

# The Challenge of Growth

HSE Report 2005/2006



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Unless otherwise stated,  
whenever the masculine  
gender is used, both men  
and women are included.

# Introduction



## Statement from the CEO

### The OMV growth strategy as a challenge for HSE management

With the Growth Strategy that OMV has successfully followed over the last years, a number of new HSE challenges have come up on the agenda. After the acquisition of Petrom, the Romanian state oil and gas company, at the end of 2004, much of our efforts went into the integration of this company into OMV Group. From day one there was a focus on health, safety, security and environment in our daily business agenda and I am committed to solve by the year 2010 many of the problems that we confront today. While we enjoyed good financial results, we faced substantial difficulties regarding HSE. To address these challenges, we will invest more than EUR 3 billion into Petrom by 2010 whereof a considerable part will have a direct impact on improving HSE performance. This investment program will contribute to solving environmental problems, addressing safety concerns and raising health standards.

Safety was our biggest concern in this reporting period, as we lost 11 people, employees and contractors, in 2005 and 14 in 2006 due to fatal work-related accidents. My deep sympathy is with their relatives. Consolidating a sound safety culture is a priority and I expect everyone at OMV to contribute to this.

A challenge of our industry now is to meet the needs of energy supply while supporting living standards and economic development; this will continue throughout the next decades. At the same time, we have to reduce the impact on the environment. Our approach to deliver solutions is based on three different levels: optimizing energy efficiency and carbon management of all production areas, development of new or advanced products and investment into new energy sources. We have decided to extend our business with the introduction of alternative energy and renewables to respond to this challenge. With the

OMV Future Energy Fund we plan to develop business projects worth EUR 500 million in our Group, that support biofuels and CO<sub>2</sub> capture and sequestration among others.

Over the last few years OMV has developed into an international company, active in more than 30 countries around the world. Our employees and contractors work in many critical areas and under difficult condition. Because we believe that a healthy workforce is essential for our business, preparing and supporting our workforce on health issues in these environments is crucial. We do not consider health to be merely the absence of illness but rather the ability to stay physically and mentally well. We work towards this goal by setting Group-wide standards for prevention and involving employees in our programs.

In light of the constant search for efficiency, process safety has become a major topic for all "high-tech" and complex industries, and this is also a challenge for OMV. We have taken the lessons from our own experience and that of the industry to improve processes as well as awareness and risk perception among our workforce.

The OMV growth strategy represents a real challenge for our HSE management. Even though several unresolved issues lie before us, we are committed to managing this growth strategy along with the challenges in HSE, both as far as existing problems and issues to come are concerned. My personal focus is to drive the HSE culture in all areas of our Group towards the goal of being among the best-listed companies in our peer group, the mid-sized integrated oil and gas companies.

**Wolfgang Ruttendorfer**  
Chief Executive Officer and  
Chairman of the Executive Board

Wolfgang Ruttendorfer, CEO

## Overview of OMV

### Leading oil and gas group in Central Europe

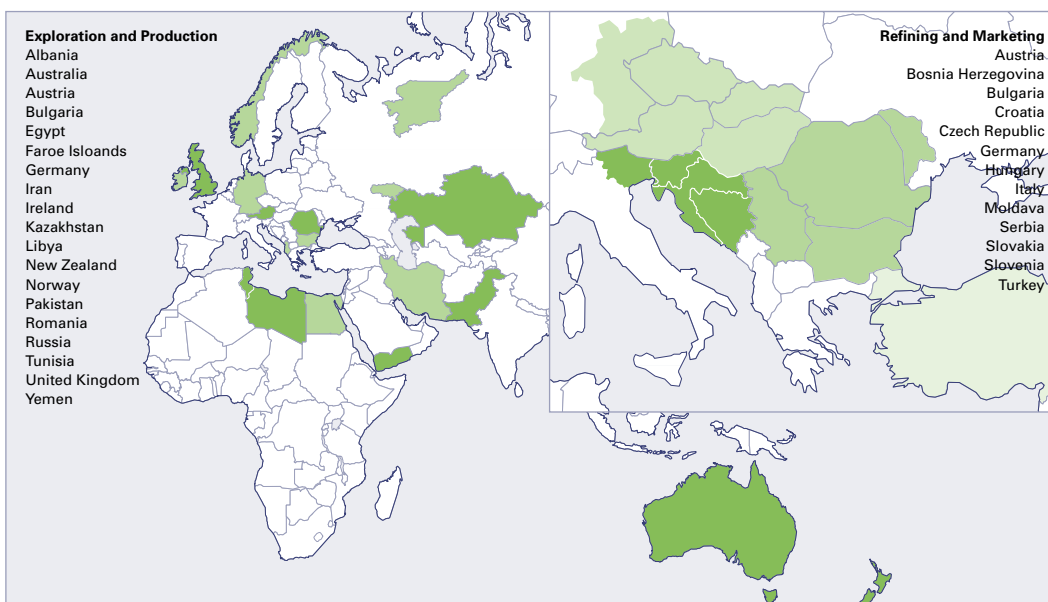
As an integrated oil and gas company, OMV Group covers every stage of oil and gas production, transport, processing and marketing.

- ▶ In Exploration and Production, OMV Group produced 324,000 barrels oil equivalent per day in 2006.
- ▶ Through a 2,000 km long pipeline system, natural gas is transported mainly from Russia via Austria to Central and Western Europe, reaching a sold transport capacity of 47 billion cubic meters in 2006.
- ▶ OMV refineries (including the 45% share in Bayernoil) have a capacity to process up to 26.4 million tonnes of crude oil.

- ▶ With a retail network of 2,540 filling stations, OMV is the market leader in the Danube region.

At the end of the value chain, more than 100 million people are supplied with OMV products.

Business activities are divided into operating segments: Exploration and Production (E&P), Refining and Marketing (R&M) and Gas. The operations of Petrom, acquired towards end of 2004, were gradually integrated into these segments in the years after;



**Figure 1: OMV Group is active in more than 30 countries worldwide. The headquarter is located in Vienna, Austria.**





HSE figures will also be given separately in order to facilitate comparability with previous reports.

OMV Group has a holding structure: 50.9% of the OMV shares are freefloat, IPIC and ÖIAG hold 17.6% and 31.5%, respectively. With Group sales of EUR 18.9 billion in 2006, a market capitalization of EUR 12.98 billion and 40,993 employees, OMV is the leading oil and gas group in Central Europe. Annual average investments of approximately EUR 2 billion are planned over the next few years, of which EUR 900 million are dedicated to Petrom.

#### Organizational changes during the reporting period

Significant changes in the structure of OMV Group are listed below. The deconsolidation of AMI and Polyfelt had a direct influence on HSE reporting boundaries. Other divestments and acquisitions occurred with minor stakes that are not covered by detailed HSE reporting in OMV.

#### Divestments:

- ▶ AMI divested completely in two steps (50% in 2005).
- ▶ Polyfelt divested to Netherlands-Based Royal Ten Cate.
- ▶ E&P assets in Ecuador sold to Joint Venture Partners Perenco and Burlington Resources.

#### Acquisitions, new operations:

- ▶ 100% acquisition of Borealis by OMV and IPIC; OMV share 35%.
- ▶ Petrol Ofisi; OMV share 34%.

#### Governance

The OMV corporate mission statement (vision, mission, values) applies to the whole Group. The principles that rule OMV activities

are laid down in the Code of Conduct, the obligatory framework for corporate responsibility within OMV.

#### Our vision

As the leading oil and gas group in Central Europe headquartered in Vienna, our job is mobility. We keep people and ourselves moving.

#### Our mission

We explore and produce oil and gas on four continents. We supply millions of people with transportation and heating fuels, and with goods and services to produce everyday consumer products.

#### Our values

##### ▶ Mobility:

We work with people who know how to get things moving. We are working for a world in which everyone has access to mobility and the opportunities it brings. Our "Move & More" claim stands for growth, innovation and entrepreneurial thinking on the part of each and every staff member.

##### ▶ Success:

Our measure of success is profitable growth. To get there, we depend on our people's ability to innovate, execute, interact, maximize profits and to lead. Their skills depend critically on our ongoing staff development effort.

##### ▶ European roots:

We promote open-minded attitudes among our workforce, and require them to respect universal values.

##### ▶ People focused:

We put people first. Our growth comes from a service led approach, and from a strong sense of responsibility to our customers, stockholders, employees, and to the environment and society.



### Strategy

OMV continues to follow a sustainable growth strategy:

- ▶ To be the undisputed number one in Central Europe, maintaining leadership and improving profitability. OMV is committed to organic growth, supported by acquisitions. The Exploration and Production segment will focus on the six core regions, while the Refining and Marketing segment plans to extend leadership in the European “growth belt” created through EU enlargement.
- ▶ To be the best integrated oil and gas company, aiming to produce at least half of the refining capacity volumes ourselves and looking to produce more than one-third of the sold gas.
- ▶ Sustainability across the triple bottom line:
  - Business sustainability
  - Social sustainability
  - Environmental sustainability

Good corporate governance and high standards of social responsibility are the cornerstones of OMV’s culture of social sustainability. OMV will outline the framework for a sustainable, ecological business model and act to put it into practice, thereby safeguarding profitability and the continued existence of the Group far into the future.

### Commitment to external initiatives

OMV has signed the UN Global Compact (UNGC) in 2002 and is member of the Austrian Business Council for Sustainable Development. The commitment to the UNGC and its ten principles were translated to the Code of Conduct and the HSE Policy.

### Stakeholder engagement

The dialogue with stakeholders is crucial for OMV and seen as an important source of input for strategic and operational business decisions. The involvement of stakeholders is realized externally and internally at different management levels:

- ▶ The CEO and Board Members participate regularly in intensive discussions and roundtables with stakeholders from society, NGOs, science and investors.
- ▶ At the local level, state authorities, local governments as well as partners and the community are participants in these dialogues. Refineries have specific tools such as “green telephone” for all environmental related inquiries and “open days” in place. Regarding the completely different E&P activities, OMV is aware of the need to further develop and strengthen communication with and involvement of local communities to ensure transparency, trust building and good neighborhood relations.
- ▶ In the special case of Petrom, open dialogue with interested parties (e.g. Unions, Ministry of Health, Ministry of Environment and Water Management) continues to be crucial in order for them to support Petrom HSE major projects (e.g. Petrom Occupational Health project, Petrom Carbon Strategy).
- ▶ A broad spectrum of internal communication tools is applied in order to promote and underpin the desired change in HSE culture and transmit HSE key messages to all staff.

## About This Report

### HSE reporting as a key issue for internal and external communication

As part of the HSE Management System, OMV publishes an HSE Report every two years, with intermediate annual updates. The last report covered the period 2003/2004; the present report covers 2005/2006. A special focus is given at this time to the integration of Petrom into overall OMV Group HSE management.

This HSE Report is addressed to internal and external stakeholders and should provide sound information on HSE performance. This supports internal planning and monitoring of HSE topics towards the strategic HSE targets 2010 as well as enabling evaluation of OMV HSE performance by analysts, investors, authorities and the community.

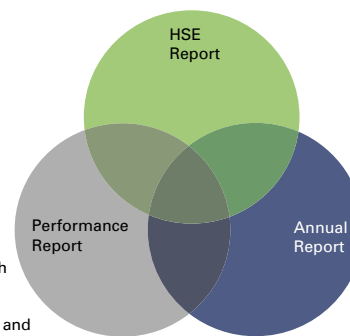
The OMV HSE report is complementary to the Annual Report and to the Performance Report.

#### Reporting standard

OMV has drawn up the present report in line with the Global Reporting Initiative (GRI) guidelines. The report is situated in the transition of switching from the last to the present version of GRI guidelines (G2 to G3). Those GRI indicators that relate to health, safety and the environment were particularly considered for this HSE report. The selected list of indicators is given in the GRI Content Index at the end of this report.

#### Special report on HSE.

Target group: specialists, analysts.  
Style: detailed and specialized information about HSE management and performance.



#### Sustainability report with all issues related to CSR.

Target group: all internal and external stakeholders.  
Style: overall information, limited level of detail for HSE information.

#### Classic business report.

Target group: shareholders, market analysts, specialists.  
Style: detailed economic and business information, limited details for non-financial information.

Figure 2: OMV reports in context.

#### Reporting boundaries

The following data are taken into account for this report:

- ▶ Data from all OMV activities with a stake of more than 50%. In such cases, the figures are included in full.
- ▶ Joint ventures where influence is exerted and in which OMV acts as an operator (operatorship), including minority shareholdings such as in Pakistan (OMV is the operator and owner of 19.7% and 16.68%, respectively). In such cases, the figures are also included in the HSE Report in full.

<b>Significance (HSE impact)</b>	<b>High</b>	AMI Borealis Petrol Ofisi  Joint Ventures: - E&P Tunisia - E&P Libya - E&P New Zealand	Bayernoil	<b>Refinery Schwechat Refinery Burghausen Refinery Arpechim Refinery Petrobrazil E&amp;P Austria E&amp;P Pakistan E&amp;P Petrom (on- and off-shore) Petrom Chemicals (Doljchim) Gas Transit and Storage</b>
		Joint Ventures: - E&P Australia - E&P United Kingdom - E&P Ireland		OMV Solutions OMV R&M - Marketing Petrom Marketing Petrom Gas E&P Libya            E&P Yemen E&P Tunisia        E&P New Zealand E&P Iran             E&P Bulgaria E&P Norway        E&P Albania
		Influence	Signif. Influence	<b>Control</b>
				<b>Type of Management</b>

**Figure 3: Reporting boundaries of OMV Group.**

- ▶ Joint ventures where OMV does not exercise control, operatorship or significant influence but which are associated with key HSE challenges (e.g. E&P operations in Libya, Tunisia, Yemen, New Zealand, etc.) are included in the narrative without statistical analysis. Figures of safety and environmental performance indicators from these ventures are not consolidated within the Group-wide figures.
- ▶ Figures from holdings of equal or less than 50% are not taken into account if there is no operational influence (such as the 45% stake in Bayernoil).
- ▶ HSE-data from filling stations are not included, as the vast majority is operated by partners functioning as independent companies.

However, where HSE is concerned, we work closely with our joint venture partners, filling station licensees and contractors. The report details examples of how our policies are implemented in these cases.

HSE data from reporting units under OMV control were taken into account according to their significance (HSE impact):

- ▶ Control and high significance: full reporting on safety and environmental figures as well as HSE management data.
- ▶ Control and low significance: full reporting on safety figures and HSE management data.
- ▶ Where OMV has only influence but not control, HSE information is given in a descriptive way but HSE figures are not included.





Since this is the first HSE Report with full consolidation of Petrom HSE information, the following terms are used in order to facilitate comparison with previous disclosures:

- ▶ OMV Group – refers to integrated data of OMV Classic and Petrom;
- ▶ OMV Classic – refers to data excluding Petrom.

### **Content**

Information that describes the typical impacts of an oil and gas company regarding occupational health and safety and environment was considered for this report. References were taken from industry associations as well as from informational requirements regularly presented by analysts and the public in general.

The importance of reporting issues such as:

- ▶ Sustainability; renewable energy; energy efficiency; environmental performance;
- ▶ Transparency; reporting in general; independent evaluation of information;

has been reconfirmed in a high level stakeholder roundtable with the participation of representatives of society, NGOs, science and investors on the one hand and the CEO and OMV Board Members on the other.

The report was prepared in alignment with modern sustainability concepts and to check completeness, references such as GRI were used. To help identify standard disclosures in the report, a GRI Content Index is given in the annex.

### **Reporting methodology**

Data collection at site level is carried out with different business-specific methods and tools. Reporting and consolidation is done via a central database, our HSE Monitor, which can be accessed world-wide by the reporting units specified in figure 3 via a web-based interface in the intranet. Group-wide standardized definitions were developed for all indicators and are available directly in the HSE Monitor.

Auxiliary spreadsheet files are used for plausibility checks at Group level, feedback loops and visual presentation of data.

For the Group-wide consolidation of HSE data, completeness of reported data and plausibility is checked. Cross-checks (over time, between sites, comparison with normalized industry specific data) are performed systematically and feedback and commenting loops with the reporting sites and departments ensure high data quality.

### **Assurance**

The present report has been submitted for external assurance by Deloitte. The purpose of seeking external assurance is to support OMV in building trust among stakeholders and demonstrate transparency on OMV commitments, practices, and performance in significant HSE issues. Another reason for undertaking the assurance is to improve internal accounting and reporting practices and to facilitate learning and knowledge transfer within the organization.

# HSE Management

## HSE Policy

OMV has reviewed and updated the HSE Policy in 2006 which provides the program framework and states the high level objectives

for HSE performance and management throughout OMV.

Health, safety, security and environmental management have equal importance as all other critical business issues.

OMV Aktiengesellschaft

Health, Safety,  
Security &  
Environment Policy



**Everyone who works with OMV should return home in good mental and physical health.**

- ▶ All accidents can be prevented.
- ▶ The health of our employees is promoted by continuous improvement of their physical, psychological and social working conditions.

**All workplaces and processes must be safe and secure for OMV, its stakeholders and the environment.**

- ▶ Keeping risks as low as reasonably practicable is a priority.
- ▶ We apply the best available economically viable technology.

**HSE\* matters have equal importance as all other critical business issues.**

- ▶ We strive for continuous improvement of our environmental, safety and security standards.
- ▶ We establish specific goals based on international performance standards, and measure our progress on a regular basis.
- ▶ We actively strive to minimize our impacts on the environment, participate in climate protection measures and support alternative energy sources.

**HSE is a line management responsibility.**

- ▶ We expect commitment and leadership from our line managers.
- ▶ All our employees are expected to play an active role in HSE and be competent in HSE matters.
- ▶ We require our contractors to adhere to our policies and standards.

**Our Group-wide HSE standards go beyond legal compliance.**

- ▶ We comply with all relevant legislation in everything we do.
- ▶ We meet the high standards set by OMV wherever we operate, through the world.

\* HSE = Health, safety, security and environment



Vienna, September 2006



Figure 4: HSE Policy signed by the OMV Executive Board.



## HSE Strategy and Program



### **Petrom's HSE development as a member of OMV Group**

Mariana Gheorghe, CEO of Petrom

#### **HSE performance is strongly linked to technical integrity and company culture. How does Petrom address these issues?**

Petrom has allocated more than EUR 3 billion for extensive modernization projects to be carried out through the year 2010. This will improve our technical integrity, boost efficiency and raise quality levels to EU standards. But this alone is not enough to ensure HSE excellence. To support the right kind of attitude and company culture, Petrom has undertaken a wide range of HSE training programs and campaigns across all levels of the organization.

#### **How do you evaluate the role of OMV in Petrom's development during the last two years, especially with regard to HSE?**

OMV has been a huge help to Petrom in implementing its HSE management system.

Through day-to-day examples and guidance, OMV has been a valuable partner in raising HSE standards across Petrom's divisions. Among other things, OMV helped us set up an effective reporting system, as well as offering advice on training programs and communication.

#### **OMV Group has defined challenging HSE targets by 2010. How do you see Petrom's contribution to achieving those targets?**

At Petrom we have a strong, very professional team in the HSE divisional departments and on the corporate level. We have already seen great improvement in safety and environmental performance, in security, as well as in medical infrastructure. So with all of these elements continuing to take shape and develop, I am confident that Petrom will contribute positively towards the HSE targets for 2010.

#### **Petrom has undertaken great steps in order to improve occupational health, safety and environmental standards. As the biggest company in Romania, what impact does Petrom have on the country as a whole?**

Our aim at Petrom is to become a role model in HSE issues for all of Romania. By improving energy efficiency, introducing programs for reducing greenhouse gas emissions or for improving waste management, Petrom has a direct and positive impact on Romanian communities everywhere.



### Challenges

The oil and gas industry is in the center of the sustainability debate: fossil-based products are considered not to be sustainable in the long term because of limited resources; business activities on a worldwide basis will move more and more into politically unsafe or environmentally sensitive areas. These facts are of key importance for OMV and its growth strategy. Meeting the following challenges is considered vital for the development of OMV businesses:

- ▶ To support the health of our workforce in more than 30 countries, partly in harsh or difficult working conditions;
- ▶ To guarantee the safety of our employees and all those that work for OMV Group in several risk areas;
- ▶ To ensure the integrity of our plants and operations;
- ▶ To manage increasing amounts of greenhouse gas emissions by operations and products as the company and the business grows;
- ▶ To minimize flaring and venting as a single, but important contributor to GHG emissions;
- ▶ To safeguard the impact on nature and biodiversity as we develop production in sensitive areas as well;
- ▶ To safeguard employees and assets against malicious acts in a world of growing terrorism and uncertainties.

All of these major challenges are covered in the OMV HSE Policy, which is the guiding document for HSE considerations in business development. Stakeholder expectations and OMV HSE performance are reviewed against it.

### Opportunities

With the integration of Petrom, a company that is about the same size in production as OMV Classic, overall HSE performance of OMV Group changed accordingly. Petrom has a long history of oil and gas exploration, which dates as far back as 150 years ago. Many of the installations have been in operation for the last 40 to 50 years and were built during times in which the general awareness of environmental impact was not seen as a primary concern. With Petrom's integration into the OMV Group, and with Romania's accession to the EU at the same time, a set of new standards has been imposed upon the company.

A major advantage for Petrom is that OMV can support its development by sharing best practices and investing in operational changes within the company. This allows Petrom's HSE management to become a role model for Romania in many cases. Furthermore, close cooperation with the authorities on all levels is an important way of helping to achieve best results.

The focus areas for Petrom and in turn also for the Group's performance are:

- ▶ Avoidance of work-related fatalities;
- ▶ Reduction of car accidents;
- ▶ Improvement of medical infrastructure and health care;
- ▶ Reduction of oil spills from corroding pipelines;
- ▶ Reduction of energy consumption and GHG emissions;
- ▶ Reduction of hazardous waste in production processes, treatment of accumulated waste;
- ▶ Introduction of advanced products and alternative fuels;
- ▶ Increase in HSE awareness among the entire workforce.



For all these areas, roadmaps until 2010 have been defined. The top management is clearly aware of the need to actively support efforts to bring Petrom's performance up to OMV Group standards. Most of these issues must also be managed appropriately in the business activities of OMV Classic.

### HSE strategy

The challenges for HSE management are directly linked to the business strategy, i.e. with the growth of OMV Group in general, the integration of Petrom specifically and with sustainability along the triple bottom line – business, social and environmental sustainability.

As a result, the HSE strategy 2010 is built upon three pillars:

- ▶ OMV corporate values (Code of Conduct and HSE Policy);
- ▶ Business strategy;
- ▶ Stakeholder expectations, social and political environment.

The strategic HSE target 2010 aims to have OMV Group ranked in the 1st quartile of mid-sized oil and gas companies for HSE standards and performance. These targets are formulated as leading indicators since the target is a moving one: both OMV as well as the peer group might change along the way. Therefore, lagging indicators based on fixed numbers would not fit the OMV growth strategy.

	2003	2004	2005	2006	2007	2010
<b>HSE MS</b>	<ul style="list-style-type: none"> <li>● Legal compliance process</li> <li>● ISO14000/OHSAS (%)</li> </ul>	<ul style="list-style-type: none"> <li>● Legal compliance process</li> <li>● ISO14000/OHSAS (%)</li> </ul>	<ul style="list-style-type: none"> <li>● HSE trainings (OMV Classic)</li> </ul>	<ul style="list-style-type: none"> <li>● HSE benchmarking set up.</li> <li>● HSE competency matrix defined</li> </ul>		<ul style="list-style-type: none"> <li>● 1st quartile for HSE standards and performance.</li> <li>● External verification of HSE Management System.</li> <li>● Competency based HSE training.</li> </ul>
<b>Health</b>				<ul style="list-style-type: none"> <li>● Health Standards developed and approved</li> </ul>	Promote occupational health by roll-out and implementation of Corporate Health Standard in all OMV countries.	<ul style="list-style-type: none"> <li>● Compliance to health standard 90%.</li> <li>● Extensive involvement of employees in health, 1 health circle per site.</li> </ul>
<b>Safety</b>	<ul style="list-style-type: none"> <li>● LTIR: OMV employees 4.15</li> <li>● safety audits</li> </ul>	<ul style="list-style-type: none"> <li>● LTIR: OMV employees 3.76</li> <li>● safety audits</li> </ul>	<ul style="list-style-type: none"> <li>● LTIR (OMV Group): employees 0.95</li> <li>● contractors 2.54</li> <li>● safety Index (OMV Classic)</li> </ul>	<ul style="list-style-type: none"> <li>● LTIR (OMV Group): employees 0.98</li> <li>● contractors 1.36</li> <li>● safety Index</li> </ul>	Reduction of serious incidents by senior management involvement.	<ul style="list-style-type: none"> <li>● LTIR &lt;1 own employees and contractors.</li> <li>● No serious incident of level 4 and above.</li> </ul>
<b>Security</b>					Promote security management and find actual worldwide status.	<ul style="list-style-type: none"> <li>● Compliance to OMV security standards not less than 90%.</li> </ul>
<b>Environment</b>				<ul style="list-style-type: none"> <li>● Environmental KPI benchmarking set up</li> </ul>	Trace the path towards 1st quartile environmental performance in defined industry KPIs.	<ul style="list-style-type: none"> <li>● 1st quartile of peer group in benchmarking industry relevant Key Performance Indicators.</li> <li>● GHG intensity of portfolio, develop strategic sustainability path.</li> </ul>

Figure 5: HSE Roadmap.



The HSE roadmap shows how annual HSE targets (see below, HSE program) contribute to the strategic HSE target 2010, how they were included in the corporate Balanced Scorecard in the years 2003-2007 and the results achieved for the HSE Management System (HSE MS) and the working areas health, safety, security and environment for 2003-2006.

#### **HSE program**

Yearly HSE targets are designed to guide the way towards our 2010 goal. Leading indicators are defined at Group level and deployed to the business divisions.

In 2005 and 2006 our targets were largely met. In areas where this was not the case, measures have been set by the board members.

Petrom is fully integrated in the Group targets, but additionally has its own HSE implementation program and is constantly following up on the roadmap laid out. Among the milestones in this program are: the new health concept, the safety risk assessment of all major plants, the asset register with a detailed

analysis of environmental status of all sites. We have not included declining numbers of fatalities in our short-term targets as each fatality is one too many. However, we follow each case with much concern and feel that the safety targets have not been met until we resolve this problem.

In addition to the follow-up of the yearly HSE targets, major efforts are related to HSE topics and processes such as:

- ▶ Continuous development and review of HSE standards;
- ▶ Emission trading for OMV Classic (Petrom included as of January 2007);
- ▶ Crisis and emergency management.



## HSE Management System



### How the market views OMV HSE performance

Evelyn Bohle, Senior Analyst, oekom research AG, Munich

#### What is your assessment of OMV's overall long-term development in HSE?

There has been limited information on HSE performance for the OMV Group since it acquired Petrom, but from what I know of OMV Classic I can definitely say that there has been a positive development in HSE. The company has introduced an HSE Management System that overlooks environmental and safety activities. Major operations have both ISO 14001 and OHSAS 18001 certification. OMV also aims to stop gas flaring and venting by the year 2010 – a goal most other oil and gas companies don't have.

#### How would you assess the integration of Petrom into OMV in terms of HSE standards?

OMV has set ambitious HSE targets for 2010, and these also apply to Petrom. But there is still a lot to be done before Petrom

is up to OMV's safety and environment standards. Some signs of progress include the significant investments made in areas such as facility improvement at Petrom, as well as management training programs on employee health, safety, and environmental standards.

#### From an investor's point of view, in what areas can OMV further strengthen its HSE performance?

Though there has been some improvement, reporting at OMV is not as progressive as in other companies in the industry. In particular, there was very limited social and environmental reporting for Petrom in the last few years. In addition, in our opinion OMV should intensify the development of renewable energy technology. The Future Energy Fund is an initial step, but many other oil and gas companies are ahead in this area.

#### What do your investors particularly value about OMV?

Our investors appreciate that OMV is not publicly known to be involved in questionable environmental practices or business activities, nor is it active in highly controversial countries. However, after the acquisition of Petrom the Corporate Responsibility Rating of OMV has been significantly downgraded. Generally, our clients are interested in OMV and value the progress OMV is making in integrating Petrom.



### **Policy**

For OMV health, safety, security and environment (HSE) matters are as important as all other critical business issues. Therefore, specific goals based on international performance standards are set within the regular business planning processes, and progress is measured systematically. The corporate HSE Management System is the framework for continuous improvement of environmental, health, safety and security standards.

### **Goals and performance**

The 2010 target of OMV is to perform in the 1st quartile of mid-sized integrated oil and gas companies. A stable HSE Management system is a key basis of achieving this goal.

Based on these long-term targets, annual working programs are defined and subject to a close follow-up by HSE managers, line managers and the Executive Board.

### **Organizational responsibility**

The overall responsibility for HSE lies with the Executive Board. The HSE Vice President reports directly to the Executive Board and assists in its duties. HSE is organized as a matrix organization: a wide-spread network of HSE managers at all organizational levels gives advice and support to line managers in order to take full HSE responsibility.

Furthermore, all our employees are expected to play an active role in HSE and be competent in HSE matters. This means for example: participation in HSE training, active involvement in the reporting of near misses and hazards, etc.

### **Monitoring and audit**

OMV monitors performance regularly based on indicators, reports, and audits. The moni-

toring is done according to set targets, best practices, and compliance with legal requirements and OMV internal standards.

To follow up on safety and environmental performance data a special database, which includes information on Petrom, was newly launched in 2005 and fully rolled out in 2006. The HSE Monitor ensures that the appropriate data is recorded and that the data quality is assured prior to consolidation.

Audits and management reviews of the HSE management systems are done at several levels from site to corporate, with a different respective focus. The ultimate goal of OMV is to have an externally verified HSE management system Group-wide by 2010. However, certifications against ISO 14001 and OHSAS are recommended but not mandatory and may be decided by each subsidiary.

### **Approach to HSE management in Joint Ventures**

OMV strives for continuous improvement of environmental, safety and security standards and to meet the high standards set by OMV wherever we operate. As Joint Venture partner, OMV makes an impact through work programs and during budget planning. The deliverables are reviewed to ensure that they are realistic and achievable; subsequent endorsement by the government may also be required. Expenditure is generally also subject to a rigorous discussion and approval process with the partners. Deliverables may include HSE studies like HAZOP, HAZID; Project HSE reviews, audits, competence requirements and training. Where OMV is a minor shareholder, experience and information exchange with counterpart HSE staff is conducted.

## Performance

In the year 2006, we released our corporate HSE Management system with 12 specific Management Elements in which the major expectations are explicitly laid out. This should help our management throughout the company to proactively introduce HSE issues in business planning and bring HSE awareness to each field of responsibility.

### Integration of Petrom into OMV HSE management

Petrom alignment with OMV Group HSE standards and ultimately meeting stakeholders' expectations is a dynamic process. Leading Petrom successfully towards this goal requires that the company is managed in a systematic and visible manner.

The Petrom Corporate HSEQ department has driven the process of developing and implementing a Petrom-wide Business Management System which is aligned to the OMV Group approach and follows the model of ISO 9001, ISO 14001 and OHSAS 18001 standards.

The Petrom Business Management System entered into force in April 2006, and provided the framework for Corporate Functions to issue Petrom-wide corporate regulations (directives, standards or recommendations). A total of 26 Petrom Corporate Regulations have been released during 2006, of which eight are HSE regulations.

### Certified Environmental Management Systems

In addition to the already certified sites in Refining and Marketing (refineries Schwechat, Burghausen and Arpechim) and in Exploration and Production (Pakistan), OMV Gas has obtained ISO 14001 certification in 2005. The Petrom Refining Integrated Ma-

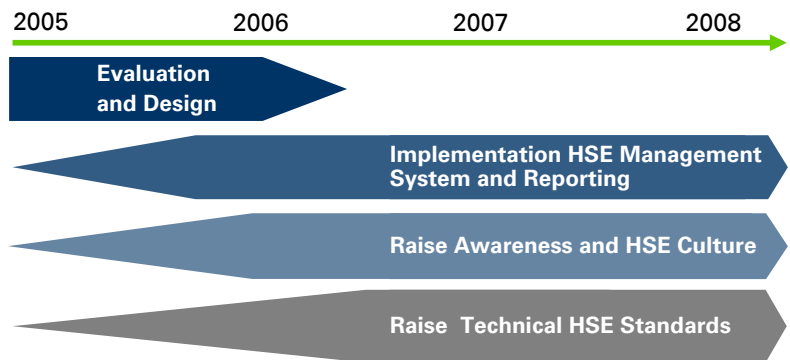


Figure 6: HSE integration of Petrom.

agement System (ISO 9001 and ISO 14001) for Arpechim, Petrobrazil, Incerp and Headquarter was certified in 2006.

By the end of 2006, 81% of our business activities (expressed in million tonnes oil equivalent processed, produced or transported) are certified according to ISO 14001; i.e.

- ▶ 100% of crude oil processing in all OMV and Petrom refineries;
- ▶ 6% of oil and gas production in OMV Group;
- ▶ 100% of the gas transmission volume sold in OMV Classic.

At the same time, 41% of OMV Classic and 13% of Petrom employees are working within the scope of a certified environmental management system. Due to the larger workforce of Petrom in OMV Group the figure is 16% of all employees.

### Certified Safety Management Systems

The Schwechat and Burghausen refineries are certified according to OHSAS 18001 (29% of OMV Classic employees). Petrom Refining is preparing to achieve certification of the safety management system according to OHSAS 18001 in 2007.





### Audits

Audits are an important tool to ensure the effectiveness of the HSE Management System. OMV is taking part in a wide range of audit programs:

- ▶ Safety Audits and management walk around are done by operative and non-operative line managers on a regular basis in order to ensure dialogue with employees (and contractors) and thus, identify HSE risks and unsafe behavior in an interactive way, establish measures to keep risks under control and to raise awareness for HSE.
- ▶ Management System Audits are undertaken internally as first and second party audits as well as externally by third parties in order to ensure the effectiveness of the Management System. Findings of Management System Audits are discussed with the line management and Board Members and actions are subject to a systematic follow-up.
- ▶ Contractor audits are standard in many areas. Supplier audits were introduced in OMV Gas in 2006 in order to ensure compliance of the suppliers with the requirements and standards of OMV. The audits are focused either on the product and/or the Management System. Also contractors, haulers and filling station partners in R&M are subject to management audits and safety audits carried out by OMV staff.

In addition to audits, the results from external sustainability ratings are an important feedback source and used for continuous improvement of HSE management in OMV.

### Compliance

Setting up a coherent legal compliance process was a Group-wide leading indicator target in 2004. To fulfill this target, business divisions have set up their monitoring systems, including specific IT tools.

Monetary fines for non-compliance with environmental regulations totaled EUR 0.32 million in Petrom in 2006; none in OMV Classic.

In Petrom, complying with all legal requirements is one of the main commitments in the HSEQ policy. As an operator in the oil and gas industry, Petrom faces extensive legal requirements in terms of HSE and this requires an extensive and complex undertaking. These processes have been developed at Business Division level, and Corporate HSEQ has supported this through:

- ▶ Creating tools to manage the legislation applicable to Petrom (HSE Compliance Manual and updated HSE regulations database);
- ▶ Carrying out HSE legal compliance audits to check that the system functions correctly;
- ▶ Managing centralized legal reports to Romanian authorities (in the name of Petrom).

Starting in 2005, an extensive process has been initiated to update licenses to operate as well as programs to meet the related legal requirements. Undertaking 430 environmental balances in E&P, receiving IPPC permits for Petrobrazi and Arpechim refineries, and managing 226 measures for legal compliance in Marketing, highlight the efforts to comply with legal requirements.

Non-monetary sanctions in HSE as a result of failure to comply with legal requirements were environmentally related. In Petrom Marketing the terminal Arad was closed by authorities by the end of 2006. After implementation of compliance measures, operation re-started in January 2007.





### HSE training

Employees are the key factor in attaining HSE objectives. Therefore, ensuring HSE competence, awareness and training of our staff were among the main concerns in 2006, especially within Petrom.

OMV and Petrom HSE staff managed extensive HSE training programs across Petrom last year. They addressed topics such as HSE leadership, HSE management, crisis management, auditing, HSE investigations, contractor HSE management, HSE reporting, first aid, defensive driving and lessons learned. Training targeted employees at all levels: top management, line managers and all staff; as well as contractor employees.

### Awards

During the reporting period, OMV received several awards regarding health, safety and environmental performance:

- ▶ DuPont Safety award 2006 for Europe, Middle East and Africa in the category for Innovation;
- ▶ The refinery Schwechat was awarded by the European Agency for Safety and Health at Work with the Good Practice Certificate 2006 for its 3D-simulator for safety training in a virtual environment;
- ▶ 1st and 3rd prize in the Green Flower Contest 2006 for filling stations in Croatia;
- ▶ Health prize from city Linz and Beyrer Consulting for brilliant achievement in health promotion for AMI Linz;
- ▶ Award for environmental performance from the Viennese Öko-Business-Plan for OMV Gas.

	Training hours	Training hours/employee
<b>OMV Group</b>	<b>312,800</b>	<b>7</b>
Thereof:		
OMV Classic	90,000	16
Petrom	222,800	6
<b>Per business division:</b>		
R&M	82,300	4
E&P	220,800	10
Gas	1,700	5
Corporate and others	8,000	3

**Table 1: HSE training 2006. The lower rate of training hours/employee in Petrom is mainly due to resource constraints related to the large workforce.**

# HSE Performance

## Health



### **Contribution of business to public health**

Prof. Michael Kunze, scientist and expert in public health, Institute for Social Medicine in Vienna

### **How does OMV contribute to public health?**

OMV has a very sophisticated occupational health program, which serves as model for other companies in Austria and around the globe. The preventive health programs cover areas such as skin screenings, urology, weight management as well as emergency medical and psychological care. These programs aim to meet the needs of OMV employees everywhere the company operates.

### **How does OMV prepare its staff for deployment in countries where medical standards are lower?**

Employees who are sent abroad first undergo a thorough medical evaluation and receive all the necessary immunizations. To ensure that the local health care facilities fulfill the necessary quality standards, Vienna-based medical officers go on regular

site visits. And of course, the health professionals at OMV headquarters in Vienna are always available to answer medical questions and offer advice.

### **How effective are the measures taken by OMV to prepare for a possible flu-pandemic?**

Because of the enormous impact that a pandemic could have on OMV's business activities, a detailed crisis plan has been developed to protect the company in the case of an outbreak. OMV has stockpiled masks and other protective gear, and was one of the very first companies to supply key employees with neuraminidase inhibitors, in particular Tamiflu, on a prophylactic basis. A plentiful supply of Tamiflu is also available to all OMV employees for treatment.

### **As a medical professional, how would you assess the overall development of OMV's occupational health programs?**

I have been following OMV's occupational health programs for more than a decade, and I can say that the company consistently goes above and beyond what is required by health legislation. There are always new initiatives being introduced, such as the recent smoking-cessation program at various OMV locations or the healthy eating campaign. OMV is genuinely dedicated when it comes to investing in the overall health of its employees.



## Health Management

### Policy

According to the OMV HSE Policy, the health of employees is considered to be an important asset and resource. We continuously aim to promote the health of our employees by improving their physical, psychological and social working conditions.

### Goals and performance

The overall goal of Occupational Health (OH) management at OMV is to promote occupational health through Group-wide implementation of the health standards, harmonized work procedures and the implementation of employee health circles.

The work of the OH Teams in OMV is guided by the understanding of physical health and psychological well-being as core elements of workability, which has to be understood as a mix of cognitive, emotional, motivational and biological potential and is promoted by positive self-esteem and a supporting network of social contacts.

The philosophy of the OH Team is based on the following principle: the promotion of health of all employees as well as providing up-to date medical treatment of acute physical health and psychological problems.

OMV's policy places an emphasis on the current well-being of its employees. This is why OMV's Occupational Health organization always strives for optimal service in individual employee consultations, aiming for higher quality standards than the legal minimum requirements. In addition to classic medical services, we offer services such as physiotherapy, different kinds of physical treatments as well as lectures on preventive

measures for musculoskeletal health to employees according to their individual needs at the different sites.

### Organizational responsibility

Through regular input on health topics and practices, OH experts support line management to take the ultimate responsibility for occupational health. In order to achieve a broad and effective network of knowledge concerning OH, the corresponding organization works according to a shared service concept. The Center for Occupational Health has a strong focus on the integration of international activities according to the specific needs of the business units and countries, as well as for the Group as a whole.

In addition to the legal requirements for OMV as a company, we have to be aware that there is an individual dimension as well. The responsibility for personal lifestyle choices, such as eating, drinking, smoking habits remains with the individual. This is why OH teams seek to motivate all employees to also play an active role in promoting their personal health.

### Training and awareness

A crucial part of boosting employee health and safety is ensuring that the relationship between personal habits and overall well-being is clearly understood. To this end, employees take part in regular first aid courses. In addition, the OMV Center for Occupational Health contributes with important topics such as healthy snacks in the office, health referral for travel, ergonomics for computer work, and avian flu to regularly offered "safety hours", where employees get information about general HSE topics during

a two-hour presentation. A special project on skin care offered employees training in good skin protection, cleaning and care, with particular emphasis on exposure to the sun and other work-related substances and materials.

OMV also recognizes the significance of HIV and addresses this issue within its corporate health management system. The corporate health standard outlines that HIV/AIDS will be addressed within specific preventive programs and is included in general health-training modules.

With regard to the international medical teams, training on the job for doctors at different sites was organized and 10 doctors took part in a conference on Health & Productivity Management.

## Achievements in Occupational Health

### **Petrom integration**

A priority for Petrom in 2006 was to develop a new Petrom healthcare concept in accordance with OMV Group health management. The overall goal is to provide a modern and comprehensive service to employees. Some of the next milestones in the implementation refer to:

- ▶ Splitting medical activities into health management and services (occupational health, prevention and emergency);
- ▶ Setting up the Petrom Centre for Occupational Health;
- ▶ Standardizing the medical facilities and their reallocation based on work related risks, number of employees in the area, and distance from workplaces to medical facilities.

Training for medical staff has already been carried out and will continue.

### **Health projects and activities in OMV Group**

In 2005/06 the following projects were the main focus:

- ▶ Evaluation of infrastructure, integration, reorganization and management training of leading OH physicians of Petrom's OH Units;
- ▶ Introduction of a new health standard ensuring a state-of-the-art level in all Group countries;
- ▶ Focus on medical aspects of the pandemic preparedness project, with a special focus on avian flu;
- ▶ Preparation for Health Circles on an international basis;
- ▶ Improved cooperation among OMV's medical staff on an international level (conference and doctor's day);
- ▶ Implementation of a worldwide Emergency Assistance Service for all OMV/Petrom travelers.

In addition to the regular occupational health services, different preventive projects have been realized according to specific needs such as:

- ▶ Health circles (pilot of joint management worker health committees in OMV Gas and E&P Austria);
- ▶ No-smoking campaigns;
- ▶ Opening of fitness rooms;
- ▶ Back health training;
- ▶ Sleeping program, especially for shift workers;
- ▶ Hepatitis, flu and mumps vaccination programs.

General preventive medical check-ups are regularly offered at the OMV sites, in order to increase the employees' participation. A special focus has been put on the physical fitness of employees working overseas as well as on their health care while abroad. As overall traveling has increased significantly, the awareness of health specific hazards has



been intensified by training and consultancy activities. In this respect, networking with international organizations like OGP is seen as very effective.

For the next period, health management will focus on the full implementation of the Health Standard with worldwide standardized work procedures for all OH services and an OH Audit system. Furthermore, the Group-wide roll-out of Health Circles will start with implementation and trainings in 2007.

#### Monitoring and follow-up

Specific health surveillance and health checks were performed according to legal requirements and OMV regulations. These serve as basis for the development of future health promotion activities - like the sleep disorder prevention program for shift workers.

With regard to OMV's stakeholder involvement, health is one of the key areas of engagement with local communities.

Indicator	OMV		OMV Group 2005	OMV		OMV Group 2006
	Classic	Petrom		Classic	Petrom	
Medical consultation (non trauma)	18,314	86,748	105,062	16,870	86,923	103,793
Paramedic intervention	16,261	64,798	81,059	14,728	76,346	91,074
Physiotherapy	4,434	5,598	10,032	4,788	4,932	9,720
Medical Examination according to law	1,158	31,557	32,715	1,189	24,546	25,735
Vaccinations	5,368	9,456	14,824	5,233	14,870	20,103
Preventive programs (participants)	1,312	3,418	4,730	1,428	10,540	11,968
Health trainings (participants)	1,885	5,187	6,559	1,527	11,558	12,602
Workplace inspections	316	2,923	3,239	370	2,638	3,008

**Table 2: Occupational health activities. (Coverage of reported figures is >90%, i.e. OMV Austria, OMV Germany and Petrom).**

Case study:

#### Hepatitis B vaccination program in Pakistan

OMV runs a three year Hepatitis "B" vaccination program, where 9,000 people from local communities (mainly women and children) will be vaccinated. The project started in 2006, will last three years and is in cooperation with the Austrian Development

Agency (ADA, [www.ada.gv.at](http://www.ada.gv.at)). The project volume is USD 100,000.

In Pakistan, about 15 community workers are on duty in the field.



## Safety



### **HSE from employees' point of view**

Leopold Abraham, Chairman of the Central Staff Council, OMV

### **What impact has the “Think: Ahead, discover safety” program had on the lives of OMV employees?**

Although the staff council was initially skeptical of the effectiveness of the program, since “Think: Ahead, discover safety” was launched, safety is now considered to be a priority in all aspects of OMV's work processes. This change in attitude is a great achievement. The success of the various safety awareness campaigns is demonstrated by falling accident rates at OMV, year after year. And that's something all employees can feel good about.

### **What are the main work safety and security challenges facing OMV?**

While OMV aims to make all work processes as safe as possible for everyone, it is not always easy to get our colleagues in various

countries to approach safety and security in the same way. Nevertheless, we have made good progress in coordinating safety procedures in the various OMV countries, with particular improvement seen in Romania.

### **What are some of the successes seen over the last two years in the areas of preventive health care for employees?**

OMV offers regular medical check-ups for staff as part of its preventive healthcare program. There have also been a number of very successful employee health and fitness events, including a “Health Week” and healthy eating campaigns. And in countries where medical standards are lower, OMV has established the necessary emergency networks to serve the needs of our employees around the globe.

### **What are some of OMV's employee health and safety objectives for the future?**

We are aiming to extend the scope and quality of OMV's medical care for staff, as well as improving safety practices across the organization. At Petrom for example, further investments will be made in modernization projects to raise healthcare and safety standards. But cooperation with Petrom in these areas is already quite successful. And if progress continues at the rapid pace we have seen so far, we will be sure to attain our goals in the near future.



## Safety Management

### Policy

In the OMV Policy we made a clear commitment to make personal and process safety a top priority: everyone who works with OMV should return home in good mental and physical health and all workplaces and processes must be safe and secure for OMV, its stakeholders and the environment. This commitment implies that we believe that all accidents can be prevented and that we strive to keep risks as low as reasonably practical.

### Goals and performance

In the OMV business strategy we defined two high level targets for 2010: the OMV Group should have less than one lost time incident per million hours worked (LTIR) and should not have any incident of level 4 or above. This means no fatality and no process safety incident with partial loss of plant. All Group targets are deployed to the Business segments. Additional targets at segment or site level may be defined if needed.

We believe in a leading indicators system to drive our safety performance. In addition, safety statistics are carefully monitored. For 2005 and 2006 our targets were related to safety audit performance, near miss and hazard reporting, response rate of actions performed, and the LTIR. Progress was measured on a quarterly basis and reported directly to the Executive Board.

### Organizational responsibility

Safety is a line management responsibility starting with the top senior management supported by a team of experts. But it is clearly

also the responsibility of each employee of the company to contribute to a safe work environment regardless of whether this is a complex process in operative plants or an office. Therefore, employees are encouraged to report and discuss hazardous behaviors or conditions.

### Training and awareness

Within our "Think: Ahead – discover safety" program we have a set of standard training for various levels of employees and various topics such as awareness, management, contractors safety management, incident investigation, defensive driving, experiencing safety in outdoor activities and many others. In 2005, we also introduced a new HSE leadership training in which the top management of OMV and Petrom and many other senior managers participated.

"Think: Ahead and talk about" is a further development within the framework of the "Think: Ahead – discover safety" program, focusing on line management responsibility, human factors, new safety management, training and communication skills.

### Monitoring and follow-up

Safety Key Performance Indicators are monitored on a monthly basis. Especially for the follow-up of incidents, the processes of reporting, investigation and sharing of lessons learned is carried out continuously in a standardized way. The implementation of a Group-wide incident tracking tool was launched in 2006 and full implementation is planned during the year 2007.

## Safety Performance

### Workplace safety

The reporting period was overshadowed by a high number of fatalities: 6 employees and 8 contractors in 2006 and 3 employees and 8 contractors in 2005 lost their lives while working for OMV Group. Five people died in car accidents in Romania in 2006 (three died in the same accident) and three in 2005. Other immediate causes included falling from height and burns. The contractor fatality rate in Petrom is also of particular concern.

To avoid fatalities, the overall safety culture as well as safety procedures throughout the workforce must be addressed. This cultural change process started from day one with the full commitment of the senior management and has been accompanied by investment measures in plants, devices and personal protective equipment.

Indicator	OMV		OMV Group 2005	OMV		OMV Group 2006
	Classic	Petrom		Classic	Petrom	
Employees	5,226	44,693	49,919	5,180	35,813	40,993
Fatalities	0	3	3	0	6	6
Fatality rate (FAR)	0.00	3.94	3.49	0.00	8.45	7.45
Injuries	22	50	72	23	50	73
Injury rate (LTIR)	2.21	0.66	0.87	2.56	0.79	0.98
Lost work days	373	561	934	439	1,388	1,827
Contractors						
Fatalities	1	7	8	1	7	8
Fatality rate (FAR)	5.51	20.75	15.42	6.69	17.22	14.31
Injuries	62	62	124	22	46	68
Injury rate (LTIR)	3.47	1.84	2.54	1.54	1.30	1.36
Lost work days	847	89	936	965	1,345	2,310

**Table 3: Work related accidents 2005-2006.**

Fatality Rate (FAR): number of employees and/or contractor fatalities per 100 million hours worked

Lost Time Injury Rate (LTIR): average injury frequency per 1 million work hours



# THINK:AHEAD

discover HSE

The lost time injury rate (LTIR) of OMV Classic was reduced by 66% from 2001 to 2005 to 2.21 for own employees, which we see as a result of the safety program “Think:Ahead – discover safety”. In Petrom, the LTIR is considerably lower due to statistical reasons related with the large workforce. In 2006, the LTIR for the entire Group, including Petrom, is 0.98 incidents per million hours worked for own employees and 1.36 for contractors.

### Contractor safety

In our Management System we are committed to managing and controlling supplies and contracted services to ensure they comply with company HSE requirements. HSE is everyone’s responsibility, but ultimately rests with line management, which has statutory and moral obligations for providing a safe working environment. Contractors and service providers will be strongly encouraged to meet similar standards.

Contractor management of HSE risks is assessed with equal priority to the technical and commercial risks prior to entering into any contractual agreement. In our tender process we ensure that pre-qualification, selection and retention of contractors is based on an assessment to ensure their HSE values are consistent with those of OMV. We develop interfaces between OMV and contractors and effectively manage them to control HSE risks, e.g. by preparing and implementing bridging documents. Precautions for unplanned events are to be included in emergency and crisis control.

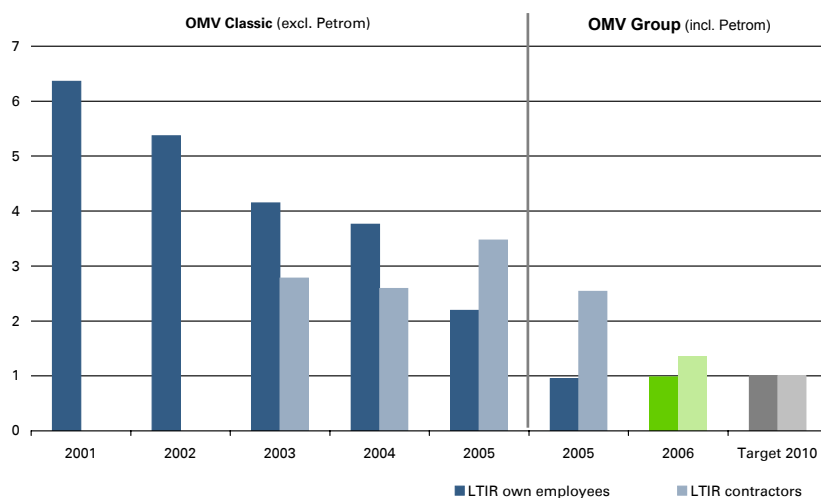


Figure 7: Lost time injury rate (LTIR) 2001-2006.

During work we set HSE performance standards for contractors and monitor and audit their performance against these standards. The inspection and testing of plants and equipment used by OMV and its contractors form an essential part of monitoring compliance with HSE standards required by regulatory authorities and contractual requirements. Contractors will have inspection and testing regimes in place to ensure compliance. The goal is for contractors to fully understand and work in accordance with the HSE Management System standards.

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### **Process safety**

Process safety and integrity of production facilities is a key concern in the oil and gas and chemical industry, even more so in the years this report covers, when several big accidents took place in the oil and gas industry.

In 2005/2006, OMV Group faced three large fires, all of them occurring in the Schwechat Refinery. There were no injuries, and there was no risk to neighbors. Due to immediate and professional fire fighting measures, only some parts of the plants were affected and the actual asset losses were limited.

All incidents have been investigated in depth with the support of external consultants to find technical and managerial root causes. Several measures have been launched to address process safety, such as organizational changes in Refining focusing on process integrity, adapted risk evaluation processes, and revised management of change procedures. All activities have top senior management attention.

In order to gain a good overview of potential process risks of the major plants at Petrom, OMV initiated a high-level risk evaluation, based on scenarios, their potential, likelihood and probability. The safety action plan included investment into some immediate technical solutions to reduce risks. The overall investment program for Petrom was screened with regard to HSE and process safety to verify that the most important changes will be delivered by 2010. Also in E&P the planned investments are risk rated following the risk analysis of onshore and offshore installations.

### **Road safety**

Five Petrom employees died in car accidents in Romania in 2006. Romanian traffic is characterized by aggressive driving, mixed traffic of horse-drawn carriages with mopeds and modern automobiles, and poor infrastructure. These factors are main contributors to the high fatality rate in Romanian traffic. The improvement of road safety is therefore a key issue for OMV safety management.





Awareness building is important with employees as well as with contractors.

In the R&M segments, driver training is defined in tenders and contracts according to OMV standards and guidelines. Freighters are responsible to provide adequate training for their employees, and they are audited by OMV regularly.

In heating oil logistics, a Master Driver concept has been established. Master Drivers are specially trained and skilled truckers from OMV's own truck fleet as well as from

contractors and resellers, who are to act as a link between crew, sales people, schedulers and management to support a sound HSE performance in their specific activities.

Another example is that approximately 280 frequent drivers from Petrom Marketing and Petrom Refining received a special Drive Training carried out by ÖAMTC Test & Training, a highly recognized Austrian institute. Mobile equipment was transferred to Romania and an adequate exercise area on site was arranged.

Case study:

#### **Petrom Safety Belt Campaign**

As traffic accidents are a major concern in Romania, OMV and Petrom joined the national campaign "Stop accidents, life has priority!" initiated by the Romanian police.

OMV market research showed that only 43% of drivers wore seat belts. Consequently, a campaign was initiated to promote the message "Safety belts save lives". The main goals of the campaign were to increase awareness on the importance of using safety belts and to establish OMV and Petrom as "good citizens" who care about people.

The campaign ran during May – October 2006 and included more than 600 advertisements on the 10 main Romanian TV stations; over 100 locations (outdoors) in the main Romanian cities, national roads and highways; and around 1.2 million printed educational materials (flyers and air fresheners) distributed through 275 OMV and Petrom filling stations.

The Romanian police concluded that the entire "Stop accidents, life has priority!" campaign led to a 12% reduction in the number of accidents.



### Safety culture

The consolidation of a genuine OMV safety culture is seen as the key for improving safety and achieving the HSE target 2010.

Annual safety programs are carried out, including regular training in general safety instructions, fire safety, occupational safety committee meetings, safety audits and safety inspections. OMV focuses not only on the qualification of its own personnel, but also of partner companies and filling station staff. For example, filling station staff in all of R&M is trained in first aid, handling spills, fires and emergencies.

Progress in consolidating OMV safety culture is measured by safety audits (= safety walk around) as well as by the number of near miss and hazard reports. In 2006, our management performed almost 11,300 safety audits. The number of near miss and

hazard reports increased significantly from 2005 to 2006 from 8,420 reports in 2005 to 13,300. As a quality indicator we follow the response rate on actions defined to settle non-compliance issues or hazards reported. The response rate on actions done in time was 91% in 2006 and 93% in 2005.

### Safety awareness actions

Safety is an important issue and the awareness for this topic is high. Nevertheless, the findings during safety audits and incident investigations often addressed predominantly technical issues.

To raise the awareness and focus also on personal and process topics, a safety communication campaign was launched in OMV Classic.

“Think: Ahead and talk about it” is an initiative of OMV which motivates employees to talk about safety and risks. In order to promote a more personal and organizational focus, special attention was paid in 2006 to enhance the communication skills about safety and foster a positive attitude. This was supported by a set of materials launched over a certain period of time and covered many means of communication: booklets, flyers, posters, news flashes, articles in the employee magazine and an online safety game, a search for risks with prizes for the best performers.

All OMV business units and Petrom supported the campaign with positive feedback from the employees, as determined in a systematic campaign evaluation carried out in January 2007.

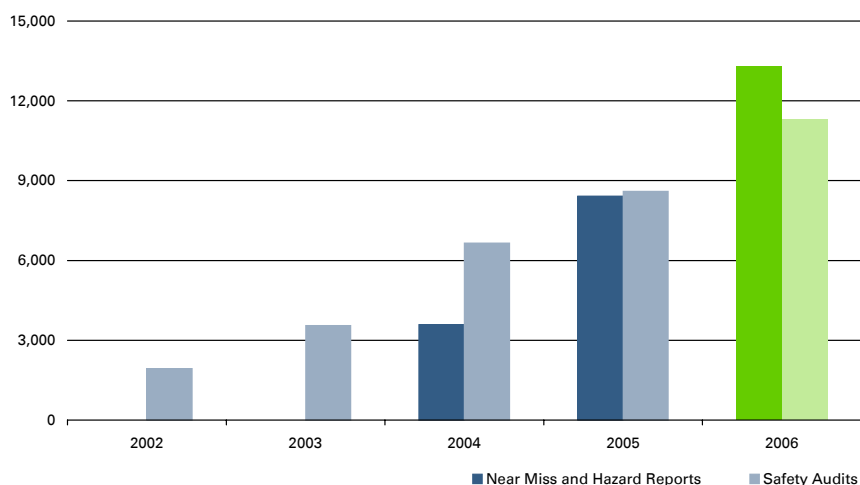


Figure 8: Safety Audits and Near Miss reports 2002-2006.



The campaign was adapted for Petrom to include a broad variety of additional communication media that supported managers in communicating important HSE topics in an adequate way: safety days, workshops, contests, safety audits, safety awareness training, safety testimonial movies, and so on. Open discussions about safety were a key element. For example, more than 8,000 employees have been directly involved in screening the safety testimonial movies and talking about them. We also anticipate that many more employees will have been involved through word of mouth.

The “Think: Ahead and talk about it” campaign won the DuPont Safety award 2006 for Europe, Middle East and Africa in the category for Innovation. The jury was convinced by the intense approach in communication, the safety online game and the Petrom PPE Fashion show, a show-dance presentation of the new personal protection equipment implemented in Petrom.

### **Emergency and Crisis Management**

In 2006, an emergency and crisis management directive was introduced to ensure that OMV is adequately prepared in cases of emergencies and/or crisis situations. The system described in the directive enables a structured approach to such situations and supports the necessary preparatory organizational steps. Several scenarios such as technical failures are in preparation; in the area of pandemic preparedness, OMV has shown its ability to act as one of the leaders in the industry.

Emergency and crisis exercises are done regularly; scenarios for E&P, refineries, tank farms and office buildings are practiced.

On corporate and subsidiary levels, pre-defined teams are linked to scenarios. Once a year, a corporate crisis management training is conducted to further learn and mitigate vulnerabilities for the future.

#### **Case study:**

#### **Emergency and crisis training**

During the reporting period 2005/06 more than 23 crisis and emergency drills were held all across OMV Group at different organizational levels. These exercises included scenarios such as fire, evacuations, earthquakes, spills and emissions of dangerous substances. Several drills were carried out

in cooperation with external fire brigades, government and police.

Emergency and crisis exercises are evaluated systematically in order to improve preparedness for such events.

## Environment



### **How a major stakeholder sees OMV's environmental responsibility**

Shafique A Khoso, District Coordination Officer (DCO) Sukkur, Pakistan; former Director General of the Sindh Environment Protection Authority of Pakistan's Ministry of Environment

### **How do you view OMV as a partner when it comes to addressing environmental challenges that arise with its operating activities?**

After many years of working with OMV, I can easily say that the company takes its environmental responsibilities very seriously. An Environmental Impact Assessment (EIA) is always carried out for all proposed operations, such as seismic drilling or a plant operation. Survey reports are also sent to the regulatory authorities throughout the duration of the projects, and all legal obligations are strictly adhered to. One highlight of OMV's leadership when it comes to the environment is the baseline study of the Nara Desert, which envisages key guidelines for future environmental projects.

### **What are the most important environmental aspects in the operating areas of OMV?**

Maintaining an adequate supply of drinking water has always been a challenge in desert areas. However, OMV has arranged water for many communities, even sending in bowzers. In Sukkur area (Miano Gas Field) a project study is being carried out jointly by OMV and the District Government of Sukkur (under the supervision of the incumbent) to provide water to the remote areas of Nara Desert. Another key issue is employment. Maximum efforts have been made to recruit the local population, with contract opportunities leading to greater prosperity for the entire community.

### **What importance has biodiversity for Pakistan in general and related to OMV operations?**

Pakistan is a signatory to the international convention on biodiversity and adheres to the biodiversity action plan. This plan obliges all parties to take proper measures for the protection and conservation of biodiversity. In addition, the Sindh Wildlife Protection Act 1972 requires the EPA and Sindh Wildlife Department to be informed of all operational activity in the area. OMV has taken good care of the ecological system in the operational and adjoining areas, maintaining suitable conditions for the habitat of rare mammals and bird species where it operates.





## Environmental Management

### Policy

The key principals for environmental management at OMV are a precautionary approach and an active management oriented to minimize environmental impact. Climate protection measures at production sites as well as through the quality of OMV products are an integral part of environmental management, in addition to the support for alternative energy sources.

### Goals and performance

OMV strives to be among the first quartile of mid-sized integrated oil and gas companies in the area of environmental performance by the year 2010. Short-term goals are focused on tracing the path towards this target, e.g. by benchmarking environmental KPIs.

The GHG intensity of OMV products is measured systematically and provides important information that contributes to developing a strategic sustainability path.

### Organizational responsibility

Environmental issues are managed vertically and horizontally across the whole organization. They are taken into account at specific steps in the decision-making processes at corporate level as well as in the different businesses. Line management gets advice on environmental matters from its respective HSE advisors and experts.

### Monitoring and follow-up

On the corporate level, the monitoring of environmental Key Performance Indicators is embedded in standardized reporting processes on an annual and monthly basis.

OMV contractors and suppliers have to agree to the Code of Conduct and, hence, the environmental standards of OMV.

## Environmental Impact of OMV Products

### Advanced/cleaner product development

Following the pioneering role in Europe to drive ecologically friendlier products, OMV launched several product innovations to support cleaner fuels use. Since October 1st, 2005 diesel with a 5% biofuel component is sold at all filling stations in Austria and Germany. The AdBlue filling station network has been further increased, now totaling about 200 stations in 11 countries. In addition, the low-sulfur (50 ppm) OMV econPlus heating oil was released, thereby supporting the modernization of heating systems and contributing to emissions reductions and higher heating quality.

As discussed elsewhere, the GHG intensity of OMV product portfolio is assessed systematically (e.g. see chapter on climate change).

### CNG – compressed natural gas as a fuel

As an essential contribution to sustainability, OMV launched natural gas as a vehicle fuel. Compared to diesel, CNG produces 5-15% less CO<sub>2</sub> emissions, and reductions of 80-90% of NO<sub>x</sub> emissions and 95% for particulates. In Austria, 16 OMV CNG filling station are already available; another 80 stations are foreseen by 2010. The extension of CNG in Central Europe is also planned for up to 10% of the classical OMV filling stations.

Furthermore, a program to add biogas to the CNG has already been initiated.

In Romania, 34 Petrom Stations are selling LPG Autogaz.



### REACH

The new European Chemical Regulation called REACH (Registration, Authorization and Evaluation of Chemicals) will enter into force in June 2007. It will affect all the chemical substances in amounts higher than one tonne produced in Europe or imported from non-EU countries (nearly 30,000 substances), including the substances produced in the oil industry. At R&M, a core team was formed for the implementation of REACH in OMV and in Petrom. Particular efforts will be made at Petrom, where previously existing local chemical legislation was not as strict. Employees, customers and suppliers will be informed about REACH activities via the OMV website.

### Product information

OMV provides its partners and customers with detailed information on the products

sold and materials used. Safety data sheets of all OMV products are available at [www.omv.com](http://www.omv.com). This information significantly contributes to the safe use of the products.

## Environmental Performance of OMV Production, Sites and Technology

### Energy consumption

Total energy consumption of OMV Group was nearly doubled by the integration of Petrom, reaching 154.4 PJ in 2006. Purchased energy such as electricity and heat accounted for only 2.3% of total energy consumption; thus, indirect energy consumption is not assessed regularly.

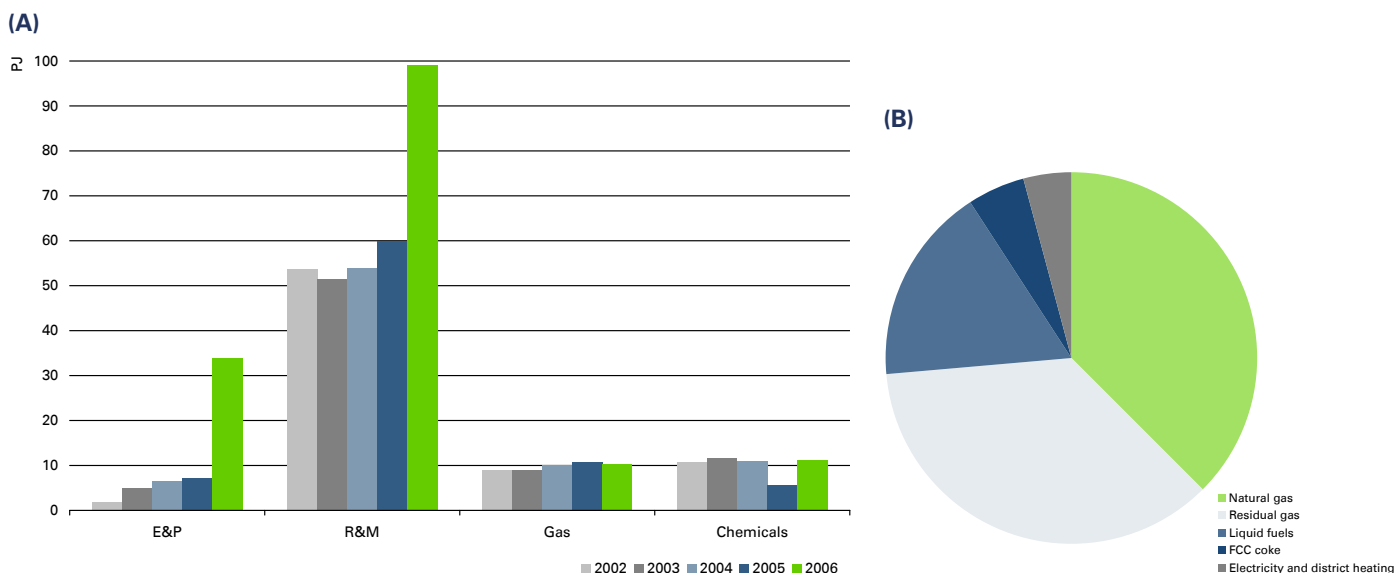


Figure 9: Total energy consumption by business divisions (A) and energy intake by primary energy sources in 2006 (B).



Cogeneration is important, especially for OMV refineries. More than 50% of the demand for energy in the refining division is produced inside the refineries, by both steam production from refinery processes and power stations. 100% of this energy production is cogeneration.

### **Energy efficiency**

For the upstream activities, OMV E&P developed an HSE strategy 2010 with a strong environmental focus on energy efficiency, emissions, discharges, waste management and minimizing the environmental footprint.

OMV E&P Austria is in the process of upgrading significant parts of the infrastructure, including the consolidation and renewal of gathering stations and tank farms, and the installation of a new water treatment facility. Some of these upgrades have already started and will commence full operations by 2010. Energy and process efficiency play a key role during design stages: currently unquantified fugitive emissions (e.g. from free venting tanks) will be widely eliminated and energy use will be optimized.

Significant improvements in energy efficiency will also take place in Petrom E&P in the course of the modernization of the existing infrastructure. For instance, several hundred boilers will be replaced in the next few years, with significant energy savings and reduction of GHG emissions.

In the downstream operations, energy conservation projects were one of the major focuses in 2005 in OMV refineries, especially: shut down of inefficient furnaces, optimization of thermal transfer, reduction of the amount of steam used at the process units, optimization of the air supply at the process furnaces, improvement on the processes of several process units.

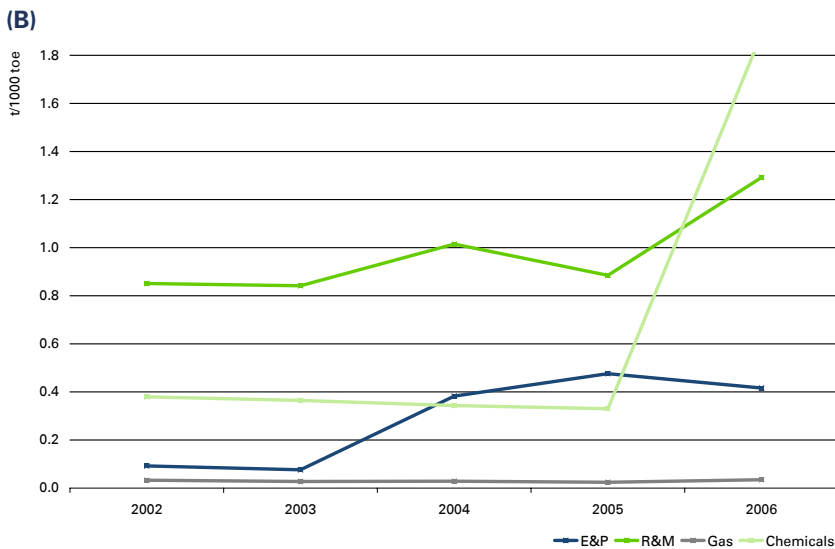
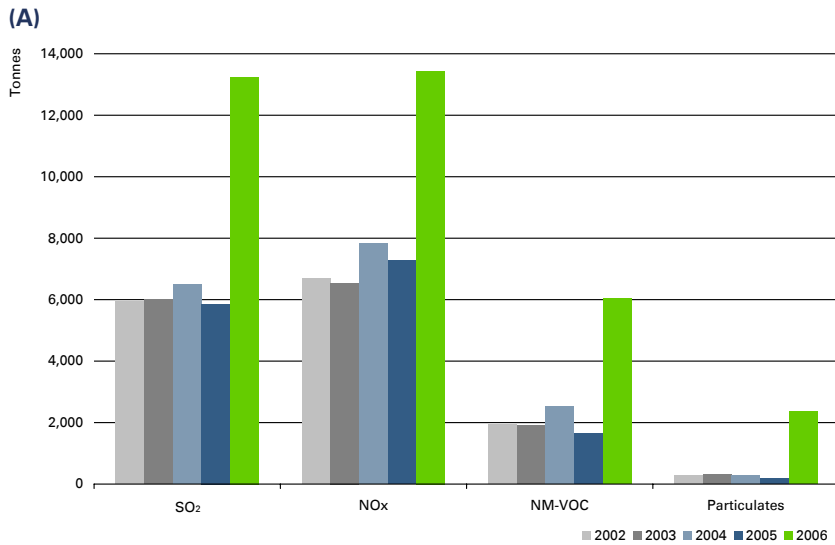
In OMV refinery Schwechat, some years ago a project for total site heat integration was started and has been extended until now. Formerly unused thermal energy of the process is now used to pre-heat the water of the power plant. It is planned to extend this program to other process units. In addition, the waste heat of the tank heating is reused for heat supply.

In the Petrom refineries Arpechim and Petrobrazil new strategies for energy conservation were elaborated. A great number of projects contribute to the reduction of energy consumption, such as the shut-down of inefficient plants, reduction of fuel and steam demand, optimization of thermal transfer and steam systems, modernization of control systems to improve combustion characteristics, adjustment of processes to increase production yield and improvement of preventive maintenance. For example, in the Arpechim refinery new measuring devices for fuel consumption and online-analyzers for flue gas control were installed, and in the Petrobrazil refinery slop is recovered to be re-injected in the process plant feed. Finally, in the course of an internal energy competition, the best proposal for energy savings is awarded each month.

### **Flaring**

There was no continuous flaring of associated gas in operations of OMV E&P in 2005 and 2006. Flaring was used during well tests, for the safe disposal of small amounts of residual gas in sour gas treatment processes and in emergency flares.

In Petrom E&P, gas flaring on the central offshore platform has been significantly reduced by the addition of a new compressor which increased gas transport capacity and sales gas volume (only emergency flares



**Figure 10: Air emissions by type of pollutant (A) and specific total air emissions by business divisions (B).**

remain). Three more remote platforms will stop continuous flaring of associated gas throughout 2007, also due to technical upgrades.

In the course of the ongoing growth of OMV, new operations are about to start up in the next years. A consistent and specific flaring strategy has been defined for E&P operations, which requires a minimization of flaring and venting to the absolute necessary extent (e.g. no continuous flaring of associated gas after 2010).

At Petrom refineries, reduction of flare losses will be achieved by improved maintenance and flare recovery systems; feasibility studies are in progress.

#### Emissions to the atmosphere

The emissions of sulfur dioxide (SO<sub>2</sub>), nitrogen oxides (NO<sub>x</sub>), non-methane volatile organic carbon compounds (NM-VOC) and particulates have increased almost in parallel with rises in production and consequently show a sharp increase with the integration of Petrom figures in 2006.

Many investments oriented to the modernization of existing facilities as well as new investments contribute to control and reduce air emissions. For the Schwechat refinery, the decision for a more than EUR 100 million investment in a new SNO<sub>x</sub> plant was approved. This plant will be commissioned in October 2007 and lead to the reduction of 2,400 tonnes SO<sub>x</sub> per year (minus 65%) and 1,400 tonnes NO<sub>x</sub> per year (minus 55%).



Case study:

**Upgrade of facilities in the gas transport system**

The compressor unit C500 in Baumgarten has been upgraded to a dry low emission (DLE) gas turbine in the course of a major overhaul in 2006. DLE turbines correspond to the best available technology in regard to NO<sub>x</sub> and CO emissions. Due to the upgrade

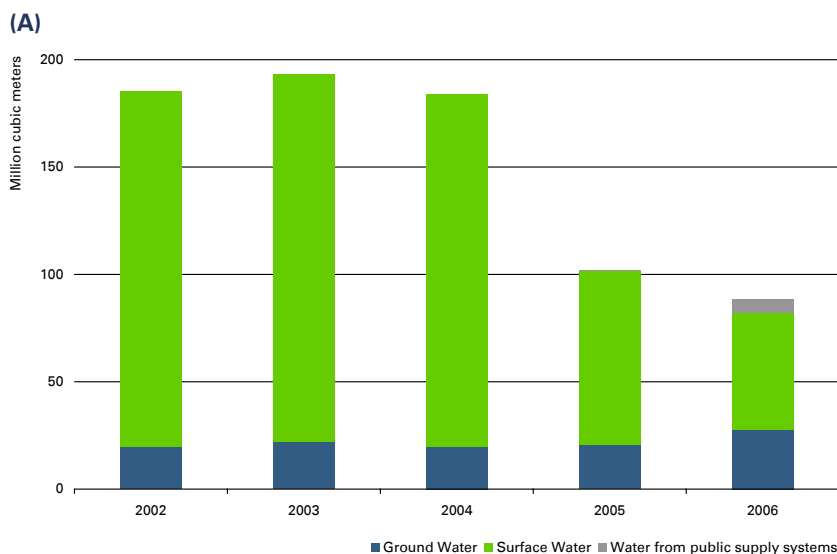
a substantial (about 2/3) reduction of NO<sub>x</sub> emissions has been realized. Furthermore, the gas hydraulic starting system of the turbine has been replaced through an electro hydraulic one which reduces methane emissions by at least 2/3.

OMV Refining and Marketing operations have installed vapor recovery systems at all major distribution sites in order to reduce hydrocarbon emissions to a minimum. The coverage of vapor recovery systems in the filling stations network was 96% for OMV Classic and 75% for Petrom at the end of 2006. All Petrom filling stations are equipped with vapor recovery systems as of 2007.

	Current Network of filling stations	Thereof sites with vapor recovery	Coverage of vapor recovery systems	Coverage of new or rebuilt sites
OMV Classic	1,736	1,665	96%	100%
Petrom	804	604	75%	100%
<b>OMV Group</b>	<b>2,540</b>	<b>2,269</b>	<b>89%</b>	<b>100%</b>

**Table 4: Coverage of vapor recovery systems in OMV filling stations.**

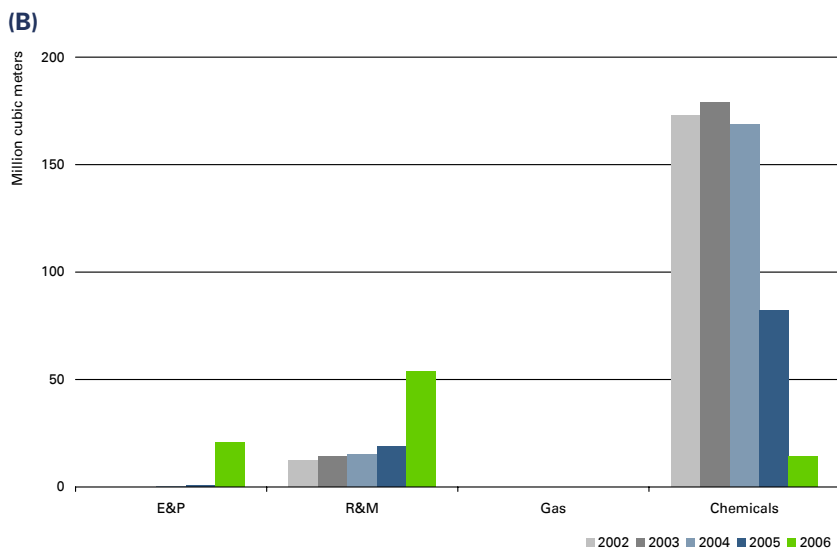
OMV only uses ozone-depleting substances on a laboratory scale (in kg), and where possible, these are replaced with other substances, reused or recycled.



### Water management

Water is used primarily for steam generation, cooling and in processes during downstream activities. Efficient water use is ensured by closed-loop cooling systems. Total water withdrawal of OMV Group has decreased considerably due to the deconsolidation of the chemicals business in 2005, by which surface water consumption was reduced from 170 million cubic meters per year to about 55 million. Groundwater consumption is about 25 million cubic meters per year.

Waste water (in total 38 million cubic meters) is discharged after appropriate treatments on site or off site in OMV owned or communal water treatment facilities.



Large amounts of saline waters have to be managed in E&P operations, totaling 47 million cubic meters in 2006. Produced water may reach a proportion of more than 90% in oil and gas production. OMV re-injects 100% of produced water in Austria and Pakistan and more than 95% in Romania. The remaining quantities are treated appropriately and discharged.

**Figure 11: Total water withdrawal by source (A) and by business divisions (B).**



### Waste management

Waste generation associated with ongoing production has increased by 60% from 2004 to 2006. Waste figures from Petrom E&P are still not included, since technical and methodological aspects for the estimation and reporting of production waste are still under development.

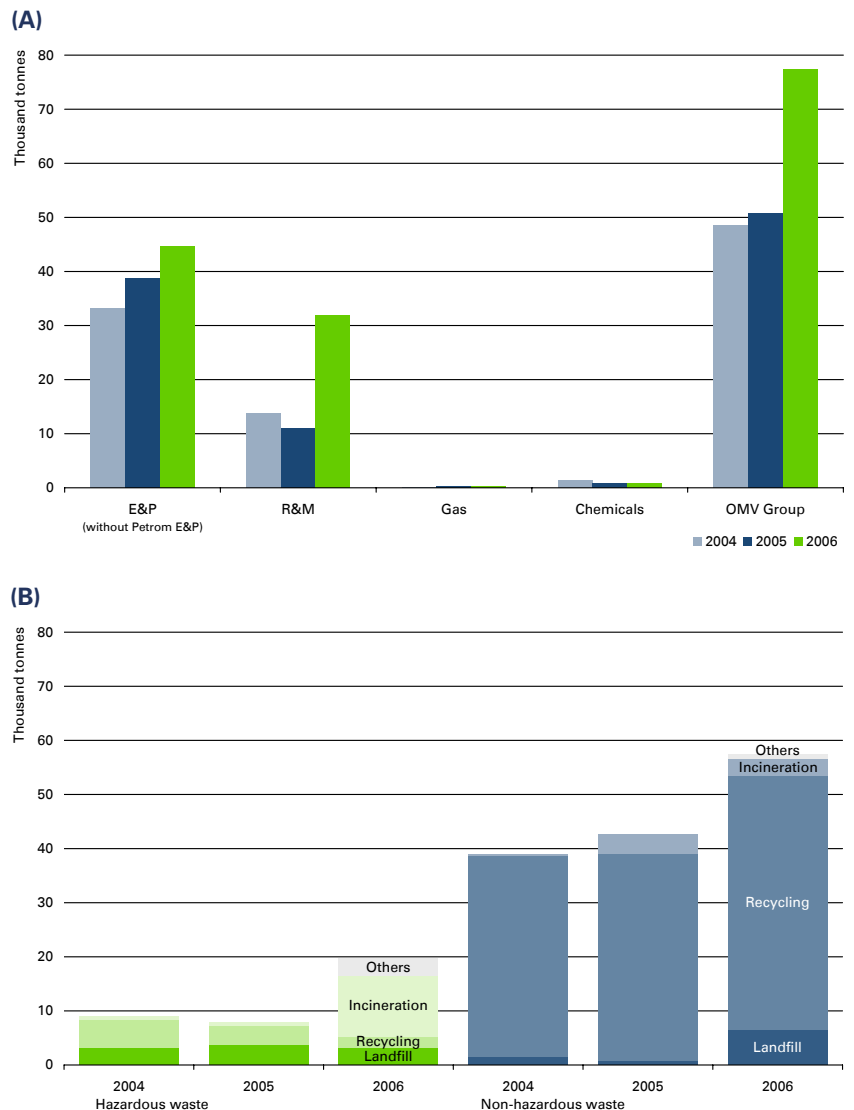
82% of production waste was recycled or incinerated in 2006 (88% in OMV Classic).

At Petrom large amounts of hazardous waste have been accumulated over many years (sludge pits in E&P and refineries). This hazardous waste will be subject to specific waste management programs over the next few years. Treatments will include separation of solid and liquid phases, re-injection of water, bioremediation of solids and reuse for backfilling and recycling in state of the art facilities.

There was no transport, import or export of waste deemed hazardous under the terms of the Basel Convention.

### Drilling muds

OMV E&P is committed to avoiding the use of hazardous substances when less hazardous alternatives are available. With regard to our drilling operations we use water-based, chloride-free muds wherever technically feasible: 90% of the drilling muds used by OMV E&P are water based. If this is not possible due to technical reasons (e.g. extended reach wells) we will use non-aqueous drilling fluids (NADF), but will select



**Figure 12: Total production waste (A) and types and disposal of production waste (B).**



the least toxic option. Waste amounts are minimized (reuse of drilling muds according to waste minimization and management plans); cuttings are treated to reduce toxicity and disposed in accordance with applicable national regulations and best available technology (BAT).

At Petrom E&P, drilling waste management was considerably improved by changing the chemicals and drilling fluids used. This allowed us to stop discharges of fluids, because cuttings become potentially recyclable.

#### **Spills and leakages**

Pipeline operation and technical integrity is monitored regularly. Among other techniques, sectors of pipelines are scanned with "intelligent pigs" to assess pipeline condition periodically.

For OMV Classic, there were no significant spills related to any of the leaks in the reporting period. All leaks were detected and repaired quickly, small contaminations were removed, and residual impact was insignificant. Nevertheless, technical integrity is a major issue at Petrom facilities. Fifteen large hydrocarbon spills (>1,000 liter) were reported in 2006 by Petrom, the number of smaller spills is far higher. Infrastructure modernization will contribute significantly to reduce the number of leaks in the near and mid-term future.

#### **Biodiversity**

For new projects and operations, biodiversity issues are addressed during environmental impact assessments and permitting processes (according to national legal requirements and best practice). Special restrictions in sensitive areas are implemented and compliance is closely monitored.

#### **Case study:**

#### **Biodiversity in E&P operations in Pakistan**

The areas in which OMV operates in Pakistan are desert areas and some of them partly fall in game reserves and wildlife sanctuaries. These areas are home to 31 mammalian species. In addition, this area has an accumulation of 190 bird species that are found in different seasons of the year. One dozen varieties of species of duck and 53 other species visit the sanctuary every winter. Houbara Bustard (a WWF declared endangered bird) is also a winter visitor. In addition, a variety of reptilian and amphibian

species are also resident in the area. Some of these species have been declared protected species by the Government of Pakistan, and OMV in its operations is obliged to ensure no harm comes to these.

OMV in collaboration with two other oil and gas companies operating in the area carried out a comprehensive study which outlines the biodiversity in the region and serves as a baseline for protection measures.



In several cases, protected areas have been created near already existing OMV facilities, for example: the national park "Donau-Auen" was founded in 1997 right next to the already existing tank farm Lobau; near the refinery Burghausen, the FFH area "Untere Salzach" has been established; the gas hub Baumgarten is located within protected areas as well.

OMV E&P Austria operates about 1,000 oil and gas wells, mainly in agricultural areas of the regions Weinviertel and Marchfeld. However, there are about eight gas wells in the area of Klosterneuburg (Feld Höflein) located within a protected area ("Landschaftsschutzgebiet"), and one well each in the protected area of the national park "Donau-Auen" south of Orth, and another one in the floodplains of the river March, in the area of Rabensburg (Natura 2000). The biggest impact of these wells was during well construction, ongoing production has no significant impacts on biodiversity.

OMV is committed to the special management requirements of these areas. Legal compliance with the stringent national regulations and other requirements from

the nature reserve authorities are closely monitored.

A Group-wide approach to the management of biodiversity issues is currently being developed. This includes a consistent management framework as well as information modules and training materials.

#### **Transport**

OMV focuses on a safe and ecological but also economical way of transporting its products. Transport by pipelines is the most ecological alternative. Energy consumption is low and road and rail transport can be decreased. Reducing the transportation on the road minimizes the risk of incidents and emissions to the atmosphere including GHG. The proportion of the transport types in OMV differs between the refineries according to product range, location of customers and regional distribution network. Regarding delivery from refineries, road and rail transport counts for 20-35 % each, ship transport for up to 15% and pipeline transport for 30-50%. Deliveries to consumers are done mostly by road transport (51%), but also via rail (35%) and ship (14%).

#### **Case study:**

#### **Biodiversity and seismic in OMV E&P Austria**

In 2005 and 2006, two 3D-seismic campaigns (Hohenau, Marchfeld) and one 2D-seismic campaign (Strasshof) were partly carried out in protected areas including Natura 2000, Ramsar, FFH (Fauna Flora Habitat) and designated bird protection zones.

Seismic activities in these areas received special permission from the Nature Reserve Authorities, with stringent seasonal restrictions

and limitations on activities including noise and the use of vibroseis. The compliance with these requirements was monitored by a qualified third party consultant.

Due to these precautions the relevant authorities classified the seismic projects as "low impact" without significant negative impact on biodiversity and the environment.



A new control system for the technical condition of tank trucks loading at refinery Burghausen has been implemented to improve road safety for transport of hazardous goods. This has led to a significant reduction of the failure rate from 2005 to 2006.

- ▶ The vessel must conform to all requirements under the European Council directive 95/21/EC.

From 2004 on, OMV has lowered the age limit for all chartered ships from Trieste to 15

Case study:

**Pipelines reduce traffic volume**

Pipeline transportation from the Burghausen refinery is equivalent to the following reduction of traffic volume:

- ▶ Crude oil pipelines: 370 tank trucks (30 m<sup>3</sup>) per day;
- ▶ Products pipelines: 152 tank trucks (30 m<sup>3</sup>) per day.

Fuel consumption and air emissions of OMV's own truck fleet and haulage contractors are reduced by defining high technical standards and compliance to EU emission standards. Transport routes are optimized by using highly advanced logistic systems, also for freighters, with the aim of executing the delivery orders with minimum transport distance, time and costs.

OMV also cares about customer safety in the heating oil business. A safety information flyer was published to raise awareness of the technical condition of customer tank systems and to explain the safety checks done by the trucker during heating oil delivery.

OMV does not own tankers; all vessels are chartered via first class ship-brokers. The highest quality and safety standards are applied to shipping operations; no vessel will be contracted without owner confirmation of the following items:

- ▶ The vessel must be in line with the Italian-ISPS code;
- ▶ The owners must be aware of and the vessel must be in line with the Trieste Port Regulations;

years. Petrom accepts vessels with an age of up to max. 20 years, but about 80% of the used ships are less than 10 years old and are double hulled.

**Environmental expenditures and investments**

Since 2006, reporting of environmental expenditures and investments in OMV Group follows the international IFAC guidelines for Environmental Management Accounting. Environmental protection expenditures were EUR 116 million in 2006 (thereof EUR 35 million for integrated prevention). In addition, EUR 18 million of current expenditures are directly related to prevention measures oriented to reduce the environmental impact of products, such as desulfurization and production of hydrogen as a basis for desulfurization.

Environmental investments totaled EUR 60 million in 2006 (thereof EUR 36 million for integrated prevention).

## Climate Change



### **How OMV manages important future issues**

Prof. Marianne Haug, member of the OMV Future Energy Fund Advisory Board

### **How is OMV contributing to tackling the challenges associated with climate change?**

OMV is making major investments in energy efficiency and careful handling of GHG emissions along the entire supply chain for oil and gas. Further, OMV is developing and introducing cleaner products and processes, often ahead of new EU directives. And through the Future Energy Fund, OMV provides additional support for sustainable energy technologies.

### **How successful is the OMV Future Energy Fund in helping to overcome the challenges of climate change?**

The establishment of the Future Energy Fund is a major milestone and underscores OMV's commitment to invest an initial amount of EUR 100 million in sustainable energy technologies. Some examples of

projects approved to date include bio-diesel, biogas, hydrogen from renewables and CO<sub>2</sub> injection in oil and gas production. All these technologies together will make a difference in combating climate change.

### **Is OMV doing enough to integrate renewable energy sources into its portfolio?**

OMV focuses primarily on renewables related to its core business, i.e. biofuel and biogas. For a company such as OMV, I consider this to be an appropriate strategy as a first step. It has great potential, but major challenges still need to be overcome to develop and integrate efficient, non-subsidized business models for biofuel and biogas.

### **What future measures do you expect from an integrated oil and gas company like OMV in order to meet the demand for clean and secure energy?**

OMV Strategy for 2010 is an important contribution to a more secure energy supply for Europe – from oil and gas exploration/development to the development of new pipelines and LNG terminals. Another goal is to measure GHG intensity of the portfolio and to develop strategic sustainability paths. But improving the emissions footprint and energy use of all activities is a dynamic, ongoing process. So as better technologies become available, even more can and should be done.





As an integrated oil and gas company, OMV is a conventional energy provider. As such, OMV contributes to cover the requirements for energy to ensure economic growth, and combating climate change is considered in business decisions. The main objectives related to climate change issues in OMV are:

- ▶ Keeping the cost of CO<sub>2</sub> and other greenhouse gas emissions under control;
- ▶ Remaining competitive;
- ▶ Achieving long-term, sustainable success in the market.

The key areas and strategies taken in order to mitigate risks and take advantage of opportunities related to climate change are:

- a) Increasing energy and environmental efficiency of both products and production sites;
- b) Promoting production of lower carbon fuels;
- c) Promoting and supporting research initiatives and projects in the area of zero carbon fuels and technology.

Given the complexity of climate change issues and the interrelation between different OMV businesses and corporate functions, a systematic and coordinated central Carbon Management was implemented.

A major challenge for OMV operations within the EU will be the different CO<sub>2</sub> reduction targets set by the EU emissions trading scheme and its implementation in the member states. In OMV Classic, four plants are within the scope of the EU Emission Trading Scheme (ETS). As of January 2007, an additional 19 plants of Petrom will join the EU ETS.

OMV scenarios reveal a gap between forecasted CO<sub>2</sub> emissions and possible allocation of allowances for the second trading period (2008-2012), especially in Austria.

For participation in JI/CDM, an internal threshold for GHG reduction potentials has

<b>CO<sub>2</sub> emission under ETS</b>	<b>Unit</b>	<b>Austria</b>	<b>Germany</b>
Allowances according to NAP (2006)	t	2,767,325	943,970
Emissions 2005 (verified data)	t	2,869,916	981,806
Emissions 2006 (verified data)	t	2,879,802	987,651

**Table 5: CO<sub>2</sub> emissions within the scope of the ETS.**

been set in order to manage the administrative burden associated with the corresponding procedures. Currently, three JI projects are in different developing stages.

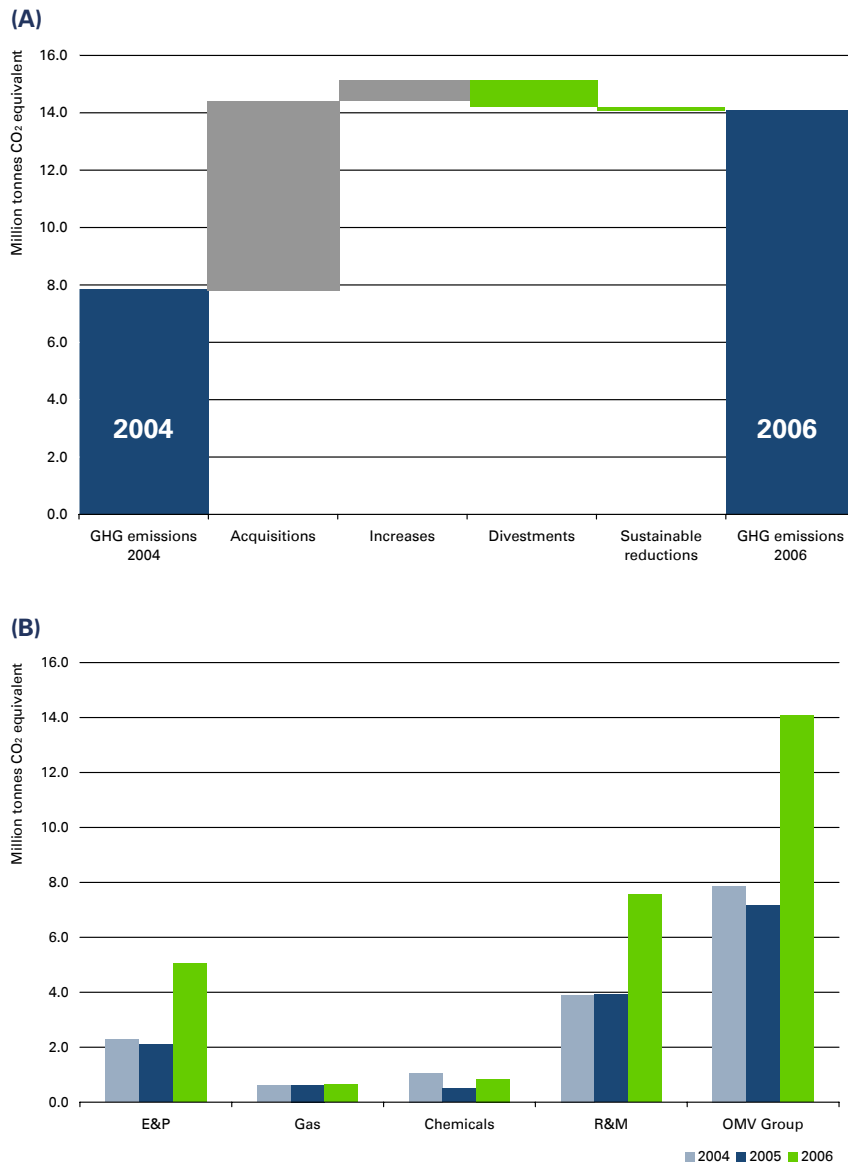
**Financial implications related to climate change**

OMV applies an integrated, systematic Enterprise Wide Risk Management (EWRM) process for the identification and evaluation of risks on a computer-calculated base covering all categories of risks, including risks associated with climate change.

Financial impacts are directly related to the participation in the EU emissions trading scheme, since OMV faces a short position for allowances compared to actual and forecasted emissions.

**Direct greenhouse gas emissions**

Direct emissions of carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>) and nitrous oxide (N<sub>2</sub>O) are monitored and reported systematically. The other greenhouse gases are of minor relevance and therefore not included in OMV GHG figures. GHG emissions have increased considerably due to the growth of OMV Group, mainly the acquisition of Petrom.



**Figure 13: GHG dynamics of OMV Group (A) and GHG emissions per business division (B). The acquisition of Petrom contributed to an important increase in GHG emissions.**

### Indirect greenhouse gas emissions from products (Scope 3)

OMV assesses the GHG intensity of products systematically based on the Scope 3 approach according to the GHG Protocol Corporate Accounting and Reporting Standard of the World Business Council for Sustainable Development (WBCSD). This information is considered among others in the strategic business development in order to enhance the sustainability of the business model.

Due to OMV strategy to invest into renewables and non-energy use of oil and gas in downstream activities (i.e. oil and gas used as input for the production of polymers, fertilizers, etc.), GHG intensity of the product portfolio is slightly decreasing, although the absolute indirect GHG emissions are increasing due to growth.

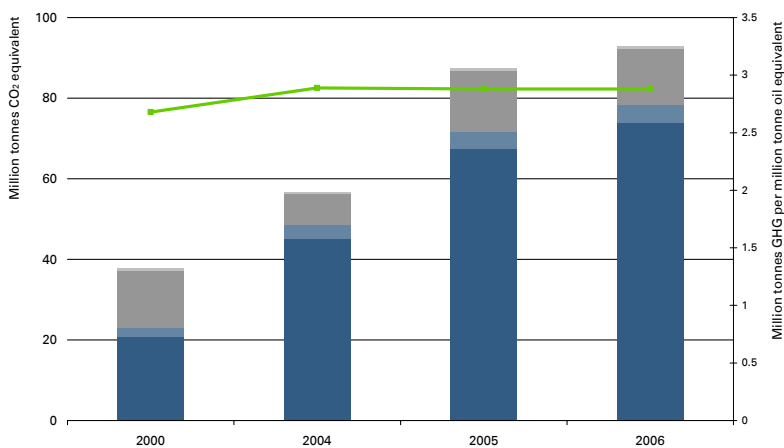


Figure 14: GHG intensity of OMV product portfolio.

### Other indirect greenhouse gas emissions

OMV has begun to assess indirect greenhouse gas emissions related to different business activities such as events, business flights and sponsoring activities. Raising the awareness for the multiple aspects of direct

and indirect impacts on climate change is one of the objectives of such assessments. Strategies aimed to reduce such impact are under evaluation.

### Reduction of greenhouse gas emissions

- **Energy efficiency:** All measures oriented to improve energy efficiency (see above) contribute directly to the reduction of GHG.
- **Flaring and venting:** Keeping flaring and venting to a minimum and further reduction where feasible are key issues in all business activities of OMV: production, transport, processing and distribution of oil, gas and products.

OMV Pakistan operates two gas plants in Pakistan: Sawan and Kadanwari. Even though OMV Pakistan owns less than 20% of the production, OMV Pakistan is the operator and therefore accounts for 100% of the emissions. Plant efficiency in Kadanwari is less than in Sawan, due to a different purification process. Methane emissions in particular significantly contribute to total GHG emissions. Due to an equipment malfunction (an incinerator) in Kadanwari, the methane emissions in 2006 have been significantly increased as compared to 2005. An Emission Reduction Study has been initiated in 2006 and funds have been approved to implement an economical solution for this issue. A significant reduction of GHG emissions is expected for the end of 2008. Also, a GHG monitoring protocol has been professionally developed, which has been reviewed for gaps against ISO 14064 by third party auditors and will facilitate the emission reduction projects planned for the future.

- **OMV gas pipelines** are leakage-proof. Nevertheless, a potential source of methane emissions in the gas pipeline system is the sealing system of the compressor units. Through dry seal systems in the newer compressor units, these emissions are reduced considerably. The step-by-step



# OMV future energy fund

Case study:

## Cross-sector reduction of GHG

OMV products contribute to considerable reductions of GHG emissions in the transportation sector. The blending of 5% biodiesel resulted in a CO<sub>2</sub> reduction of 150,000 tonnes in 2005, and 440,000 tonnes in 2006 in the Austrian transportation sector. Considering the effects of fuel saving by enhanced

products (AdBlue, sulfur reduced fuels) and a further increase in the biofuels share (biodiesel, bio-ethanol, Bio-CNG), OMV will contribute in the next years to the annual reduction of CO<sub>2</sub> emissions in the Austrian transportation sector by more than 1 million tonnes compared to the present.

replacement of gas-pneumatic control valves by electrical ones also contributes to the reduction of methane emissions by up to 80%.

- **Products:** Through blending of biofuels, OMV contributes considerably to the reduction of GHG emissions in the transportation sector. Delivery of biofuels blended products started in 2005 in Austria (2005: 35,500 tonnes biodiesel; 2006: 146,900 tonnes) and Germany (2005: 36,200 tonnes biodiesel, 8,500 tonnes ethanol; 2006: 72,200 tonnes biodiesel, 15,400 tonnes ethanol). In 2006, biodiesel was also delivered in Slovakia (2,900 tonnes) and Slovenia (500 tonnes).

## Providing Energy for the Future

OMV is dedicated to finding commercially viable sources of renewable energy which can be integrated into the company's business operations. We are convinced that we can build up a profitable, growing business in the field of renewable energy sources over the coming decades. This means that in the future, OMV will move beyond simple participation in renewable energy projects as it develops and expands its own renewables businesses.

## OMV Future Energy Fund GmbH

As an energy company, OMV must respond to the challenges posed by growing energy demand, finite reserves of fossil fuels and climate change. Therefore, OMV is committed to identifying opportunities in the renewable energy field which can be integrated into the Group's core business activities. We strongly believe that we can build a profitable, high-growth renewable energy business over the coming decades.

In June 2006, OMV Future Energy Fund GmbH was founded, with the goal of initiating and supporting OMV research and projects in the field of renewable energies. The company was launched with start-up capital of EUR 100 million. The actual investment undertaken by OMV, however, is expected to be around EUR 500 million. The fund's resources will be used to help projects meet the threshold of economic viability when necessary. This amount represents the portion of investment which is required for the various projects to achieve profitability, and is provided in the form of "kick-off" funding for research or pilot projects. Over the long term, the aim of the OMV Future Energy Fund is to facilitate OMV's transition from a pure oil and gas group to an energy group with a portfolio including renewable sources of energy.

For more information, see [omvfutureenergyfund.com](http://omvfutureenergyfund.com)



This involves fostering the development of new technologies in order to find solutions to meet the demand for clear, safe energy. For example:

1. Technologies and applications for producing energy from renewable energy sources, which will lower dependency on finite resources and in this way avoid or reduce environmental impacts caused by greenhouse gases (target areas: production of biofuels and biogas, hydrogen economy research, etc.);
2. Other energy technologies and applications that reduce environmental impact caused by greenhouse gases (target areas: carbon capture and storage research, emission-free power plants, etc.);
3. Energy-saving technologies and applications that lead to more efficient energy supply and use, and thus avoid or reduce environmental impact caused by climate change gases.

#### **Impulses from international science**

An independent Advisory Board, consisting of four internationally renowned scientists and three representatives of OMV (one representative each from OMV Exploration and Production, Refining and Marketing, and Gas), is the central entity which decides on the individual projects, in consultation with OMV management. The voting procedure of the Advisory Board – the majority decides – guarantees the scientific incentive and fosters competition between the projects submitted, so that only the best projects are supported.

#### **Six projects approved in 2006**

In November of 2006, the Advisory Board selected six projects, which were confirmed by OMV's Executive Board. OMV Future Energy Fund is providing total funding of approximately EUR 3.4 million, supporting a total project volume of roughly EUR 20 million in the three OMV business units Refining and Marketing, Exploration and Production, and Gas. The projects focus on the field of renewable energies and the reduction of greenhouse gas emissions:

- ▶ The project "2nd Generation Bio Diesel" is a study that deals with generating synthetic biodiesel out of vegetable oils as well as animal oils and fats.
- ▶ In the project "Biogas" a technical process is realized that produces refining biogas equivalent to the quality of commercially viable natural gas.
- ▶ The project "Hydrogen Filling Station in Stuttgart" will offer hydrogen as an alternative fuel for cars in the future.
- ▶ The project "Hydrogen Filling Station and Research Facility at the Hydrogen Center Austria/Graz" is already researching aspects of the decentralized supply of hydrogen as an environmentally-sound fuel.
- ▶ The projects "Injection of CO<sub>2</sub> during Natural Gas Production" and "Injection of CO<sub>2</sub> during Oil Production" aim to isolate carbon dioxide released in oil and natural gas production and inject it into reservoirs. In addition to safely avoiding CO<sub>2</sub> emissions, this technology increases oil and natural gas production. These projects are already in the first stage of development at OMV and will be pursued intensively.



# The Challenge of Growth

## Strategic HSE Management

OMV plans to continue its growth strategy, thereby maintaining its leadership in Central Europe and at the same time improving profitability. This means further expansion from mature into growing markets in order to increase the lead over other regional competitors. OMV's commitment to organic growth supported by acquisition remains in place. OMV aims to become the best integrated mid-sized oil and gas company in international comparison. We aim to have oil and gas production amounting to at least 50% of our refining capacity. Along with its business goals, OMV plans to perform in the first quartile of its peer group with its HSE performance. To achieve this goal while growing further, OMV is working on three different levels:

- ▶ Further developing the HSE culture in OMV Classic including a strong focus on carbon management, HSE competencies of workforce and contractor management following the 2010 targets defined in each area of HSE;
- ▶ Bringing Petrom HSE performance to Group level through investment, awareness programs and work procedures;
- ▶ Integrating new operations started within organic growth into OMV Group performance as soon as possible. For major acquisitions OMV will determine how this will affect the Group HSE performance during due diligence and allow an adaptation period before consolidation.

OMV's goal is sustainability across the "triple bottom line". OMV will outline the framework for a sustainable, ecological business model and act to put it into practice, thereby safeguarding profitability and continued existence of the Group far into the future.

## HSE in Exploration and Production

By 2010, OMV's Exploration and Production business aims to produce 500,000 boe/d in six core regions. In addition to the existing activities in Central and Eastern Europe, North Africa, Northwestern Europe, the Middle East and Oceania a focus has been added on Russia and the Caspian as a new core region for OMV's E&P activities. As OMV expands into new core areas, the issues of security, medical infrastructure and environmental impact assessments will become even more challenging. HSE knowledge management centers will ensure that all of the latest HSE information is available on demand to our line management and that HSE is a natural and integrated part of the E&P business. Process safety continues to be a main challenge as E&P becomes an operator in more onshore and offshore activities and because the reduction of flaring requires more gas processing.

## HSE in Refining and Marketing

In Refining and Marketing OMV has already reached the goal of a 20% market share in the Danube region ahead of schedule. During the period through 2010 OMV will be looking to grow profitably by leveraging its market leadership in the 13 Central European countries it serves. The refining capacity should be expanded to up to 50 million tonnes by taking opportunities for acquisitions. The Group aims to expand on its position as the leading supplier of refinery products in Central and Eastern Europe, building on two hubs – a Western hub with Schwechat, Burghausen and Bayernoil with an annual refining capacity of 18.4 million tonnes and an Eastern hub with Petrobrazil and Arpechim, with an annual refining capacity of 8 million tonnes. OMV's market is the European growth belt, a market with more than 200 million consumers.



In addition, the company will keep secured access to petrochemical outlets and continue to hold significant minority interest in the international chemical business (Polyolefins, Melamine) with operations in Europe and Middle East. The main challenges ahead in Refining and Marketing concerning HSE will remain with the development of cleaner fuels along with new development of alternative products to meet the sustainability path. Plant integrity, process safety as well as behavioral based safety will remain unchanged at the priority level for the next years. The objective is to increase energy and environmental efficiency of both products and production sites.

#### **HSE in the Gas business**

OMV is set to meet the challenges of a growing gas market in Central and Eastern Europe along with promoting the production of lower carbon fuels. OMV will therefore build upon an international gas business and targets to expand its gas marketing volumes to 20 bcm per year by 2010. OMV aims also to realize opportunities to further diversify its gas supply through the Nabucco project and the development of LNG projects. The Gas business also promotes research initiatives and projects in the area of zero carbon technology. Power plant projects, using heat of compressor stations and for gas fired plants will be a contribution to reduce GHG. A major challenge in the gas sector is the safety aspect of contractor management along with the new projects.

#### **HSE in new business developments**

OMV has started its involvement with renewables with the OMV Future Energy Fund, supporting projects within the OMV Group of approximately EUR 500 million.

#### **HSE in Petrom**

The key strategic target for Petrom's Exploration and Production business is to stabilize oil and gas production in Romania at 210,000 boe/d, as well as to grow in the Caspian region and Russia. A 70% reserve replacement ratio is targeted, and production costs should be cut to an average of USD 9/boe. In Refining, a major investment program has been initiated to expand the refining capacity of Petrobrazi to 6 million tonnes and to improve the cost position.

By the end of 2007, Petrom should comply with EU product quality standards. In addition, more than 250 new standard Petrom filling stations should be built by 2010 and the average filling station throughput should be boosted to 3 million liters per year. In the Gas business, Petrom targets to increase its gas marketing volume to over 7 bcm in Romania with a market share of more than 35%.

Awareness, safety culture, work procedures and investment are the key challenges in HSE performance, all of which take time to become effective. The road map for investment has been laid out until 2010 including major activities such as the start of the remediation of the old sludge lagoons in both refineries, the reconfiguration of Arpechim by splitting petrochemicals and bulk refinery and the demolition plan for Petrom Marketing sites, which will contribute to proper control on all environmental issues, just to mention some of the highlights. The critical issue in obtaining the 2010 target for Petrom is not commitment or budget, but the time and resource constraints to actually have all projects delivered in time.

# Annexes

## Key Performance Indicators

### OMV Group 2002-2006

GRI	Production and products/services *		2006	2005	2004	2003	2002
<b>2.2</b>	<b>Exploration &amp; Production</b>						
	Crude oil and NGL production	mn bbl	61.6	65.6	27.7	28.5	19.5
	Natural gas production	bcf	317.6	322.4	109.3	91.2	65.6
<b>2.2</b>	<b>Gas</b>						
	Sold transport capacity	mn m <sup>3</sup>	46,898	44,547	42,705	41,013	39,421
	Gas sales	mn m <sup>3</sup>	14,115	8,908	8,373	8,539	7,032
<b>2.2</b>	<b>Refining and Marketing</b>						
	Refining input	mn t	25.12	24.38	18.06	15.49	13.13
	Capacity utilization rate	%	92	90	94	95	95
	Sales volume	mn t	22.97	22.00	16.15	13.91	11.67
	Thereof petrochemicals	mn t	2.17	2.02	1.70	1.57	1.55
	Retail network	number	2,540	2,451	1,773	1,782	1,232
<b>2.8</b>	<b>OMV Group employees</b>	number	<b>40,993</b>	<b>49,919</b>	<b>57,480</b>	<b>6,137</b>	<b>5,828</b>
	Employees excl. Petrom	number	5,180	5,226	6,475	6,137	5,828
<b>LA7</b>	<b>Safety figures **</b>		<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
	<b>Own employees</b>						
	Fatalities	number	6	3	0	1	0
	Lost time incidents	number	73	72	38	37	45
	Fatality rate (FAR)	per 100 million worked hours	7.45	3.49	0.00	10.93	0.00
	LTIR	per 1 million worked hours	0.98	0.87	3.76	4.15	5.4
	LTIS	per 1 million worked hours	22.7	10.8	106	82.2	n.r.
	<b>Contractors</b>						
	Fatalities	number	8	8	2	3	n.r.
	Lost time incidents	number	68	124	41	43	n.r.
	Fatality rate (FAR)	per 100 million worked hours	14.31	15.42	12.07	n.r.	n.r.
	LTIR	per 1 million worked hours	1.36	2.54	2.59	2.78	n.r.
	LTIS	per 1 million worked hours	41.1	18.0	46.8	n.r.	n.r.
	<b>Environmental figures ***</b>		<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
EN3	Energy consumption	PJ	154.5	83.6	81.5	76.9	76.5
EN8	Water consumption	mn m <sup>3</sup>	88.5	102	184	193	185
	Groundwater consumption	mn m <sup>3</sup>	27.5	20.5	19.5	21.8	19.9
	<b>Emissions</b>						
EN16	GHG (direct, scope 1)	mn t CO <sub>2</sub> equivalent	14.1	7.2	7.8	7.5	5.8
EN16	CO <sub>2</sub>	mn t	11.6	6.2	6.7	5.7	5.0
EN16	CH <sub>4</sub>	t	95,285	37,426	44,052	51,363	2,176
EN16	N <sub>2</sub> O	t	1,384	442	906.5	2,850	2,603
EN20	SO <sub>2</sub>	t	13,247	5,861	6,484	6,006	5,947
EN20	NO <sub>x</sub>	t	13,439	7,264	7,819	6,543	6,686
	NM-VOC	t	6,028	1,649	2,519	1,911	1,929
	Particulate emissions	t	2,369	183	293	305	282
EN22	<b>Waste water emissions</b>						
	COD	t	2,939	240	630	654	901
	Hydrocarbons	t	72.8	3.3	2.4	3.0	2.8
	Total nitrogen	t	349	441	1,546	1,353	1,243
EN21	<b>Waste</b>						
	Non hazardous production waste	t	57,456	42,537	39,244	38,211	41,555
	Hazardous production waste	t	19,835	8,174	9,058	8,295	9,831
	Waste oil	t	262	296	495	474	434
	Total production waste	t	77,552	51,007	48,857	46,946	51,823
	Recycled	%	82	91	91	83	63

\* Relevant 2005 figures adopted as including Petrom.

\*\* Safety figures including Petrom as of 2005.

\*\*\* Environmental figures including Petrom as of 2006.

n.r. ... not reported

## OMV Classic 2002-2006

GRI	Production and products/services		2006	2005	2004	2003	2002
<b>2.2</b>	<b>Exploration &amp; Production</b>						
	Crude oil and NGL production	mn bbl	26.0	26.9	27.7	28.5	19.5
	Natural gas production	bcf	106.6	104.0	109.3	91.2	65.6
<b>2.2</b>	<b>Gas</b>						
	Sold transport capacity	mn m <sup>3</sup>	46,898	44,547	42,705	41,013	39,421
	Gas sales OMV Gas	mn m <sup>3</sup>	1,436	1,795	1,739	1,760	7,032
	Gas sales EconGas	mn m <sup>3</sup>	7,710	7,113	6,634	6,779	-
<b>2.2</b>	<b>Refining and Marketing</b>						
	Refining input	mn t	18.26	17.98	18.06	15.49	13.13
	Capacity utilization rate	%	94	95	94	95	95
	Sales volume	mn t	16.80	16.43	16.15	13.91	11.67
	Thereof petrochemicals	mn t	1.78	1.47	1.70	1.57	1.55
	Retail network	number	1,940	1,816	1,773	1,782	1,232
<b>2.8</b>	<b>Employees</b>	number	5,180	5,226	6,475	6,137	5,828
<b>LA7</b>	<b>Safety figures</b>						
	<b>Own employees</b>						
	Fatalities	number	0	0	0	1	0
	Lost time incidents	number	23	22	38	37	45
	Fatality rate (FAR)	per 100 million worked hours	0.00	0.00	0.00	10.93	0.00
	LTIR	per 1 million worked hours	2.56	2.21	3.76	4.15	5.4
	LTIS	per 1 million worked hours	50.8	37.4	106	82.2	n.r.
	<b>Contractors</b>						
	Fatalities	number	1	1	2	3	n.r.
	Lost time incidents	number	22	62	41	43	n.r.
	Fatality rate (FAR)	per 100 million worked hours	6.69	5.51	12.07	n.r.	n.r.
	LTIR	per 1 million worked hours	1.54	3.47	2.59	2.78	n.r.
	LTIS	per 1 million worked hours	64.6	46.7	46.8	n.r.	n.r.
	<b>Environmental figures</b>						
<b>EN3</b>	Energy consumption	PJ	74.0	83.6	81.5	76.9	76.5
<b>EN8</b>	Water consumption	mn m <sup>3</sup>	18.9	102	184	193	185
	Groundwater consumption	mn m <sup>3</sup>	16.8	20.5	19.5	21.8	19.9
	<b>Emissions</b>						
<b>EN16</b>	GHG (direct, scope 1)	mn t CO <sub>2</sub> equivalent	7.5	7.2	7.8	7.5	5.8
<b>EN16</b>	CO <sub>2</sub>	mn t	5.8	6.2	6.7	5.7	5.0
<b>EN16</b>	CH <sub>4</sub>	t	77,284	37,426	44,052	51,363	2,176
<b>EN16</b>	N <sub>2</sub> O	t	*	442	906.5	2,850	2,603
<b>EN20</b>	SO <sub>2</sub>	t	6,067	5,861	6,484	6,006	5,947
<b>EN20</b>	NO <sub>x</sub>	t	6,417	7,264	7,819	6,543	6,686
	NM-VOC	t	1,535	1,649	2,519	1,911	1,929
	Particulate emissions	t	136	183	293	305	282
<b>EN22</b>	<b>Waste water emissions</b>						
	COD	t	280	240	630	654	901
	Hydrocarbons	t	2.3	3.3	2.4	3.0	2.8
	Total nitrogen	t	106	441	1,546	1,353	1,243
<b>EN21</b>	<b>Waste</b>						
	Non hazardous production waste	t	46,383	42,537	39,244	38,211	41,555
	Hazardous production waste	t	7,671	8,174	9,058	8,295	9,831
	Waste oil	t	139	296	495	474	434
	Total production waste	t	54,193	51,007	48,857	46,946	51,823
	Recycled	%	88	91	91	83	63

\* N<sub>2</sub>O emissions were nearly eliminated by the deconsolidation of AMI.  
Emissions from other sources are below reporting thresholds.  
n.r. ... not reported

## Petrom 2005-2006

GRI	Production and products/services		2006	2005
<b>2.2</b>	<b>Exploration &amp; Production</b>			
	Crude oil and NGL production	mn bbl	35.6	38.6
	Natural gas production	bcm	6.0	6.2
<b>2.2</b>	<b>Gas</b>			
	Gas sales	mn m <sup>3</sup>	4,969	-
<b>2.2</b>	<b>Refining and Marketing</b>			
	Refining input	mn t	6.86	6.40
	Capacity utilization rate	%	86	80
	Sales volume	mn t	6.17	5.60
	Thereof petrochemicals	mn t	0.39	0.55
	Retail network	number	600	635
<b>2.8</b>	<b>Employees</b>	number	<b>35,813</b>	<b>44,693</b>
<b>LA7</b>	<b>Safety figures</b>		<b>2006</b>	<b>2005</b>
	<b>Own employees</b>			
	Fatalities	number	6	3
	Lost time incidents	number	50	50
	Fatality rate (FAR)	per 100 million worked hours	8.45	3.94
	LTIR	per 1 million worked hours	0.79	0.66
	LTIS	per 1 million worked hours	19.0	n.r.
	<b>Contractors</b>			
	Fatalities	number	7	7
	Lost time incidents	number	46	62
	Fatality rate (FAR)	per 100 million worked hours	17.22	20.75
	LTIR	per 1 million worked hours	1.30	1.84
	LTIS	per 1 million worked hours	33.1	n.r.
	<b>Environmental figures</b>		<b>2006</b>	<b>2005*</b>
EN3	Energy consumption	PJ	80.4	n.r.
EN8	Water consumption	mn m <sup>3</sup>	69.6	n.r.
	Groundwater consumption	mn m <sup>3</sup>	10.8	n.r.
	<b>Emissions</b>			
EN16	GHG (direct, scope 1)	mn t CO <sub>2</sub> equivalent	6.6	n.r.
EN16	CO <sub>2</sub>	mn t	5.8	n.r.
EN16	CH <sub>4</sub>	t	18,001	n.r.
EN16	N <sub>2</sub> O	t	1,384	n.r.
EN20	SO <sub>2</sub>	t	7,180	n.r.
EN20	NO <sub>x</sub>	t	7,022	n.r.
	NM-VOC	t	4,493	n.r.
	Particulate emissions	t	2,233	n.r.
EN22	<b>Waste water emissions</b>			
	COD	t	2,660	n.r.
	Hydrocarbons	t	70.5	n.r.
	Total nitrogen	t	243	n.r.
EN21	<b>Waste **</b>			
	Non hazardous production waste	t	11,073	n.r.
	Hazardous production waste	t	12,164	n.r.
	Waste oil	t	123	n.r.
	Total production waste	t	23,359	n.r.
	Recycled	%	66	n.r.

\* Since 2005 was considered an integration period for Petrom requiring special efforts for setting up HSE management and especially reporting processes, environmental performance data were not yet disclosed but subject to detailed internal evaluation in order to assure data quality and consistency within the Group-wide reporting system.

\*\* Petrom E&P not included, since waste reporting protocol is still under development.

n.r. ... not reported



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### GRI core indicators not considered in this report

The following core indicators are considered of minor relevance for OMV business activities and are therefore not routinely included in HSE reporting:

- ▶ EN1 Materials used by weight or volume;
- ▶ EN2 Percentage of materials used that are recycled input materials;
- ▶ EN27 Percentage of products sold and their packaging materials that are reclaimed by category.

## Self-Declaration of GRI Reporting Level



This HSE Report is complementary to the Annual Report and the Performance Report of OMV and focuses in depth on health, safety, security and environmental performance as outlined in the GRI content index. It has been externally assured (see assurance statement).

Taking into account the application of:

- ▶ the relevant G3 Profile Disclosure;
- ▶ the full G3 Management Approach Disclosure for HSE;
- ▶ the reporting of a minimum of 20 performance indicators; and
- ▶ together with the information referred to in the Annual Report and the Performance Report of OMV

GRI Application Level is considered to be **B+**.

## Assurance

The OMV HSE Report 2005/2006 was submitted for external assurance. The objective of the verification process was to obtain limited assurance, which is a lower level than reasonable assurance (according to ISAE3000). Interviews were conducted at corporate level as well as subsidiary and site levels. Spot checks were realized in order to check data on a sample basis from selected reporting units. The conclusions of a limited assurance are formulated in a negative form, e.g. "nothing has come to our attention that causes us not to believe that ...".

The scope and focus of the present assurance statement was:

- ▶ Integration of Petrom into overall OMV HSE performance (data and interpretation);
- ▶ Consolidation of the HSE Management System during the reporting period;
- ▶ Improvement of the reporting process via the HSE Monitor (web based reporting and consolidation tool, process, etc.);
- ▶ Fair presentation of the HSE performance of OMV Group.

## Independent Assurance Statement to OMV Group Management

### Introduction

We have reviewed Health, Safety and Environmental (HSE) aspects of the OMV HSE Report 2005/06 (the 'Report'), and of the underlying management systems. The Report is placed on the OMV web page.

The subject matters are the responsibility of the OMV Group Management with whom the objective and terms of the engagement were agreed. We are responsible for expressing our conclusions based on the engagement.

We have based our approach on emerging best practice for independent assurance on sustainability reporting, including ISAE 3000 ("Assurance Engagements other than Audits or Reviews of Historical Financial Information"), issued by the International Auditing and Assurance Standards Board (IAASB).

### Subject matters

We reviewed the following subject matters:

1. The systems, structures and processes for managing HSE aspects as established at OMV Group level, as described in the chapter "HSE Management" in the Report.
2. The procedures and practice, as described in the chapter "About the Report", for the annual collection, compilation, validation and aggregation of 2006 HSE performance data from reporting units; and whether such data are appropriately reflected in the Report.
3. The procedures and practice, as described in the chapter "About the Report", for the annual collection, compilation, validation and aggregation of 2005 HSE performance data from reporting units other than Petrom unit; and whether such data are appropriately reflected in the Report.
4. The implementation of subject matters 1 and 2 at Petrom Headquarters, Petrom Petrobrazi Refinery and E&P Petrom On Shore.
5. The implementation of above subject matter 1, 2 and 3 at E&P Austria.
6. The methodology and process that OMV at Group level has put in place for the preparation of the Report, as described in the chapter "About the Report", whether the information presented in the Report meets its objectives to provide an appropriate and balanced view of the OMV Group's material HSE aspects, and whether the Report is aligned with relevant parts of the GRI Sustainability Reporting Guidelines.

### Procedures

Our objective was to achieve limited assurance on the subject matters. Based on an assessment of materiality and risk we have gathered and evaluated evidence supporting the conformity with criteria for the subject matters described. This work included analytical procedures and interviews with management representatives and employees at OMV Group headquarters in Vienna, at Petrom Headquarters in Bucharest, with HSEQ management representatives at Business Divisions E&P and R&M in OMV headquarters as well as Petrom headquarters, and by visits to the business units mentioned in subject matters 4 and 5 above. Our work was performed on a sample basis as we deemed necessary in the circumstance, but included no substantial testing. Therefore, the assurance that we obtained from our evidence gathering procedures is limited. We believe that our work provides an appropriate basis for our conclusion.

**Deloitte.**

### Observations

Compared to a similar review we conducted in 2005 at OMV Headquarters with respect to HSE management and 2004 HSE performance data procedures we noted the following: OMV made good progress on implementing HSE leadership consistent with its overall 2010 HSE objectives. OMV improved HSE performance data procedures and eliminated related weaknesses which we identified in 2005.

HSE Performance reporting is “a journey” and future improvements might focus stronger on aspects such as benchmarking for 1st quartile HSE performance until 2010, environmental impact in the context of OMV's business growth strategy, ecoefficiency and GHG strategy. The OMV management commitment to underlying HSE performance is largely embedded with commitment to other sustainability aspects (such as quality of relations with employees, customers, communities) as well, and users of the HSE Report may take notice of other OMV information on such aspects.

### Conclusions

In conclusion, in all material respect, nothing has come to our attention that causes us not to believe that:

- ▶ OMV Management has designed and applied appropriate management systems to manage material HSE aspects affecting OMV at Group level.
- ▶ OMV at Group level has applied detailed and systematic procedures for the purpose of collecting and compiling 2006 HSE performance data from reporting units, as specified, enabling such data to be appropriately included and reflected in the Report.

- ▶ OMV at Group level has applied detailed and systematic procedures for the purpose of collecting and compiling 2005 HSE performance data from reporting units other than Petrom units, as specified, enabling such data to be appropriately included and reflected in the Report.
- ▶ Petrom Headquarters, Petrom Petrobrazil Refinery and E&P Petrom On Shore have implemented
  - the Group requirements to appropriately manage their material HSE aspects.
  - the procedures and practice for preparing 2006 HSE performance data consistent with Group instruction with the exception of procedures for E&P waste data. As a consequence OMV has not been able to report reliable data for Petrom E&P waste as appropriately stated in the Report.
- ▶ OMV applies a systematic reporting practice in accordance with its objectives and principles for reporting, as described in the Report, and aligned with the relevant parts of the Global Reporting Initiative (GRI) reporting principles. The GRI Index presented in the Report appropriately reflects the extent to which the Report aligns with the indicators in the GRI Sustainability Reporting Guidelines and the OMV self-declaration on page 56 is asserted in accordance with GRI requirements for such a self declaration.

Copenhagen, April 30, 2007

### Deloitte

Statsautoriseret Revisionsaktieselskab

### Preben J. Sørensen

State Authorised Public Accountant  
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## Glossary and Abbreviations

<b>CNG</b>	Compressed Natural Gas
<b>CDM</b>	Clean Development Mechanism
<b>E&amp;P</b>	Exploration and Production
<b>ETS</b>	Emission Trading Scheme
<b>GHG</b>	Greenhouse Gas Emissions
<b>GRI</b>	Global Reporting Initiative
<b>HSE</b>	Health, Safety, Security and Environment
<b>IFAC</b>	International Federation of Accountants
<b>ISAE</b>	International Standard on Assurance Engagements
<b>JI</b>	Joint Implementation
<b>NADF</b>	Non-Aqueous Drilling Fluid
<b>OGP</b>	International Association of Oil & Gas Producers
<b>OH</b>	Occupational Health
<b>OHSAS</b>	Occupational Health and Safety Assessment Series
<b>R&amp;M</b>	Refining and Marketing

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