that the processes would become more expedite and with low risk of non-conformity. A workforce qualification program is also forecast as initiative, called Procurement Academy aiming to build a "team" able to orchestrate the integrated procurement process in its different disciplines.

Market Monitoring and Acquisition Planning

Among the duties of the procurement area we have the constant market monitoring aiming to follow up technological trends, mergers and acquisitions, price indexes as well as analyzing the players and the capacity to meet the national and international supplier market. Such activity enables to identify the need of development of new suppliers for low competitiveness markets. Additionally, such ongoing monitoring may indicate the need of qualification and registration of suppliers that are already operating in the market but have not yet supplied the company, in order to increase the competitiveness in the contracting processes.

In relation to the acquisitions planning, the concept of category management was implemented addressing concepts such as Total Cost of Ownership (TCO), Alignment of Incentives, enhancement of contract terms and technical specifications, for example, in the development of long-term Procurement Plan and Contracting Strategies for prioritized goods and services.



Such strategies are defined on the basis of the requirements of our Business and Management Plan and relevant goals.

Improvements in the Corporate Registration of Suppliers

In 2016 we also completed the review of all families of materials and services of the Corporate Registration of Suppliers, a result of the Improvement Program in the Supplier Base Management (PGBF). The main driver of this work is the reduction of subjectivity of registration requirements by simplifying the filling out of information by suppliers. Additionally, new families have a higher level of details on the scope of supply of each company, thus reducing the number of suppliers' refusals due to the fact that the contracted material or service is not part of the companies' supply line. Such improvements will result in higher competitiveness and will be monitored by the number of valid bids per contracting process.

Adequacy to Provisions in Law No.13,303/16

In August 2016 Law No. 13,303 was enacted, known as State Companies' Act which provides on the legal statute of public and mixed-capital companies and their subsidiaries within the scope of the Federal Government, the States, Federal District and Municipalities.

Law No. 13,303 brought forth several changes mainly the fact that the mixed-capital companies will no longer be using the bidding

modes provided for in Law No. 8,666/93 or Decree 2,745/98 (invitation, price request, price competition, auction, competitive bidding) but rather the procedures provided for in the new law, such as, for instance, online auction or e-procurement mode for the acquisition of regular goods and services.

We intend to carry out all adjustments required to the full enforcement of Law No. 13,303/16 within twenty-four (24) months set forth in its Article 91.

Relationship with Stakeholders

Our Stakeholders

Our commitment towards our stakeholders is stated in our Strategic Plan and also in internal documents such as the Communication Policy, the Social Responsibility Policy, the Relationship Standards, the Petrobras Bylaws and Corporate Vision in addition to the Corporation Act.

We maintain several digital channels with specific environments for the relationship with our stakeholders; through these environments we provide services and keep them informed on our performance and operations.

We have a database with our stakeholders for relationship actions at corporate level. We have progressed in the integration of the corporate relationship database with the incorporation of

new databases of local units, improvement of data already captured and new analysis and segmentation rules. We have a base of 451,012 persons and 162,326 institutions registered or having relationship with Petrobras.

In our [website](#) we provide the information disclosed to the market, shareholders and regulatory bodies. We relate with our other stakeholders through the SIC – Citizen Information Service according to Law No. 12,527 of 2011 (Information Access Act) – by responding through our Transparency Portal and service counters distributed in our units – and also by the Petrobras Denouncement Channel, a unique, independent channel implemented in November 2015.

We maintain a relationship with communities in the sites where we operate. Also, our senior management who also connects to our stakeholders may occasionally make communiqués and presentations to the general public. Senior management and Internal Audit receive periodic reports from our transparency and dialog channels; besides, the senior management also receives monitoring reports and image and reputation surveys carried out with our stakeholders.

We classify our stakeholders as groups of individuals and/or organizations that have common issues and/or needs of social, political, economic, environmental or cultural nature and that establish or may establish relations with us and are able to influence – or being influenced by – activities, businesses and/or our reputation.



We connect to the following groups of stakeholders:

- | | |
|-------------------------------------|-------------------------------|
| › Customers | › Press |
| › Scientific and academic community | › Investors |
| › Communities | › Civil society organizations |
| › Competitors | › Partners |
| › Consumers | › Public authorities |
| › Suppliers | › Internal public |
| | › Retailers |

Relationship with Investors

Shareholders' deliberations are taken in meetings occurring throughout the year. In 2016 we had one regular and three special meetings; we interact with investors and analysts through formal meetings, lectures, seminars, conferences and webcasts. We prepare reports and publications as instruments for provision of information. Among our legal obligations is the disclosure of Form 20F, an Annual Report filed at the US Securities and Exchange Commission (SEC), and the publication *Formulário de Referência* required by the Brazilian Securities Commission - *Comissão de Valores Mobiliários* (CVM).

The disclosure of quarterly results is made through telephone conferences/ webcasts to investors and analysts, press conferences and presentations in the corporate TV to our workforce. We were present in seminars held by the Association of Investment Analysts and Professionals of Capital Market (Apimec) and participated in conferences with institutional investors in Latin America, United States, Europe and Asia.

We display such information in our website dedicated to such public, an environment that includes quotations, relevant facts and press releases, financial results and schedule of events among other data. Topics of interest involve transparency and professional ethics, corporate reputation, economic and financial results, annual information bulletins on the business performance and business relations.

Information which could affect investment decisions are timely publicized through Relevant Fact or Notice to the Market according to the rules from CVM and the São Paulo Stock Exchange (BM&F Bovespa) in Brazil and SEC and the New York Stock Exchange – NYSE in the United States.

Relationship with Consumers

Our relationship with consumers occurs through campaigns, digital communication and promotional actions, satisfaction surveys and direct channels to consumers in addition to other transparency and dialog channels such as the Ombudsman, the Whistleblower Channel and the Transparency Portal with access to the Citizen Information Service (SIC).

The most important information on the safety of our products and their general characteristics such as identification of hazards, first-aid and fire-fighting actions, spill or leak control, handling and storage of products, and others, are displayed in the Material Safety Data Sheets (MSDS) which are provided for consult in the [Petrobras Distribuidora website](#). As to

the distribution of natural gas our clients have a product manual which guides the users on the safe utilization.

The Loyalty Program of our service stations, the *Petrobras Premmia*, in its 4th year of activity, exceeded 10.3 million registered users. The different options of points rewards are present in our service stations, franchise and partner establishments in different retail segments.

An example of campaign carried out for our consumers is the Liquigás Safe Flame Campaign - *Campanha Chama Segura*, in partnership with the Fire Department and the Supporting Foundation to the Military Police Fire Department of São Paulo State (Fundabom), directed to household consumers in lower income areas. In 2016, 29 actions were carried out in São Paulo metropolitan area and in the São Paulo State, in communities with high number of occurrences of household accidents involving petroleum liquefied gas according to the Fire Department statistics.

Relationship with Communities

We understand that community relationship is a long term process which purposes to develop the interaction with our nearby communities on a continuous and transparent basis, contributing to our businesses and to local development according to the guidelines of our Social Responsibility Policy available in our website on Society and Environment.

In 2016, given the review of our organizational structure, an initiative that addresses a new management and governance



model, the social responsibility function including community relationship was centralized having as main goals the integration and alignment of actions in the Petrobras system companies, including subsidiaries in the country and abroad.

The major issues and concerns of our nearby communities were determined by different forms of interaction, such as: communication channels (Customer Service and Ombudsman, for example), meetings in community councils and committees and meetings with leaders having involved 2,101 participants. In addition, 24 visits to our operating units were organized for the communities, having the presence of 443 participants. The following major topics and concerns were raised by the communities:

- Maintenance of our social programs and resumption of investments;
- Information on impacts of operations and occasional accidents;
- Urban infrastructure – sanitation, housing, paving, health, education;
- Job and income generation;
- Support to cooperativism, entrepreneurship and community organization.

Through a participative process based on the methodology called “Agenda 21” we promoted the implementation of community forums with participation of different social actors and the preparation of community development plans in 193 communities in the surrounding areas of our operations. In 2015 and 2016, we worked to strengthen these dialog

spaces having held about 1.5 thousand community forums meetings with approximately 17 thousand participants. In 2016 4.4 thousand certifications were awarded at in 229 community communication and social management workshops (entrepreneurship, text production, development of community projects and organization of small local enterprises).

Examples of actions with the communities

In communities surrounding the areas where the gas pipelines are located, there is a communication channel in place called “Gas Line” – *Linha do Gás* – at toll-free number 0800 026 0400. Events such as damages caused to pipelines, accidents, leaks, etc. may be reported in this channel. Communities’ awareness raising actions are carried out in these sites regarding accidents prevention and minimization of impacts and consequences of our activities.

Through the distribution network of our subsidiary GasBrasiliiano, we could provide access to piped gas infrastructure to a total of 19.8 thousand clients in 31 municipalities of São Paulo State with positive reflections in attraction of investments and job generation. Were built 49.5 km of distribution networks complementing the already existing facilities with investments of R\$ 19.1 million. We signed an agreement with Maricá Municipality, Rio de Janeiro

for the installation of a macro-drainage system addressing the urbanization and paving of part of roads and streets of Itaipuaçu District which beach will receive the treated effluent from the Rio de Janeiro Petrochemical Complex (Comperj) through a subsea outfall. The works started in 2014 and is scheduled to be completed in 2017 with total investment of R\$ 20 million.

Regarding Comperj, last February our CEO met with mayors from the Conleste – Intercity Consortium of Rio de Janeiro Eastern Region, which gathers 15 municipalities of the project region and announced the resumption of the Natural Gas Processing Unit (UPGN) which is part of the Route 3 Integrated Project and the utilities required to the operation thereof. Located in the same Comperj area, the UPGN will be processing the natural gas from the Santos Basin Pre-Salt Pole which will be offloaded by Route 3 gas pipeline. As to the completion of the first refining train we are still searching for partners as forecast in BMP 2017-2021.



Investments in Projects in 2016

	QUANTITY	VALUE (R\$ MILLION)
Socio-environmental	470	120
Cultural	100	71
Sports	16	50
Total	586	241

Socio-environmental Projects

The Petrobras Socio-environmental Program is a tool to expand our activities with communities, civil society organizations, government and universities, contributing to the mitigation of socio-environmental risks related to our business and to the local development of the areas where we operate. Built upon the experience of previous socio-environmental investments and being in operation for three years, it encompasses more than 700 partnerships with institutions such as United Nations Children's Fund (Unicef), the Educational Sport Multiplier Partner Network, the Pro-Tamar Foundation and the *Baleia Jubarte* Institute. The projects have dynamic and complementary lines of actions such as: Water, Biodiversity, Forest and Climate, Education, Educational Sports and Child and Adolescent's Rights.

The program is aligned to standards, internal policies, our BMP 2017-2021 and to the international guidelines and principles of social responsibility, such as the United Nations Global Compact and ISO 26,000 Standard.

In February 2017, we completed the assessment of 327 socio-environmental projects managed by Petrobras holding in 2016, according to its relation to the 17 Sustainable Development Goals (SDGs). Out of these projects, 45%

adhered mainly to the SDG 4 (Quality Education), 27% adhered mainly to SDG 8 (Decent Work and Economic Growth), 9% to SDG 15 (Life on Land), 6% to SDG 16 (Peace, Justice and Strong Institutions), 4% to SDG 14 (Life Below Water), 3% to SDG 6 (Clean Water and Sanitation).

In 2016, we invested R\$ 120 million in 470 initiatives related to socio-environmental projects that we support. Such amount in line with our cost reduction strategy was 55.7% lower than the previous year. The main results reached by the Petrobras Socio-environmental Program in the 2014-2016 period are expressed in numbers showing the mobilized people, fauna and flora species covered, network participation and other variables presented in the table below.

Results - 2014 to 2016

Mobilization	895 thousand people mobilized in education actions.
Technical-Scientific Production	90 thousand publications, studies, technical documents and databases
Fauna Species	About 430 directly covered fauna species*.
Flora Species	1,096 flora species
Areas (Ha)	1.6 million hectares ** with productive reconversion activities, recovery of degraded areas and conservation / sustainable forests management
Network Participation	31 (environmental and educational-sports project) participate in networks optimizing results

* Out of which, 190 refer to the Projeto Aves da Mata Atlântica (Atlantic Forest Birds Project)

** Out of which 73% refer to actions of conservation of natural areas in indigenous lands and Conservation Units.



Example of Socio-environmental Projects

Biomar Network

A reference in conservation of marine biodiversity in Brazil, the project generates technical-scientific valuable information to society and the company. Today the following projects are part of the Network: ***Tamar, Baleia Jubarte, Coral Vivo, Golfinho Rotador*** and ***Albatroz***. In 2016, the Biomar Network completed the third cycle in ten years of activities; its scope covers 12 endangered species with classifications going from "vulnerable" to "critically in danger".

In its ten years of work it directly acted in ten states comprising 54 municipalities; more than 800 scientific publications were listed with 9,000 Internet accesses since September 2015. These projects were also represented in more than 2,000 official meetings for the development of public policies and approximately 100 participations in international forums in countries of the Americas, Europe, Asia and Oceania.

The Biomar Network also contributed to the increase of awareness and promotion of conservation attitudes by producing publications and booklets, by active participation in social media, through visitation centers, photo exhibits, documentaries and organizing three environmental journalism workshops.

Educational Sports Multiplying Partners Network

Carried out in partnership with the IEE – Sport and Education Institute, the project aims to disseminate the concept and practice of educational sports in Brazil. The actions that include qualification of public school educators in addition to sports activities for children and youth take place in Reference Sports Centers.

Implemented in regions near our units in partnership with local institutions, the project reached more than 30 thousand students in the States of Alagoas, Amazonas, Bahia, Mato Grosso do Sul and Rio de Janeiro by the end of 2016.

The project is based on partnerships with civil society institutions (NGO's and universities) and government (city halls, education and sports offices) with the general purpose of expanding educational sport practice through transfer of methodology from IEE to local organizations, managers and teachers from different municipalities and thus providing access to sports to children and adolescent and supporting the development of public sports policies.

The project that started in 2014 addressed more than 42 thousand students in the 3-17 year age group. There are 58

municipalities involved reaching seven Brazilian states. The goal in the municipalities is to assure weekly access to sports practice to public school students and expand their contact with different contents of the movement body culture. For that, 700 teachers and public managers of the network are being continuously qualified and graduated. Have already been held 1,418 events involving 100,000 participants including parents, students, local community, teachers and managers in activities such as festivals, tournaments and sport circuits, abiding by the principles of inclusion of all people, respect to diversity, full-time education, collective construction and pathway to autonomy in different games and plays of the local culture.

Still in this period we sponsored the Educational Sports Reference Centers in the states of Alagoas, Amazonas, Bahia, Mato Grosso do Sul and Rio de Janeiro. In these centers the teachers participate in qualifications and apply the IEE methodology with weekly sessions in modes such as fencing, judo, rowing, volleyball, soccer, rugby, basketball, handball and others.





Indigenous Peoples and Traditional Communities

In our relationship with indigenous peoples, *quilombola* communities and other traditional communities, we observe the provision in the National Policy of Development of Indigenous Peoples and Traditional Communities (Decree Number 6,040/07), the Normative Instructions and Interministry Ordinance of each managing body in charge, in this case, the National Indigenous Foundation – FUNAI, the Palmares Cultural Foundation (FCP) and the National Historic and Artistic Heritage Institute (IPHAN); abroad we observe the applicable legislation.

Near some of our assets we identified indigenous communities, such as the specific case of the Lagoa Parda-Vitória Gas Pipeline that crosses three indigenous communities all of them located in the municipality of Aracruz, Espírito Santo. In such case, there is an agreement with the *Associação Indígena Tupiniquim da Aldeia Pau-Brasil Aitupiapabra* – Indigenous Association, for the implementation of improvement projects in the quality of education and sports, cultural strengthening and *Guarani* development in indigenous lands *Tupiniquim* and *Caieiras Velhas II*; the agreement was entered into in 2015 with scheduled termination in 2017.

In 2016 we also supported environmental projects that contributed to the recovery of degraded areas and conservation sustainable forest management and natural areas with emphasis on the activities in indigenous lands or Conservation Units. An example is the project “*Pacto das Águas*” (*Waters Pact*) developed by the institution of

the same name, in the northwestern region of Mato Grosso State and east of Rondônia State. This initiative in Rondônia integrates the peoples *Gavião* and *Arara* of *Igarapé Lourdes* Indigenous Land and the *Tupari*, *Aruá* and *Macurap* of Rio Branco Indigenous Land. In Mato Grosso, it comprises the peoples *Cinta Larga* of *Serra Morena* Indigenous Land and *Parque Indígena Aripuanã*, the *Rikbaktsa* people of *Japuira* Indigenous Land in addition to the rubber extractors of the extractivist reservation *Guariba-Roosevelt*, the only one in this category in the State.

The project contributed to the conservation of extractive reserves and indigenous territories of the Amazon forest. Throughout the project 775,000 hectares of native Brazil nut plantations were benefited contributing to income generation of these forest communities.

We also supported the Project “*Florestas de Valor*” (forests of value) implemented by the Imaflora Institution which structured, with other partners, a system of guarantee of origin for products handled by communities in Protected Areas in Pará State, a region that shelters a wide diversity of traditional *quilombola* communities (in the Amazon River Northern Bank - *Calha Norte*) and indigenous communities (in the region known as *Terra do Meio*). In 2016, the Brazil Origin Seal was launched and the first product marketed under the Seal was the Brazil nut from the *quilombola* communities of *Calha Norte do Pará*, covered by the project. This is an assurance system which was created to provide more transparency to the forest product chains and help consumers to identify companies and products that value and respect the populations and their territories in their commercial practices.

Cultural Projects

Until 2016, we worked with a wide line of activity in the cultural support area which covered a great number of projects in areas of music, audio-visual, visual arts, fine arts, literature, preservation of heritage and memory, which resulted in strengthening of a wide range of cultural expressions.

In 2017, in view of the new scenario set up in our BMP 2017-2021, in our new Communication Policy and our new Branding Positioning, we adjusted our guidelines and lines of action referring to sponsorships. We looked for a sponsor management model that would provide a focused and assertive performance where the project portfolio now reduced and aligned to the current moment, would contribute to effectively attain our capital discipline goals. As of this year, we will be adopting new action lines and our cultural sponsorships will focus on the audio-visual, music and fine arts segments.

Our budget for cultural projects in 2016 was R\$ 71 million addressing 196 projects throughout the year.

Among our projects we would highlight the support to the Petrobras Symphony Orchestra, one of the most respected professional orchestras in Brazil which develops several innovative projects that have attracted new audiences. Created in 1972, the orchestra stands out by its artistic quality and increasing refinement of its sound identity. Led by conductor Isaac Karabtchevsky and formed by 70 musicians, holds 60 presentations by season, contemplating from the canon of the classical repertory to new readings of popular music. By approaching classical and contemporary culture, the Petrobras Symphony Orchestra became an important instrument of dissemination



of concert music, a reference to Brazilian culture. It also contributes to the democratization of access to culture by offering free or low cost concerts in alternative spaces. In 2017 we celebrated 30 years of partnership.

Sports Projects

In the sports sponsorship area we will continue to support motor and performance sports aiming technical recognition and strengthening our brand in focused market places in addition to the promotion or reinforcement of association of Petrobras brand to attributes such as overcoming capacity, search for result and team work.

The budget realized in the sports sponsorship in 2016 was R\$ 50 million contemplating 16 projects during the year.

As a highlight we would mention the “Petrobras Team”, a project of sponsorship to a group both of promising youngsters and well-known athletes who dispute the preliminaries to participate in the Olympic Games, also considering athletes of confederations already sponsored by the company: taekwondo, rowing, box, weight lifting, fencing and judo. The sponsorship consolidated our support to the development of Brazilian Olympic and Paralympic sports.

Many of these athletes participated in the Rio 2016 Olympic and Paralympic Games; out of the 19 medals earned by the Brazilian Olympic Delegation, nine went to Petrobras Team athletes. In the Paralympic Games the two sponsored athletes earned 11 medals altogether.

Relationship with the Press

Petrobras Journalism Award

- In 2016 we promoted the third edition of the Award with 1,255 stories participating; the annual award grants monetary recognition to the best stories published by the Brazilian press at national and regional levels.

In 2016 we held 13 press conferences and 58 news briefs for disclosure of financial and operating results and other topics of public interest.

Exclusive for journalists, the Agência Petrobras (Press Office) publishes press releases, interviews, fotos, streamings and presentations that are inputs for journalistic stories. To access the agency content journalists must fill out a registration form which assures the feed of our mailing and database; there are 22,885 journalists registered at Agência Petrobras.

In recognition to our relationship with this public, thanks to the votes of thousands of journalists throughout Brazil, we were awarded for the sixth consecutive year, the award “*Prêmio Empresas que Melhor se Comunicam com Jornalistas*” (companies that better communicate with journalists award), in the oil and gas category. The tribute was granted by the *Negócios da Comunicação* Magazine and it was essentially due to the fact that we respond to regional, national and international press 24 hours a day, 7 days a week besides maintaining exclusive content channels.

Survey, Monitoring and Relationship Actions

We have several research and monitoring methodologies to gauge the perception of our stakeholders. The results are used for the preparation of marketing and communication diagnostics, assisting the decision-making process and also providing indicators related to the company image, brand and reputation besides the clients’ perception.

The surveys results enable the preparation of reputation and image diagnostics where the most critical topics are identified. Based on that, we developed communication and relationship programs and projects oriented toward segments of our stakeholders.

In 2016, as a tool to consolidate the relationship with our stakeholders, we carried out 30 automated email marketing campaigns to our stakeholders in a total of 663,770 messages sent on topics such as new business plans, financial and operating results, governance, promotions and events.

We also offered to top priority stakeholders corporate visits to our facilities welcoming 112 visitors from the scientific and academic communities; also there were visitors from the following groups at local level:



Scientific and academic community
656 visitors



Community
52 visitors



Suppliers
25 visitors



Partners
9 visitors



Public Authorities
10 visitors



Others
66 visitors



The 2016 Customer Satisfaction Survey (PSC) has already been conducted and covered different profile responders (executive, procurement, financial and operating). Out of the 467 persons invited to answer the survey, 301 responded, generating an adhesion rate of 64%.

We also conducted surveys to know our clients' perception after each service and call response started at SAC (Customer Center Service).

The results of these survey form the Response-Perceived Quality Index Complaints – Manager and Solver (IQPR-R-GS) where we measure our efficiency in our direct clients' perception as to the answers given to their expressions, by checking areas with need of improvement and encouraging the areas with higher effectiveness.

In 2016 the IQPR-RGS result was equal to 80.97% in relation to the goal of 77.80%.

Concerning the image and public opinion surveys the results are consolidated in one Image and Reputation Diagnostic. The major issues identified in the last diagnostic review were:

- Profitability and indebtedness
- Operating safety and environment
- Management and governance
- Transparency
- Partnerships and divestitures

Some of the communication actions carried out in 2016 refer to topics such as publicizing of our BMP 2017-2021, communication actions focusing on compliance and disclosure of divestiture projects.

As to the clients stakeholder specifically, besides routine interactions held by commercial managers and the technical assistance team, we conduct annually the Client Satisfaction Survey directly applied to our direct customers aiming to assess the satisfaction level in each market segment.

The surveyed topics are structured by areas and attributes which our clients value; value areas are annually assessed at the planning of the survey and may be adjusted according to the needs to be mapped such as: product quality, delivery, documentation, negotiation, collection, Client Channel, relationship and technical assistance.

We redefined the positioning of our brand as an answer to the complex current scenario considering the new context of business communication and our current challenges of image and reputation. In the new positioning we considered what our company does, how it does and why it does; the center of the repositioning of the brand is our purpose:

Providing the energy that drives the society to accomplish its potential



Awards and Recognition

- We are world leaders in exploration and production in deep and ultra-deep waters recognized by our pioneering spirit in the introduction of new technologies. Thanks to this leadership we have been receiving national and international awards in the oil and gas industry such as the OTC Distinguished Achievement Award in 1992, 2001 and 2015 the most important in the sector.
- We won in three categories of the Technological Innovation Award of the Brazilian Agency of Petroleum, Natural Gas and Biofuels (ANP).
- We were also awarded the *Valor Inovação Brasil 2016*, award of the newspaper *Valor Econômico*, as the most innovative company in the country in the Base Industry and Metallurgy segment which included oil and gas, ore and cement companies. The ranking is based on research carried out by the newspaper in partnership with Strategy& Consultants and data analysis of investment in innovation, best practices, creation of new products and solutions and strategies, among other indicators.
- We also received the “Corporate Liability Management of the Year” award from the LatinFinance Magazine being considered the company that carried out the best operation of debt management in international capital marketing 2016.
- We were awarded for the two operations of issue and repurchase of securities in the international market carried out in May and July. In both transactions we used the funds to repurchase securities with maturity between 2017 and 2019 aiming to extend the average term of our debt.
- We also received awards and tributes in 2016 such as the title “*Marca de Alto Renome*” granted by Brazilian National Industrial Patents Institution (INPI). The title attests that the Petrobras brand has unquestionable prestige, notoriety and tradition. Today only ten brands have this title in the country.
- Also in relation to brands, we were awarded the “Top of Mind 2016”, granted by the Datafolha Institute in two categories: in new category “Brand representing Brazil”, we were the grand winners. In the category / segment “Fuel”, we led as most recalled brand with 20% of mentions.
- For the fifth time we earned the *Selo Pró Equidade de Gênero e Raça* – Gender and Race Pro-Equality Seal. In April 2016, we signed a commitment to participate in the sixth edition of the program, an initiative led by the by the Special
- Secretariat for Woman Policies with the support of UN Women, the International Labor Organization and National Secretariat of Racial Equality Promotion Policies. The purpose of the program is to promote equality between men and women in the job market by contributing to the elimination of all forms of discrimination in access to work, professional remuneration, career advancement and permanence in the job.
- In April, Petrobras Distribuidora earned for the 6th year, the Excellence Seal in Franchising – Master Category (companies more than ten years old and with more than 60 franchisees) for its performance as franchisor of the convenience store network BR Mania. The award is granted by the main entity in the franchise sector in Brazil – the Brazilian Franchising Association (ABF) – and aims to recognize the company quality and excellence as franchisor besides stimulating the company performance improvement through the valuation of best practices and professionalism of companies operating in the franchising system.
- Our distributor company also earned first rank in the category Lubricant Brand – Lubrax in the “*Prêmio Preferência do Transporte e Logística 2016*” and was a highlight in the Best Distributor category, one of the most important categories in the national economy.



Independent auditor's limited assurance report on the sustainability information included in the Sustainability Report 2016

A free translation of the original in Portuguese

To the Board of Directors and Stockholders
Petróleo Brasileiro S.A. - Petrobras
Rio de Janeiro- RJ

Introduction

We have been engaged by Petróleo Brasileiro S.A. - Petrobras ("Company" or "Petrobras") to present our limited assurance report on the compilation of the information related to sustainability included in the Sustainability Report for 2016 of Petróleo Brasileiro S.A. - Petrobras for the year ended December 31, 2016.

Responsibilities of the Company's management

The management of Petrobras is responsible for the preparation and fair presentation of the information related to sustainability included in its Sustainability Report for 2016 in accordance

with the guidelines of the Global Reporting Initiative (GRI-G4) and for such internal control as management determines is necessary to enable the preparation of information free from material misstatement, whether due to fraud or error.

Independent auditor's responsibility

Our responsibility is to express a conclusion on the information related to sustainability included in the Sustainability Report for 2016, based on our limited assurance engagement carried out in accordance with the Technical Communication CTO 01, "Issuance of an Assurance Report related to Sustainability and Social Responsibility", issued by the Federal Accounting Council (CFC), based on the Brazilian standard NBC TO 3000, "Assurance Engagements Other than Audit and Review", also issued by the CFC, which is equivalent to the international standard ISAE 3000, "Assurance engagements other than audits or reviews of historical financial information", issued by the International Auditing and Assurance Standards Board (IAASB). Those standards require that we comply with ethical requirements, including independence requirements, and perform our engagement to obtain limited assurance that the information related to sustainability included in the Sustainability Report for 2016 of Petrobras, taken as a whole, is free from material misstatement.

A limited assurance engagement conducted in accordance with the Brazilian standard NBC TO 3000 and ISAE 3000 mainly consists of making inquiries of management and other professionals of the entity involved in the preparation of the information, as well as applying analytical procedures to obtain evidence that allows us to issue a limited assurance conclusion

on the information, taken as a whole. A limited assurance engagement also requires the performance of additional procedures when the independent auditor becomes aware of matters that lead the auditor to believe that the information taken as a whole might present significant misstatements.

The procedures selected are based on our understanding of the aspects related to the compilation and presentation of the information included in Petrobras' Sustainability Report for 2016, other circumstances of the engagement and our analysis of the areas in which significant misstatements might exist. The following procedures were adopted:

- (a) planning the work, taking into consideration the materiality and the volume of quantitative and qualitative information and the operating and internal control systems that were used to prepare the information related to sustainability included in the Sustainability Report for 2016 of Petrobras;
- (b) understanding the calculation methodology and the procedures adopted for the compilation of indicators through interviews with the managers responsible for the preparation of the information;
- (c) applying analytical procedures to quantitative information and making inquiries regarding the qualitative information and its correlation with the indicators disclosed in the information related to sustainability included in Petrobras' Sustainability Report for 2016; and
- (d) comparing the financial indicators with the financial statements and/or accounting records.



The limited assurance engagement also included tests to assess compliance with the guidelines of the Global Reporting Initiative (GRI-G4) and criteria applied in the preparation of the information related to sustainability included in the 2016 Sustainability Report.

We believe that the evidence we obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

Scope and limitations

The procedures applied in a limited assurance engagement are substantially less detailed than those applied in a reasonable assurance engagement, the objective of which is the issuance of an opinion on the information included in the Sustainability Report for 2016. Consequently, we were not able to obtain reasonable assurance that we would become aware of all significant matters that might be identified in an assurance engagement, the objective of which is the issue of an opinion. If we had performed an engagement with the objective of

issuing an opinion, we might have identified other matters and possible misstatements in the information related to sustainability included in Petrobras' Sustainability Report for 2016. Therefore, we do not express an opinion on these matters.

Non-financial data are subject to more inherent limitations than financial data, due to the nature and diversity of the methods used to determine, calculate and estimate these data. Qualitative interpretations of the relevance, materiality, and accuracy of the data are subject to individual assumptions and judgments. Furthermore, we did not consider in our engagement the data reported for prior periods, nor future projections and goals.

Conclusion

Based on the procedures performed, described in this report, no matter has come to our attention that causes us to believe that the information included in the Sustainability Report for 2016 of Petróleo Brasileiro S.A. - Petrobras has not been compiled, in all material respects, in accordance with the guidelines of the Global Reporting Initiative (GRI G4).

Rio de Janeiro, June 2, 2017.

PricewaterhouseCoopers
Independent Auditors
CRC 2SP000160/O-5 "F" RJ

Marcos Donizete Panassol
Accountant CRC 1SP155975/O-8 "S" RJ



GRI Indicators

General Standard Disclosures

<i>GRI G4 INDICATORS</i>	<i>LOCATION OR REASON FOR OMISSION</i>	<i>CORRELATION TO SUSTAINABLE DEVELOPMENT GOALS (SDGS)*</i>	<i>CORRELATION TO GLOBAL COMPACT PRINCIPLES*</i>
STRATEGY AND ANALYSIS			
G4-1 > Statement from President about the relevance and the organization's strategy for addressing sustainability.	PAGE 4	-	-
G4-2 > Description of key impacts, risks, and opportunities.	PAGE 7 TO 12. Formulário de Referência (chapter 4.1. "Descrição dos fatores de risco") Report of the Administration (chapters "Corporate Estrategy" and "Business Performance")	-	-
ORGANIZATIONAL PROFILE			
G4-3 > Name of the organization.	Petróleo Brasileiro S.A. > Petrobras.	8	3, 6
G4-4 > Primary brands, products, and services.	PAGE 10 TO 12. Formulário de Referência (chapter 7.3. "Informações sobre produtos e serviços relativos aos segmentos operacionais")	8	3, 6
G4-5 > Location of the organization's headquarters.	Rio de Janeiro, Brazil.	8	3, 6
G4-6 > Countries where the organization operates or that are specifically relevant to the topics covered in the report.	PAGE 10.	8	3, 6
G4-7 > Nature of ownership and legal form.	Publicly traded company.	8	3, 6



GRI G4 INDICATORS	LOCATION OR REASON FOR OMISSION	CORRELATION TO SUSTAINABLE DEVELOPMENT GOALS (SDGS)*	CORRELATION TO GLOBAL COMPACT PRINCIPLES*
G4-8 > Markets served	PAGE 10 TO 12 Formulário de Referência (chapters 3.1. “Informações financeiras” and 3.2. “Medições não contábeis”)	8	3, 6
G4-9 > Scale of the organization.	PÁG. 10 A 12 Formulário de Referência (capítulos 3.1. “Informações financeiras” e 3.2. “Medições não contábeis”).	8	3, 6
G4-10 > Total number of employees by employment contract and gender.	PAGE 43 AND 44.	8	3, 6
G4-11 > Percentage of total employees covered by collective bargaining agreements.	PAGE 49.	8	3, 6
G4-12 > Organization’s supply chain.	PAGE 74 AND 75.	8	3, 6
G4-13 > Significant changes regarding the organization’s size, structure, ownership, or its supply chain.	PAGE 31; 76 TO 79. Formulário de Referência (chapters 15.6 “Alterações relevantes nas participações dos membros do grupo de controle e administradores do emissor”)	8	3, 6
COMMITMENTS TO EXTERNAL INITIATIVES			
G4-14 > Whether and how the precautionary approach or principle is addressed by the organization.	In line with the precautionary approach and principles, we aim to take effective measures to prevent serious or irreversible damage to the environment or human health, even if there is not scientific consensus on the subject.	-	-
G4-15 > Externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	PAGE 3; 50; 81; 87.	-	-



GRI G4 INDICATORS	LOCATION OR REASON FOR OMISSION	CORRELATION TO SUSTAINABLE DEVELOPMENT GOALS (SDGS)*	CORRELATION TO GLOBAL COMPACT PRINCIPLES*
G4-16 > Memberships of associations and national or international advocacy organizations in which holds a position on the governance body; participates in projects or committees; or provides substantive funding.	PAGE 26.	-	-
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES			
G4-17 > Entities included in the organization's consolidated financial statements or equivalent documents.	The scope of information refers to our activities in Brazil and abroad, including data from Petrobras (Petróleo Brasileiro S.A.), its subsidiaries (Petrobras Distribuidora, Transpetro, Petrobras Biocombustível, Gaspetro, Liquigás) and companies abroad. Financial Statements (note 4.1. "Basis of consolidation")	-	-
G4-18 – Explanation about the process for defining the report content and the Aspect Boundaries, and how the organization has implemented the Reporting Principles for Defining Report Content.	PAGE 5. The methodology used for defining report boundaries, although updated, was the same as that adopted in our previous reports. We consider as reference criteria such as the degree of influence (shareholder or operational control) and potential significant impacts on sustainability. When there is altering the boundary for certain information in this report, we present the proper qualification and explanation.	-	-
G4-19 > All the material Aspects identified in the process for defining report content.	PAGE 5.	-	-
G4-20 > For each material Aspect, report the Aspect Boundary within the organization.	All material issues are addressed in the Report and have significant importance within the company, according to the boundaries described in G4-18 indicator.	-	-
G4-21 > For each material Aspect, report the Aspect Boundary outside the organization.	Although all material issues have potential to impact or influence outside of the organization (including suppliers, customers, partners and consumers), this report prioritizes the boundaries described in G4-18 indicator. However, the theme "Safety and Commitment to Life" also consider suppliers.	-	-



GRI G4 INDICATORS	LOCATION OR REASON FOR OMISSION	CORRELATION TO SUSTAINABLE DEVELOPMENT GOALS (SDGS)*	CORRELATION TO GLOBAL COMPACT PRINCIPLES*
G4-22 > Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.	Some data may differ from those published in previous report editions because of revisions or even methodological changes in how to compile them. Although uncommon, these cases are presented with the correspondent explanations.	-	-
G4-23 > Significant changes from previous reporting periods in the Scope and Aspect Boundaries.	There was no significant changes.	-	-
STAKEHOLDER ENGAGEMENT			
G4-24 > List of stakeholder groups engaged by the organization.	PAGE 80.	-	-
G4-25 > Report the basis for identification and selection of stakeholders with whom to engage.	PAGE 79.	-	-
G4-26 > Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	PAGE 3; 5; 79 TO 86.	-	-
G4-27 > Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	PAGE 24 AND 25; 81; 86.	-	-
REPORT PROFILE			
G4-28 > Reporting period for information provided.	January 1 to December 31, 2016.	-	-
G4-29 > Date of most recent previous report.	The most recent previous version is referred to the exercise of January 1 to December 31, 2015.	-	-
G4-30 > Reporting cycle.	Annual.	-	-
G4-31 > Contact point for questions regarding the report or its contents.	rs2016@petrobras.com.br	-	-



GRI G4 INDICATORS	LOCATION OR REASON FOR OMISSION	CORRELATION TO SUSTAINABLE DEVELOPMENT GOALS (SDGS)*	CORRELATION TO GLOBAL COMPACT PRINCIPLES*
G4-32 > Report the 'in accordance' option the organization has chosen.	Petrobras' Sustainability Report 2016 was prepared in compliance with the comprehensive option according to GRI-G4 guidelines.	-	-
G4-33 > Report the organization's policy and current practice with regard to seeking external assurance for the report.	PAGE 3; 88	-	-
GOVERNANCE			
G4-34 > Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	PAGE 17 AND 18. Formulário de Referência (chapter 12.1 "Descrição da estrutura administrativa")	4, 5, 16	-
G4-35 > Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.	PAGE 19.	4, 5, 16	-
G4-36 > Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body.	PAGE 17 AND 18.	4, 5, 16	-
G4-37 > Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics.	PAGE 17; 20. Formulário de Referência (chapter 12.2 "Regras, políticas e práticas relativas às assembleias gerais")	4, 5, 16	-
G4-38 > Composition of the highest governance body and its committees.	PAGE 17 AND 18. Formulário de Referência (chapter 12.5/6 "Composição e experiência profissional da administração e do conselho fiscal")	4, 5, 16	-
G4-39 > Report whether the Chair of the highest governance body is also an executive officer.	PAGE 18	4, 5, 16	-



GRI G4 INDICATORS	LOCATION OR REASON FOR OMISSION	CORRELATION TO SUSTAINABLE DEVELOPMENT GOALS (SDGS)*	CORRELATION TO GLOBAL COMPACT PRINCIPLES*
G4-40 > Report the nomination and selection processes for the highest governance body and its committees, and the criteria used.	PAGE 47. The processes for selecting and appointing members to our Board of Directors are based on the independence criteria listed in the Code of Best Practice of Corporate Governance, published by the Brazilian Institute for Corporate Governance (IBGC). Formulário de Referência 2015 (chapter 12.2 “Regras, políticas e práticas relativas às assembleias gerais” and 12.5/6 > “Composição e experiência profissional da administração e do conselho fiscal”).	4, 5, 16	-
G4-41 > Processes for the highest governance body to ensure conflicts of interest are avoided and managed. Report whether conflicts of interest are disclosed to stakeholders.	PAGE 18 AND 19. Formulário de Referência (chapters 12.2 “Regras, políticas e práticas relativas às assembleias gerais”, 12.3 “Regras, políticas e práticas relativas ao Conselho de Administração” and 16.3 “Identificação das medidas tomadas para tratar de conflitos de interesses e demonstração do caráter estritamente comutativo das condições pactuadas ou do pagamento compensatório adequado”)	4, 5, 16	-
G4-42 > Highest governance body’s and senior executives’ roles in the development, approval, and updating of the organization’s purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts.	PAGE 21. Formulário de Referência (chapter 12.1 “Descrição da estrutura administrativa”)	4, 5, 16	-
G4-43 > Measures taken to develop and enhance the highest governance body’s collective knowledge of economic, environmental and social topics.	PAGE 17 AND 18.	4, 5, 16	-
G4-44 > Processes for evaluation of the highest governance body’s performance with respect to governance of economic, environmental and social topics.	PAGE 19; 46. Formulário de Referência (chapter 12.1 “Descrição da estrutura administrativa”)	4, 5, 16	-
G4-45 > Highest governance body’s role in the identification and management of economic, environmental and social impacts, risks, and opportunities.	PAGE 17 TO 21; 34. Formulário de Referência (chapters 5.1. “Política de gerenciamento e riscos”, 5.2 “Descrição da política de gerenciamento de riscos de mercado” and 12.1 “Descrição da estrutura administrativa”)	4, 5, 16	-



GRI G4 INDICATORS	LOCATION OR REASON FOR OMISSION	CORRELATION TO SUSTAINABLE DEVELOPMENT GOALS (SDGS)*	CORRELATION TO GLOBAL COMPACT PRINCIPLES*
G4-46 > Highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics.	PAGE 18; 33 AND 34. Formulário de Referência (chapter 5.2 "Descrição da política de gerenciamento de riscos de mercado")	4, 5, 16	-
G4-47 > Frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.	PAGE 20. Formulário de Referência (chapter 12.3 "Regras, políticas e práticas relativas ao Conselho de Administração")	4, 5, 16	-
G4-48 > Highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered.	Petrobras' sustainability report 2016 was submitted to analysis and validation by the Executive Committee of Communication and Social Responsibility and by the Executive Board, in addition sent to comments by the members of the Board of Directors.	4, 5, 16	-
G4-49 > Process for communicating critical concerns to the highest governance body.	PAGE 17 AND 18; 20.	4, 5, 16	-
G4-50 > Nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them.	PAGE 20; 24 AND 25.	4, 5, 16	-
G4-51 > Remuneration policies for the highest governance body and senior executives.	PAGE 18. Formulário de Referência (chapter 13.1 "Descrição da política ou prática de remuneração, inclusive da diretoria não estatutária")	4, 5, 16	-
G4-52 > Process for determining remuneration.	PAGE 18. Formulário de Referência (chapter 13.1 "Descrição da política ou prática de remuneração, inclusive da diretoria não estatutária")	4, 5, 16	-
G4-53 > Report how stakeholders' views are sought and taken into account regarding remuneration.	Formulário de Referência (chapter 13.1 "Descrição da política ou prática de remuneração, inclusive da diretoria não estatutária")	4, 5, 16	-
G4-54 > Ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees in the same country.	PAGE 49.	4, 5, 16	-



GRI G4 INDICATORS	LOCATION OR REASON FOR OMISSION	CORRELATION TO SUSTAINABLE DEVELOPMENT GOALS (SDGS)*	CORRELATION TO GLOBAL COMPACT PRINCIPLES*
G4-55 > Ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees in the same country.	PAGE 49. Formulário de Referência (chapter 13.11 "Remuneração individual máxima, mínima e média do conselho de administração, da diretoria estatutária e do conselho fiscal")	4, 5, 16	-
ETHICS AND INTEGRITY			
G4-56 > Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	PAGE 18; 23. Formulário de Referência (chapter 12.2 "Regras, políticas e práticas relativas às assembleias gerais")	16	-
G4-57 > Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines.	PAGE 24.	16	-
G4-58 > Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity.	PAGE 24 AND 25.	16	-

(* Reference: The SDG Compass developed by Global Reporting Initiative (GRI), the UN Global Compact and the World Business Council for Sustainable Development (WBCSD) provides guidance to companies on how to promote the alignment of their strategies and measure/manage their contributions to the achievement of SDG.



Specific Standard Disclosures

<i>MATERIAL TOPICS AND GRI G4 INDICATORS</i>	<i>LOCATION OR REASON FOR OMISSION</i>	<i>CORRELATION TO SUSTAINABLE DEVELOPMENT GOALS (SDGS)*</i>	<i>CORRELATION TO GLOBAL COMPACT PRINCIPLES*</i>
<i>SAFETY AND COMMITMENT TO LIFE</i>			
Management approach	PAGE 38 TO 42.	3, 6, 8, 11	6
G4-LA5 Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	PAGE 49	3, 6, 8, 11	6
G4-LA6 - Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender	PAGE 39; 41.	3, 6, 8, 11	6
G4-LA7 - Workers with high incidence or high risk of diseases related to their occupation	PAGE 42.	3, 6, 8, 11	6
G4-LA8 - Health and safety topics covered in formal agreements with trade unions	PAGE 50.	3, 6, 8, 11	6
G4-OG13 - Processes related to security events, according to the recommended practice (RP) 754 of the American Petroleum Institute (API)	PAGE 41.	3, 6, 8, 11	6
<i>FINANCIAL DELEVERAGING</i>			
Management approach	PAGE 29 TO 31; 63 TO 66.	-	-
<i>COMMUNICATION AND STAKEHOLDER ENGAGEMENT</i>			
Management approach	PAGE 79 TO 86.	1, 2, 5, 7, 8, 9, 10, 11, 12, 16	1, 2
G4-24 - List of stakeholder groups engaged by the organization.	PAGE 80.	1, 2, 5, 7, 8, 9, 10, 11, 12, 16	1, 2
G4-25 - Report the basis for identification and selection of stakeholders with whom to engage.	PAGE 79.	1, 2, 5, 7, 8, 9, 10, 11, 12, 16	1, 2
G4-26 - Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	PAGE 3; 5; 79 TO 86.	1, 2, 5, 7, 8, 9, 10, 11, 12, 16	1, 2
G4-27 - Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	PAGE 24 AND 25; 81; 86.	1, 2, 5, 7, 8, 9, 10, 11, 12, 16	1, 2



MATERIAL TOPICS AND GRI G4 INDICATORS	LOCATION OR REASON FOR OMISSION	CORRELATION TO SUSTAINABLE DEVELOPMENT GOALS (SDGS)*	CORRELATION TO GLOBAL COMPACT PRINCIPLES*
G4-EC7 - Development and impact of infrastructure investments and services supported	PAGE 81.	1, 2, 5, 7, 8, 9, 10, 11, 12, 16	1, 2
G4-EC8 Significant indirect economic impacts, including the extent of impacts	PAGE 81 AND 82.	1, 2, 5, 7, 8, 9, 10, 11, 12, 16	1, 2
G4-HR8 - Total number of incidents of violations involving rights of indigenous peoples and actions taken	PAGE 84.	1, 2, 5, 7, 8, 9, 10, 11, 12, 16	1, 2
G4-OG9 - Operations where indigenous communities are present or affected by activities and where specific engagement strategies are in place	PAGE 84.	1, 2, 5, 7, 8, 9, 10, 11, 12, 16	1, 2
G4-SO1 - Percentage of operations with implemented local community engagement, impact assessments, and development programs	PAGE 81 AND 82.	1, 2, 5, 7, 8, 9, 10, 11, 12, 16	1, 2
G4-SO2 - Operations with significant actual or potential negative impacts on local communities	PAGE 58.	1, 2, 5, 7, 8, 9, 10, 11, 12, 16	1, 2
G4-PR2 - Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	PAGE 56.	1, 2, 5, 7, 8, 9, 10, 11, 12, 16	1, 2
G4-PR3 - Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant products and service categories subject to such information requirements	PAGE 80.	1, 2, 5, 7, 8, 9, 10, 11, 12, 16	1, 2
G4-PR4 - Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	PAGE 56.	1, 2, 5, 7, 8, 9, 10, 11, 12, 16	1, 2
G4-PR5 - Results of surveys measuring customer satisfaction	PAGE 85 AND 86.	1, 2, 5, 7, 8, 9, 10, 11, 12, 16	1, 2
G4-PR7 - Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes	PAGE 56	1, 2, 5, 7, 8, 9, 10, 11, 12, 16	1, 2
COMPLIANCE, ETHICS, PREVENTION AND COMBATING CORRUPTION			
Management approach	PAGE 23 TO 27; 33.	16	7, 8, 9, 10



MATERIAL TOPICS AND GRI G4 INDICATORS	LOCATION OR REASON FOR OMISSION	CORRELATION TO SUSTAINABLE DEVELOPMENT GOALS (SDGS)*	CORRELATION TO GLOBAL COMPACT PRINCIPLES*
G4-56 - Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	PAGE 18; 23. Formulário de Referência (chapter 12.2 "Regras, políticas e práticas relativas às assembleias gerais")	16	7, 8, 9, 10
G4-57 - Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines.	PAGE 24.		
G4-58 - Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity.	PAGE 24 AND 25.	16	7, 8, 9, 10
G4-EN29 - Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	PAGE 26 Formulário de Referência (Chapter 4.3 to 4.7 "Processos Judiciais e Outras Contingências Relevantes)	16	7, 8, 9, 10
G4-S03 - Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	PAGE 23;76	16	7, 8, 9, 10
G4-S04 - Communication and training on anti-corruption policies and procedures	PAGE 23 AND 24; 45.	16	7, 8, 9, 10
G4-S05 - Confirmed incidents of corruption and actions taken	PAGE 27.	16	7, 8, 9, 10
G4-S06 - Total value of political contributions by country and recipient/beneficiary	PAGE 23.	16	7, 8, 9, 10
G4-S07 - Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes	PAGE 26 Formulário de Referência (Chapter 4.3 to 4.7 "Processos Judiciais e Outras Contingências Relevantes)	16	7, 8, 9, 10
G4-S08 - Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	PAGE 26 Formulário de Referência (Chapter 4.3 to 4.7 "Processos Judiciais e Outras Contingências Relevantes)	16	7, 8, 9, 10
G4-PR9 - Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	PAGE 26 Formulário de Referência (Chapter 4.3 to 4.7 "Processos Judiciais e Outras Contingências Relevantes)	16	7, 8, 9, 10



MATERIAL TOPICS AND GRI G4 INDICATORS	LOCATION OR REASON FOR OMISSION	CORRELATION TO SUSTAINABLE DEVELOPMENT GOALS (SDGS)*	CORRELATION TO GLOBAL COMPACT PRINCIPLES*
PRE-SALT DEVELOPMENT			
Management approach	PAGE 8; 10 TO 12; 66 TO 68.	-	-
DISINVESTMENT AND PARTNERSHIPS			
Management approach	PAGE 31.	1, 2	-
G4-OG11 - Number of sites that have been decommissioned and sites that are in the process of being decommissioned	PAGE 70.	1, 2	-
CAPEX EFFICIENCY			
Management approach	PAGE 30.	-	-
OPERATIONAL EFFICIENCY AND COST REDUCTION			
Management approach	PAGE 66 TO 70; 73.	7, 8, 12, 13	7, 8, 9
G4-EN3 - Energy consumption within the organization	PAGE 55.	7, 8, 12, 13	7, 8, 9
G4-EN6 - Reduction of energy consumption	PAGE 55.	7, 8, 12, 13	7, 8, 9
G4-EN7 - Reductions in energy requirements of products and services	PAGE 55.	7, 8, 12, 13	7, 8, 9
EMISSIONS AND CLIMATE STRATEGY			
Management approach	PAGE 50 TO 54.	3, 7, 8, 12, 13, 14, 15	7, 8, 9
G4-EC2 - Financial implications and other risks and opportunities for the organization's activities due to climate change	PAGE 34 AND 35; 50.	3, 7, 8, 12, 13, 14, 15	7, 8, 9
G4-EN15 - Direct greenhouse gas (GHG) emissions (Scope 1)	PAGE 52.	3, 7, 8, 12, 13, 14, 15	7, 8, 9
G4-EN16 - Energy indirect greenhouse gas (GHG) emissions (Scope 2)	PAGE 52.	3, 7, 8, 12, 13, 14, 15	7, 8, 9
G4-EN17 - Other indirect greenhouse gas (GHG) emissions (Scope 3)	PAGE 53.	3, 7, 8, 12, 13, 14, 15	7, 8, 9



MATERIAL TOPICS AND GRI G4 INDICATORS	LOCATION OR REASON FOR OMISSION	CORRELATION TO SUSTAINABLE DEVELOPMENT GOALS (SDGS)*	CORRELATION TO GLOBAL COMPACT PRINCIPLES*
G4-EN18 - Greenhouse gas (GHG) emissions intensity	PAGE 50 AND 51.	3, 7, 8, 12, 13, 14, 15	7, 8, 9
G4-EN19 - Reduction of greenhouse gas (GHG) emissions	PAGE 50.	3, 7, 8, 12, 13, 14, 15	7, 8, 9
G4-EN20 - Emissions of ozone-depleting substances (ODS)	PAGE 54.	3, 7, 8, 12, 13, 14, 15	7, 8, 9
G4-EN21 - NO _x , SO _x , and other significant air emissions	PAGE 54.	3, 7, 8, 12, 13, 14, 15	7, 8, 9
G4-OG6 - Volume of flared and vented hydrocarbon	PAGE 54.	3, 7, 8, 12, 13, 14, 15	7, 8, 9
BUSINESS STRATEGY			
Management approach	PAGE 29 TO 31; 34 TO 36.	-	-
SUPPLIER MANAGEMENT			
Management approach	PAGE 8; 74 TO 79.	5, 8, 12, 16	1, 2, 3, 4, 5, 6, 7, 8, 9
G4-12 - The organization's supply chain.	PAGE 74 AND 75.	5, 8, 12, 16	1, 2, 3, 4, 5, 6, 7, 8, 9
G4-EC9 - Proportion of spending on local suppliers at significant locations of operation	PAGE 75 AND 79.	5, 8, 12, 16	1, 2, 3, 4, 5, 6, 7, 8, 9
G4-EN32 - Percentage of new suppliers that were screened using environmental criteria	PAGE 75.	5, 8, 12, 16	1, 2, 3, 4, 5, 6, 7, 8, 9
G4-EN33 - Significant actual and potential negative environmental impacts in the supply chain and actions taken	PAGE 77 AND 78.	5, 8, 12, 16	1, 2, 3, 4, 5, 6, 7, 8, 9
G4-HR4 - Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	PAGE 76 TO 78.	5, 8, 12, 16	1, 2, 3, 4, 5, 6, 7, 8, 9
G4-HR5 - Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	PAGE 76 TO 78.	5, 8, 12, 16	1, 2, 3, 4, 5, 6, 7, 8, 9
G4-HR6 - Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures taken to contribute to the elimination of all forms of forced or compulsory labor	PAGE 76; 78.	5, 8, 12, 16	1, 2, 3, 4, 5, 6, 7, 8, 9



MATERIAL TOPICS AND GRI G4 INDICATORS	LOCATION OR REASON FOR OMISSION	CORRELATION TO SUSTAINABLE DEVELOPMENT GOALS (SDGS)*	CORRELATION TO GLOBAL COMPACT PRINCIPLES*
G4-LA14 - Percentage of new suppliers that were screened using labor practices criteria	PAGE 76; 78.	5, 8, 12, 16	1, 2, 3, 4, 5, 6, 7, 8, 9
G4-LA15 - Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	PAGE 76; 78.	5, 8, 12, 16	1, 2, 3, 4, 5, 6, 7, 8, 9
G4-HR10 - Percentage of new suppliers that were screened using human rights criteria	PAGE 76; 78.	5, 8, 12, 16	1, 2, 3, 4, 5, 6, 7, 8, 9
G4-HR11 - Significant actual and potential negative human rights impacts in the supply chain and actions taken	PAGE 77 AND 78.	5, 8, 12, 16	1, 2, 3, 4, 5, 6, 7, 8, 9
G4-SO9 - Percentage of new suppliers that were screened using criteria for impacts on society	PAGE 76.	5, 8, 12, 16	1, 2, 3, 4, 5, 6, 7, 8, 9
G4-SO10 - Significant actual and potential negative impacts on society in the supply chain and actions taken	PAGE 77.	5, 8, 12, 16	1, 2, 3, 4, 5, 6, 7, 8, 9
CRITICAL RESOURCE MANAGEMENT			
Management approach	PAGE 36.	-	-
RISKS MANAGEMENT			
Management approach	PAGE 34 TO 36.	-	1, 2
G4-HR9 - Total number and percentage of operations that have been subject to human rights reviews or impact assessments	PAGE 76.	-	1, 2
GOVERNANCE			
Management approach	PAGE 17 AND 18. Formulário de Referência (chapter 12.1 "Descrição da estrutura administrativa")	4, 5, 16	-
G4-34 - Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	PAGE 17 AND 18.	4, 5, 16	-
G4-35 - Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.	PAGE 19.	4, 5, 16	-
G4-36 - Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body.	PAGE 17 AND 18.	4, 5, 16	-



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G4-37 - Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics.	PAGE 17; 20. Formulário de Referência (chapter 12.2 “Regras, políticas e práticas relativas às assembleias gerais”)	4, 5, 16	-
G4-38 - Composition of the highest governance body and its committees.	PAGE 17 AND 18. Formulário de Referência (chapter 12.5/6 “Composição e experiência profissional da administração e do conselho fiscal”)	4, 5, 16	-
G4-39 - Report whether the Chair of the highest governance body is also an executive officer.	PAGE 18.	4, 5, 16	-
G4-40 - Report the nomination and selection processes for the highest governance body and its committees, and the criteria used.	PAGE 47. The processes for selecting and appointing members to our Board of Directors are based on the independence criteria listed in the Code of Best Practice of Corporate Governance, published by the Brazilian Institute for Corporate Governance (IBGC). Formulário de Referência 2015 (chapter 12.2 “Regras, políticas e práticas relativas às assembleias gerais” and 12.5/6 - “Composição e experiência profissional da administração e do conselho fiscal”).	4, 5, 16	-
G4-41 - Processes for the highest governance body to ensure conflicts of interest are avoided and managed. Report whether conflicts of interest are disclosed to stakeholders.	PAGE 18 AND 19. Formulário de Referência (chapters 12.2 “Regras, políticas e práticas relativas às assembleias gerais”, 12.3 “Regras, políticas e práticas relativas ao Conselho de Administração” and 16.3 “Identificação das medidas tomadas para tratar de conflitos de interesses e demonstração do caráter estritamente comutativo das condições pactuadas ou do pagamento compensatório adequado”)	4, 5, 16	-



MATERIAL TOPICS AND GRI G4 INDICATORS	LOCATION OR REASON FOR OMISSION	CORRELATION TO SUSTAINABLE DEVELOPMENT GOALS (SDGS)*	CORRELATION TO GLOBAL COMPACT PRINCIPLES*
G4-42 - Highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts.	PAGE 21. Formulário de Referência (chapter 12.1 "Descrição da estrutura administrativa")	4, 5, 16	-
G4-43 - Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.	PAGE 17 AND 18.	4, 5, 16	-
G4-44 - Processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics.	PAGE 19; 46. Formulário de Referência (chapter 12.1 "Descrição da estrutura administrativa")	4, 5, 16	-
G4-45 - Highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities.	PAGE 17 TO 21; 34. Formulário de Referência (chapters 5.1. "Política de gerenciamento e riscos", 5.2 "Descrição da política de gerenciamento de riscos de mercado" and 12.1 "Descrição da estrutura administrativa")	4, 5, 16	-
G4-46 - Highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics.	PAGE 18; 33 AND 34. Formulário de Referência (chapter 5.2 "Descrição da política de gerenciamento de riscos de mercado")	4, 5, 16	-
G4-47 - Frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.	PAGE 20. Formulário de Referência (chapter 12.3 "Regras, políticas e práticas relativas ao Conselho de Administração")	4, 5, 16	-
G4-48 - Highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered.	Petrobras' sustainability report 2016 was submitted to analysis and validation by the Executive Committee of Communication and Social Responsibility and by the Executive Board, in addition sent to comments by the members of the Board of Directors.	4, 5, 16	-
G4-49 - Process for communicating critical concerns to the highest governance body.	PAGE 17 AND 18; 20.	4, 5, 16	-
G4-50 - Nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them.	PAGE 20; 24 AND 25.	4, 5, 16	-



MATERIAL TOPICS AND GRI G4 INDICATORS	LOCATION OR REASON FOR OMISSION	CORRELATION TO SUSTAINABLE DEVELOPMENT GOALS (SDGS)*	CORRELATION TO GLOBAL COMPACT PRINCIPLES*
G4-51 - Remuneration policies for the highest governance body and senior executives.	PAGE 18. Formulário de Referência (chapter 13.1 “Descrição da política ou prática de remuneração, inclusive da diretoria não estatutária”)	4, 5, 16	-
G4-52 - Process for determining remuneration.	Page 18. Formulário de Referência (chapter 13.1 “Descrição da política ou prática de remuneração, inclusive da diretoria não estatutária”)	4, 5, 16	-
G4-53 - Report how stakeholders’ views are sought and taken into account regarding remuneration.	Formulário de Referência (chapter 13.1 “Descrição da política ou prática de remuneração, inclusive da diretoria não estatutária”)	4, 5, 16	-
G4-54 - Ratio of the annual total compensation for the organization’s highest-paid individual in each country of significant operations to the median annual total compensation for all employees in the same country.	PAGE 49.	4, 5, 16	-
G4-55 - Ratio of percentage increase in annual total compensation for the organization’s highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees in the same country.	PAGE 49. Formulário de Referência (chapter 13.11 “Remuneração individual máxima, mínima e média do conselho de administração, da diretoria estatutária e do conselho fiscal”)	4, 5, 16	-
IMPACT OF OIL PRICE AND EXCHANGE RATE			
Management approach	PAGE 7 TO 9; 30.	-	-
REGULATORY FRAMEWORKS AND LOCAL CONTENT POLICY			
Management approach	PAGE 8 AND 9.	-	-
LAVA JATO OPERATION			
Management approach	PAGE 27.	-	-



MATERIAL TOPICS AND GRI G4 INDICATORS	LOCATION OR REASON FOR OMISSION	CORRELATION TO SUSTAINABLE DEVELOPMENT GOALS (SDGS)*	CORRELATION TO GLOBAL COMPACT PRINCIPLES*
LOSS OF INVESTMENT GRADE			
Management approach	PAGE 7 AND 8; 65 AND 66.	-	-
RESEARCH, DEVELOPMENT AND INNOVATION			
Management approach	PAGE 72 TO 74.	7, 9, 17	-
G4-OG2 – Research and development in renewable energy	PAGE 73.	7, 9, 17	-
G4-PR1 - Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	PAGE 74.	7, 9, 17	-
PRICE POLICY			
Management approach	PAGE 30.	-	-
RENEGOCIATION OF ONEROUS TRANSFER OF RIGHTS			
Management approach	PAGE 35	-	-
RESERVES REPLACEMENT			
Management approach	PAGE 66 AND 67.	-	-
G4-OG1 Volume and type of estimated proved reserves and production	PAGE 66 AND 67.	-	-

* Reference: The SDG Compass developed by Global Reporting Initiative (GRI), the UN Global Compact and the World Business Council for Sustainable Development (WBCSD) which provides guidance to companies on how to promote the alignment of their strategies and measure/manage their contributions to the achievement of SDG.

Global Compact Principles

1 RESPECT
and support internationally recognized human rights in your area of influence

2 ENSURE
that your company does not participate in any way in the violation of human rights

3 SUPPORT
freedom of association and recognize to open collective bargaining

4 ELIMINATE
all forms of forced or compulsory labour

5 ERRADICATE
all forms of child labour in your productive chain

6 STIMULATE
all practices that eliminate any form of discrimination at workplace

7 ASSUME
a responsible, preventive and proactive posture towards environmental

8 DEVELOP
initiatives and practices to promote and divulge socioenvironmental responsibility

9 PROMOTE
the development and dissemination of environmentally responsible technologies

10 FIGHT
corruption in all of its forms, including extortion and bribery



Glossary

Act 12,846/2013: It provides on corporate bodies' administrative and civil liability for practice of acts against the national or foreign public administration.

Adjusted EBITDA: Sum of EBITDA, participation in investments, impairment and accumulated conversion adjustments minus CTA and result with alienation and write-off of assets.

Agenda 21: It consists in a participative diagnostic methodology resulting from Rio 92 – United Nations Conference on Environment and Development. It analyzes the current situation of a country, state, city and/or region and plans actions for their sustainable development.

Boed: barrels of oil equivalent / day.

Brent: Oil used as one of the main references of the international oil market. Dated Brent contracts or its derivatives in the financial market refer to several oil purchase and sale agreements in the world.

Carbon Disclosure Project (CDP): Independent international non-profit organization – annually it prepares a collective questionnaire (made by institutional investors) and forwards it to the companies listed in the main stock exchanges in the world. Its main purposes are the dissemination of information and performance review referring to the management of greenhouse gas emissions (GHG), use of energy and risks and opportunities arising out of climate changes.

Combined Cycle: Gas and steam turbines associated in one plant both generating electric energy from burning of the same fuel. For that, the heat existing in the gas turbines exhaust gases is recovered producing the required steam to turn on the turbine.

CONAMA Resolution 436: Sets forth the maximum limits of emission of air pollutants by fixed installed sources or with request of installation license prior to January 2, 2007.

Concession Model: Oil and natural gas exploration and production regime where a company or a consortium of companies carries out such activities within an area granted by public authorities. In the Brazilian case, if there will be discovery of oil or gas the companies own the produced volumes and as consideration they pay governmental participations – royalties and special participations (the latter as applicable to the producing field). In Brazil, concessions are granted by biddings of areas for exploration and production of oil promoted by the Brazilian Agency of Petroleum, Natural Gas and Biofuels (ANP) which also performs the technical regulation of exploration and production activities. The concession model is applied in all Brazilian sedimentary basins, with exception of the areas defined in the Pre-Salt polygon. Note that the concession model is adopted in cases where the areas were bidded before the effect of the sharing regime that defined the Pre-Salt polygon.

Conference of the Parties (COP) – Climate Chance Conference: An international environmental treaty aiming to stabilize the

concentration of greenhouse gases on the atmosphere resulting from human actions stopping them from interfering in a permanent and damaging way in the planet climate system.

CO: Carbon monoxide.

Diesel S-10: Product with a maximum of 10mg/kg of total sulfur destined to vehicles classified according to the Proconve Phase P7, equivalent to the Euro 5 Standard (with high quality and very low sulfur content).

Discovery Assessment Plan (PAD): Document containing the set of operations to be carried out within an area where a discovery occurred to assess its economic viability. A PAD should be submitted by concessionaire to the approval by the Oil and Gas Industry Regulatory Agency.

Due Diligence: Process of investigation and audit in the information of a company.

FFR: Federal Funds Rate - The USA basic interest rate.

Free Cash Flow: Resources generated by operating activities subtracted from investments in business areas.

Foreign Corrupt Practices Act (FCPA) of 1977: US Federal Act for corruption combat to which we are subject as we have ADRs (American Depositary Receipts) traded in the New York Stock Exchange.



FPSO: Vessel with capacity to produce, store and offload oil and/or natural gas to shuttle ships.

Green Diesel: Diesel produced from renewable raw materials which can be mixed in any proportion with the one from petroleum without requiring change in engines.

Impairment: Loss in assets recovery value.

NO_x: Nitrogen Oxide.

Occupational Tests: Tests periodically conducted for follow-up, prevention and promotion of workers' health; they comprise medical, dental exam and nutritional assessment with approach of personalized clinical and occupational history.

PLD: Settlement price for differences used to value the short-term commercialized energy, that is, price in the spot market.

Production Sharing Model: Oil and natural gas exploration and production regime where a company carries out these activities by means of a production sharing contract entered into by a state-owned company representing governmental interests, and a company or a consortium of contracted companies, for the exploration and production of oil upon the parties' compensation by sharing of production of an oil field. The companies or consortiums in charge of production should pay governmental royalties. In Brazil the company Pré-Sal S.A. (PPSA) supervises costs and has specific powers in the consortiums formed for the exercise of activities under sharing. The current sharing model is adopted only for the Pre-Salt polygon areas without amending

the concession contracts entered into for the areas that had already been contemplated prior to Act Number 12.351/2010. With the advent of recent Act Number 13.365 of November 29, 2016, Petrobras no longer has the obligation to be the operator nor holding a 30% participation in the blocks to be granted under terms of this regime; the company however is entitled to express preference in being contracted by the public authorities.

Ramp Up: Gradual growth stage of oil and gas production of a platform until the system reaches production potential. Usually this stage starts after the connection of the first well to the system.

Replacement Ratio: It measures the replacement of production by addition of reserves, extensions, revisions of estimates or optimization of recovery.

Reserve/Production Ratio: It measures the longevity of current proven reserves considering a constant production level.

Ring Fence: Exploration area adjacent to a field where there were previous discoveries.

Selo Combustível Social (Social Fuel Seal): Granted by the Ministry of Agrarian Development to the producer of bio-diesel which, among other requirements, acquires raw material from family farming being a condition to the participation in auctions held exclusively for producers with such Seal whose sales concentrate 80% of the total volume of bio-diesel acquired by the distributing companies.

Single Cycle: Turbine operating individually.

SO_x: Sulfur oxide.

Sum of Ebtida: Participations in investments, impairment and accumulated conversion adjustments minus CTA and the result with alienation and write-off of assets

Transfer of Rights: Oil and natural gas exploration and production regime specific to certain deposits located in the Pre-salt polygon; Petrobras was directly contracted by the Federal Government to discover and produce reserves with maximum production limitation up to five billion barrels of oil and natural gas.

UK Bribery Act of 2010: The United Kingdom anticorruption act that allows the British courts to examine crimes related to fraud and corruption committed by companies organized in the United Kingdom or carrying out operations in its territory.

Vetting Inspections: These are inspections to certify if the ship is ready to operate in any national or foreign port in safety conditions by assuring the preservation of environment and the operators involved in the process.

2G Ethanol: Ethanol from farming wastes obtained by fermentation of sugars contained in their cellulosic structure (for instance, sugarcane bagass and straw). The final product is chemically identical to conventional ethanol (from corn) or advanced ethanol (from sugarcane). The differential in this technology is to increase the ethanol production in the same planted area, contributing to greater efficiency of use of land and higher reduction of CO₂ emission as compared to fossil fuels.



Management

Executive Board

Pedro Pullen Parente
Chief Executive Officer (CEO)

Ivan de Souza Monteiro
Chief Financial and Investor Relations Executive Officer

Hugo Repsold Júnior
Chief Corporate Business Executive Officer

João Adalberto Elek Junior
Chief Governance and Compliance Executive Officer

Jorge Celestino Ramos
Chief Refining and Natural Gas Executive Officer

Nelson Luiz Costa Silva
Chief Strategy, Organization and Management System Executive Officer

Roberto Moro
Chief Technology & Production Development Executive Officer

Solange da Silva Guedes
Chief Exploration & Production Executive Officer

Board of Directors

Luiz Nelson Guedes de Carvalho
(Elected by controlling shareholder)
Chairman

Betania Rodrigues Coutinho
(Elected by employees)

Durval José Soledade Santos
(Elected by controlling shareholder)

Francisco Petros Oliveira Lima Papathanasiadis
(Elected by controlling shareholder)

Guilherme Affonso Ferreira
(Elected by preferred shareholders)

Jerônimo Antunes
(Elected by controlling shareholders)

Marcelo Mesquita de Siqueira Filho
(Elected by minority shareholders)

Pedro Pullen Parente
(Elected by controlling shareholder)

Segen Farid Estefen
(Elected by controlling shareholder)

Statutory Audit Committee

Marisete Fátima Dadald Pereira
(Elected by controlling shareholder)
Chairman

Eduardo Cesar Pasa
(Elected by controlling shareholder)

Adriano Pereira de Paula
(Elected by controlling shareholder)

Reginaldo Ferreira Alexandre
Committee Member (Elected by minority shareholders)

Walter Luís Bernardes Albertoni
(Elected by preferred shareholders)



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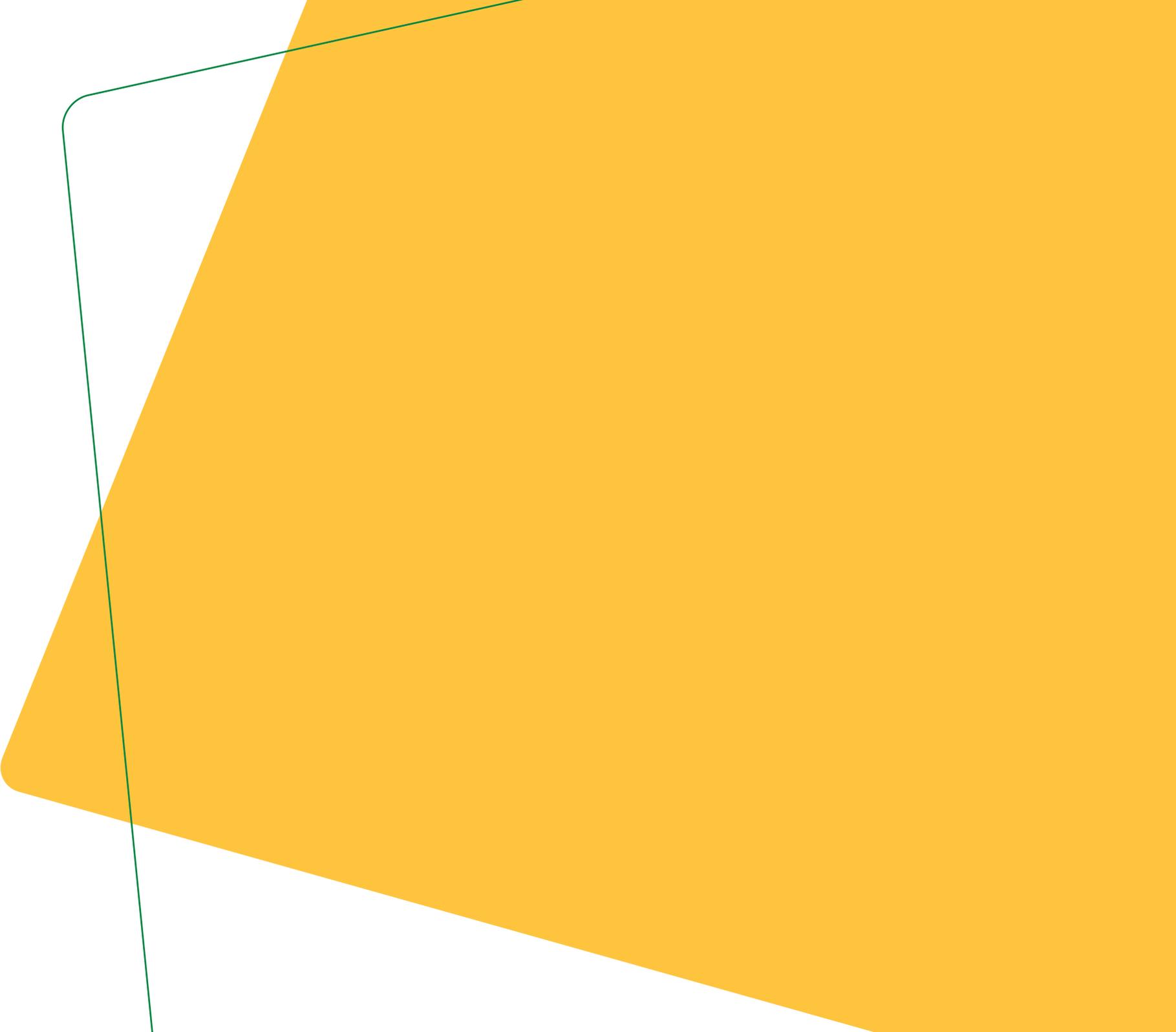
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