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Message from the CEO

Pedro Parente
Petrobras CEO

The transition to a low carbon economy is one of Petrobras' most important strategies in the company's 2018-2022 Business Plan. The company must be prepared for a future that is closer, bringing significant opportunities and challenges.

Among this strategy's initiatives, we will be looking for new technologies through a fund that will invest in start-ups. We will be increasing our presence in renewable energy with a research and development portfolio that includes biofuel, solar, and wind power, with gas increasing role in our production mix.

Having more partnerships within the Oil & Gas industry is also a key component of that strategic vision. Petrobras has already taken an important step by adhering to the Oil and Gas Climate Initiative (OGCI), one of the industry's most relevant initiatives. Bringing together the main oil companies worldwide, the OGCI has committed to a US\$-1 billion investment over 10 years to develop technologies that will help reducing the greenhouse gas emissions. Petrobras will contribute to this fund with resources that will add up to US\$ 100 million over 10 years.

This is also a way to demonstrate our absolute commitment to the Paris Agreement efforts, while we provide what the society needs in terms of power required for economic development and growth.

Our efforts to mitigate greenhouse gas emissions intensity continues with an emphasis on new technologies, such as CO₂ capture and separation. As a result, since 2008, we have re-injected 7 million metric tons of CO₂ separated from the gas produced in our Santos Basin pre-salt fields.

Safety is one of our company's absolute values, therefore it prevails over all other circumstances. An unprecedented initiative our Business Plan has two top metrics, and safety is one of them. We have been very successful in this sense: the Recordable Accident Rate (RAR) fell from 1.63 in 2016 to 1.08 in 2017, i.e., the level of the best companies in the sector. In 2017, however, we had six fatalities and one disappearance – that is unacceptable, and led us to reinforce our preventive actions. Our goal is to consolidate a culture in which accidents are avoided. We evidence in our

policies the respect for human rights, and we have made progresses in our efforts to fight discrimination and to promote respect for diversity. We have reaffirmed our commitment to the United Nations Global Compact, which encourages us to improve those initiatives, and to preserve the environment, fight corruption, and promote fair work practices.

For Petrobras, acting in a sustainable way is also supporting the development of communities where we operate. Together with society organizations, we participate in voluntary socio-environmental projects to preserve the environment and improve living conditions. In 2017, we invested R\$ 142 million in socio-environmental, cultural, and sports projects. As to environmental programs implemented to comply with legislation, we have invested approximately R\$ 300 million in projects that the federal environmental authority approved in the offshore exploration and production area.

We are also committed to transforming our operating and business models, aiming at gains digitalization and process optimization in a digital transformation context that is an imposing reality already.

We know we have a lot of work ahead of us, but we believe that with transparency and focus we leverage our businesses, provide the energy that society needs to realize its potential, and generate value for all our stakeholders.

Good reading!



Petrobras in numbers

We are a company that operates in the oil and gas sector, in exploration and production activities, refining, marketing, transportation, petrochemicals, products distribution, natural gas and gas chemistry activities, as well as electric energy generation and biofuel production and marketing. We are leaders in the oil industry in Brazil, and also maintain activities in Argentina, Bolivia, Colombia, United States, Mexico, Nigeria, Paraguay, and Uruguay. We are a publicly traded corporation, and our majority shareholder and controller is the Brazilian Federal Government.

Petrobras Transporte S.A. (Transpetro), one of our subsidiaries, is the main oil, fuel and natural gas transportation and logistics

company in Brazil. It also operates in the import and export operations of oil and oil products.

Petrobras Distribuidora S.A. is our subsidiary in the fuel distribution segment with a market share of approximately 30% of total Brazil sales.

Liquigás Distribuidora S.A. is our subsidiary in LPG bottling, distribution, and sales segment.

We are also present in the biofuel and renewable energy generation segments, through our fully owned subsidiary Petrobras Biocombustível S.A.

We develop products to meet the various needs of our final consumers and customers, such as the road transport, agriculture, industrial, air transport, water, rail transport, and

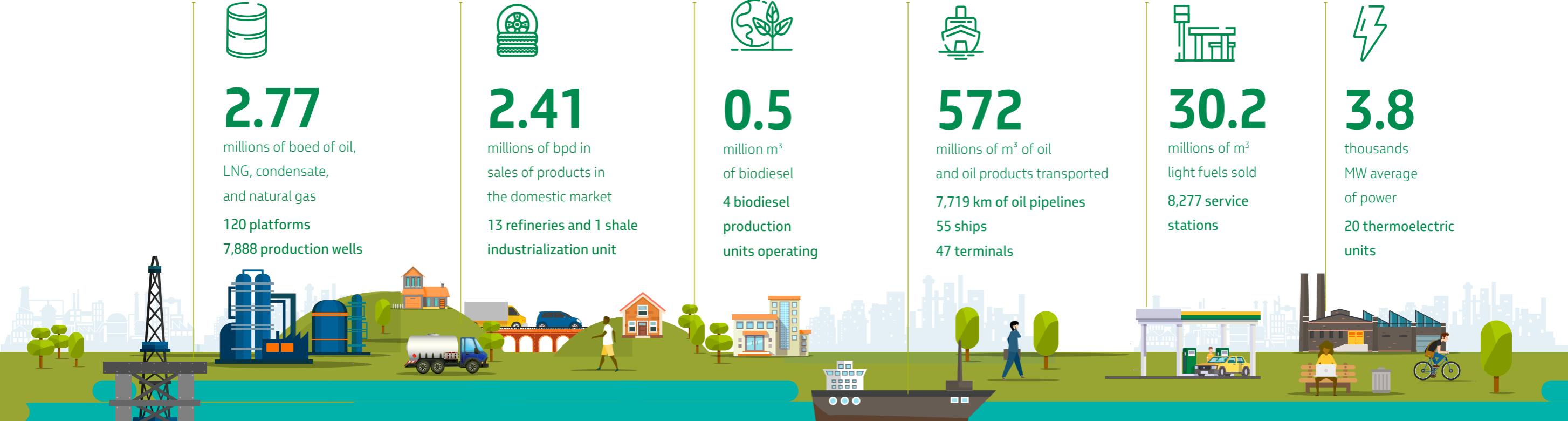
thermoelectric markets. We have participation in companies that produce basic petrochemical products (such as ethene, propene, and benzene) and also raw materials for second-generation industries to manufacture other products (such as plastics and rubber) used by industries in the production of articles for public consumption (such as packaging and tires).

Our main products are diesel, automotive gasoline, natural gas, liquefied petroleum gas (LPG) and naphtha, the petrochemical industry's raw material derived from petroleum.

We own 297 brands, and the mains brands are Petrobras, Petrobras Podium, Petrobras Grid, Lubrax, Premmia, BR Mania.



For more information on our production processes and operational and financial results, please see the Annual Report.

**2.77**millions of boed of oil,
LNG, condensate,
and natural gas120 platforms
7,888 production wells**2.41**millions of bpd in
sales of products in
the domestic market
13 refineries and 1 shale
industrialization unit**0.5**million m³
of biodiesel
4 biodiesel
production
units operating**572**millions of m³ of oil
and oil products transported
7,719 km of oil pipelines
55 ships
47 terminals**30.2**millions of m³
light fuels sold
8,277 service
stations**3.8**thousands
MW average
of power
20 thermoelectric
units



Highlights



ENVIRONMENT

	2013	2014	2015	2016	2017
Spills of oil and oil products (m³)	187.5	69.5	71.6	51.9	35.8
Energy consumption (terajoule - TJ)	1,050,949	1,155,220	1,115,185	899,487	947,645
Greenhouse gas emissions (million metric tons of CO ₂ equivalent)*	74.2	80.4	78.2	66.5	67.0
Direct emissions of carbon dioxide – CO ₂ (million metric tons)*	67.8	75.1	73.0	61.8	62.7
Direct emissions of methane - CH ₄ (thousand metric tons)*	159	154	150	145	131
Direct emissions of nitrous oxide - N ₂ O (metric tons) *	2,085	2,294	2,332	1,820	1,761
Atmospheric emissions - NO _x (thousand metric tons)*	252.17	298.51	267.12	234.52	283.90
Atmospheric emissions - SO _x (thousand metric tons)*	128.37	126.08	120.04	130.69	135.61
Atmospheric emissions - CO (thousand metric tons)*	173.60	180.47	191.12	170.67	157.67
Atmospheric Emissions - Volatile Organic Compounds - VOC (thousand metric tons)*	249.63	234.56	230.16	234.67	263.41
Particulate material (thousand metric tons)*	17.47	21.62	19.18	15.24	15.51
Freshwater withdrawal (million m³)*	193.6	206.5	213.3	191.6	177.7
Wastewater disposal (million m³)*	230.6	254.8	277.1	281.8	293.2



WORK HEALTH AND SAFETY

Fatalities (includes company's employees and suppliers' employees)	4	10	16	3	6
Lost Time Injury Frequency Rate (LTIFR)	0.75	0.72	0.76	0.59	0.58
Total Recordable Injury (TRI)	–	–	2.15	1.63	1.08



CONTRIBUTIONS TO SOCIETY

Investments in socio-environmental projects (BRL million)**	–	405	271	120	60
Investments in social projects (BRL million)**	391	–	–	–	–
Investments in environmental projects (BRL million)**	104	–	–	–	–
Investments in cultural projects (BRL million)	203	194	139	71	61
Investments in sports projects (BRL million)	81	94	86	50	21



OPERATIONS

Proven reserves of oil, condensate, and natural gas (billions of barrels of oil equivalent - boe)***	13.1	13.1	10.5	9.7	9.8
Total production of oil, NGL, condensate, and natural gas without liquefied (thousand barrels of oil equivalent per day - boed)	2,540	2,669	2,786	2,790	2,767
Production of oil, NGL and condensate (thousand barrels/day - bpd)	2,060	2,150	2,227	2,224	2,217
Production of natural gas without liquefied (million m³/day)	77.4	83.7	89.8	90.8	87.9
Domestic sales volume (thousand bpd)	2,883	3,003	2,789	2,509	2,413
Sales volume in the external market (thousand bpd)	909	964	1,056	972	914



CONSOLIDATED FINANCIAL INFORMATION

Sales revenue (BRL million)	304,890	337,260	321,638	282,589	283,695
Gross profit (BRL million)	69,895	80,437	98,576	89,978	91,595
Operating income (BRL million)	34,364	(21,322)	(12,391)	17,111	35,624
Adjusted EBITDA (BRL million)	59,132	59,883	76,752	88,693	76,557
Net income (loss) - Petrobras shareholders (BRL million)	23,570	(21,587)	(34,836)	(14,824)	(446)
Net income (basic and diluted loss) per share (BRL)	1.81	(1.65)	(2.67)	(1.14)	(0.03)
Free cash flow (BRL million)	–	(19,554)	15,889	41,572	44,064
Net debt (BRL million)	221,563	282,089	392,136	314,120	280,752
Net Debt/Ebitda	3.75	4.71	5.11	3.54	3.67
Investments (BRL million)	104,416	87,140	76,315	55,348	48,219

** Any change in historical numerical information regarding previous Sustainability Report publications are due to improvements in the atmospheric emissions management system or to recommendations from the third-party verification process.

** By 2013, we had separate environmental and social programs. As of 2014, social and environmental projects were grouped in social and environmental projects, and became part of our Petrobras Social-Environmental Program.

*** According to SEC criterion.



About contents

Sustainability 2017 brings the highlights of our work, and focuses on the social and environmental dimensions. Its objective is to present to our stakeholders with transparency and connectivity, how our organization integrates these dimensions with the economic dimension. This publication, together with the Annual Report and our Financial Statements, forms the basis of our Integrated Report.

We detail the material themes and the methodology for its identification in the Annual Report. Here, we deepen the material themes related to social and environmental issues.

We also seek to demonstrate how we materialize our commitment expressed in the Social Responsibility Policy, to provide the energy that moves society to fulfill its potential, respecting human rights and the environment, in a responsible relationship with the communities in where we operate and overcome sustainability challenges related to our business, including the transition to low-carbon energy matrix.

This year, we followed the Global Reporting Initiative (GRI) Standards for submitting sustainability information and, throughout the document, we demonstrate our performance in relation to the UN Global Compact's Principles and Sustainable Development Goals (SDG)¹.

We maintained the scope of information regarding our activities in Brazil and abroad, including data relating to Petrobras Holding, subsidiaries and our companies in other countries.

KPMG was responsible for the limited assurance service on the sustainability information for 2017.

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Summary



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¹ The information correlation with GRI Standards, ODS, and Global Compact Principles indicators is available at <http://www.investidorpetrobras.com.br/en/annual-reports/integrated-report/sustainability>.



TRANSITION TO A LOW CARBON ECONOMY





We recognize the need to address global climate change as a crucial matter for humanity. We believe that energy systems are challenged by this theme, and we are committed to contribute to the Paris Agreement, while providing society with the much needed access and inclusion of energy.

We have been dedicated to managing emissions and climate change for more than 15 years, with significant results in terms of emissions prevented. We have been pioneers in publishing our emission inventories since 2002, and we are founders of the Brazilian GHG Protocol program. We also implement processes and projects to ensure that climate change is systematically considered in short, medium, and long-term decision-making.

In 2017, we launched our new 2018-2022 Business and Management Strategic Plan, where a specific strategy addresses the company's preparation for a future based on a low carbon economy.

PREPARING THE COMPANY FOR A FUTURE BASED ON A LOW CARBON ECONOMY

We acknowledge that deep transformations are taking place in energy markets, associated with innovation and the values and behaviors of society. Our new strategy aims at enabling us to evolve with society and meet its most ambitious requirements in relation to climate change.



Reduce carbon emissions from our production processes



Invest in and promote new technologies to reduce the impact on climate change



Develop high value business in renewable energy



OPERATIONAL PERFORMANCE AND GREENHOUSE GASES

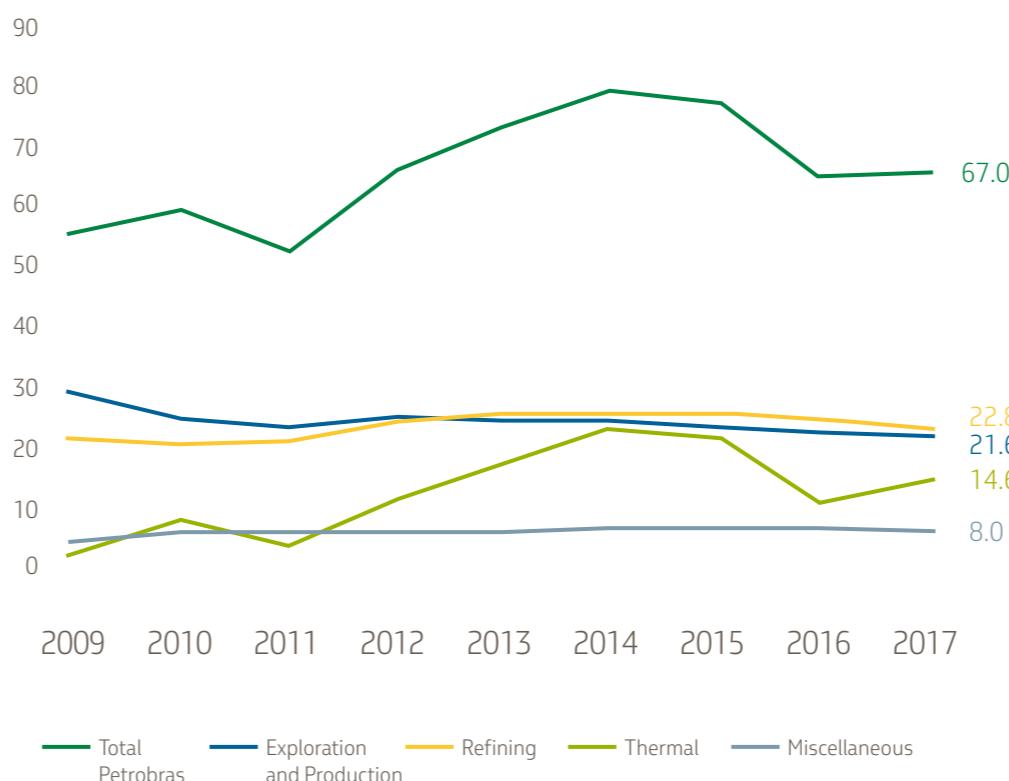
Through our strategy, we will advance our operational performance by reducing the emissions intensity of our processes in line with industry's best practices, and following an economic approach to selecting opportunities. We monitor our absolute emission and intensity indicators on a monthly basis.

We conduct emissions inventory through the SIGEA® (Sistema de Gestão de Emissões Atmosféricas, or Emissions Management System), which processes monthly information from more than 17,000 sources from 67 typologies. Our inventories are submitted annually to third-party verification according to the ISO 14064, and are included in the GHG public registry Protocol. We inventory the greenhouse gases: carbon dioxide - CO₂, methane - CH₄ and nitrous oxide - N₂O, in addition to other gases addressed in the Environment chapter.

Between 2016 and 2017, our total emissions of greenhouse gases remained stable. In relation to 2014, the emissions of 2017 were 18% lower due to the reduction of thermoelectric dispatch, reduction of burning in flares, and other operational efficiency measures and divestitures. This reduction in emissions came after a period, started in 2011, when there was an increase in emissions mainly due to the large thermoelectric dispatch during the water shortage that affected the country's hydroelectric generation.

In addition to investing in the continuous improvement of our operations, we seek to identify opportunities for applying innovative concepts or technologies in the initial stages of investments.

STATE OF GHG EMISSION (MILLIONS OF t CO₂e)



a) Emissions related to exploration and production operations, refining, manufacturing of fertilizers, petrochemicals, power generation, land transport (pipeline and road transport), and sea transport, as well as distribution activities in Brazil, Argentina, Bolivia, Colombia, the United States, Mexico, Paraguay, Peru, and Uruguay.

b) The inventory of atmospheric emissions is carried out according to GHG Protocol guidelines, developed by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD). The inventory approach follows the source-to-source methodology, i.e., the total inventory is the result of the sum of the emissions from each emission source. GHG emissions calculations are based on international benchmarks such as the API Compendium, AP-42 (US EPA) and the Greenhouse Gas Protocol.

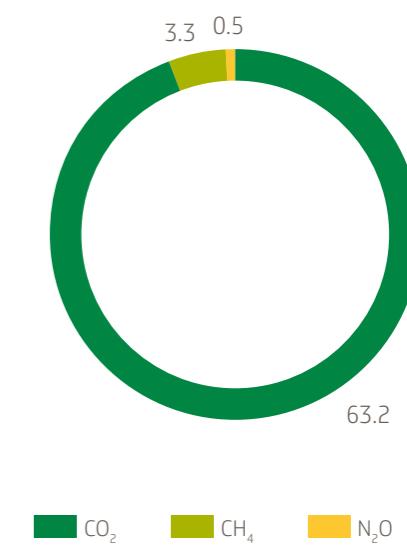
c) CO₂ emissions were calculated on the basis of Global Warming Potential (GWP) of the Fourth Assessment Report of the IPCC - Intergovernmental Panel on Climate Change (AR4). In previous reports, such emissions were calculated by considering the GWP (Global Warming Potential) values of the Second IPCC Assessment Report (SAR); therefore, changes in data from previous years may be observed.

d) Other possible changes in historical numerical information referring to previous publications of the Sustainability Report are due to improvements in the atmospheric emissions management system or the recommendations from the third party verification process.

e) Scope 1 - direct emissions; Scope 2 - Indirect emissions related to operations; Scope 3 - Indirect emissions by use of products (classification according to the GHG Protocol).

f) In the year of 2017, the refining activity accounted for approximately 85% of the GHG Supply segment emissions, while the electric power generation (thermal) activity corresponded to approximately 81% of the Gas and Energy segment emissions.

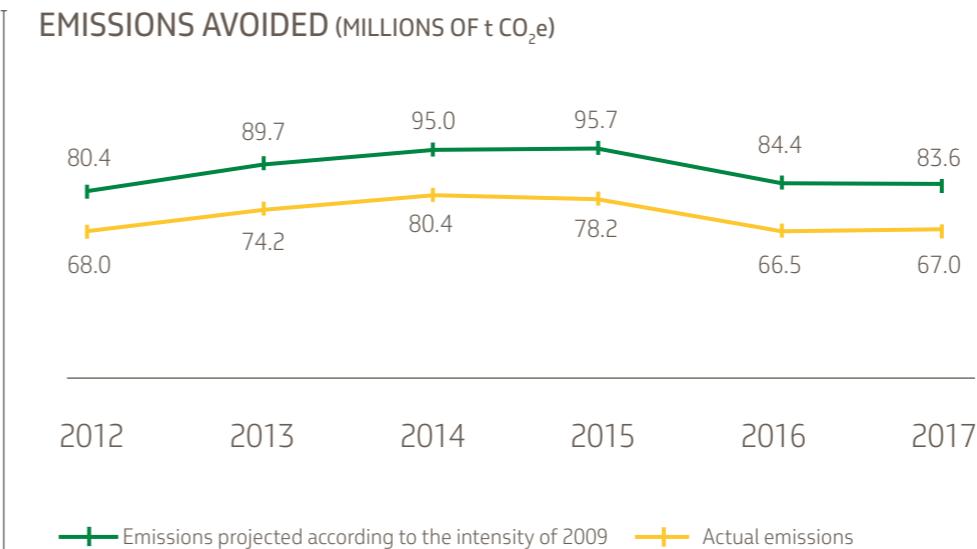
GHG SEGREGATED BY GAS
(MILLIONS OF t CO₂e)
2017



GHG PER SCOPE
(MILLIONS OF t CO₂e)
2017



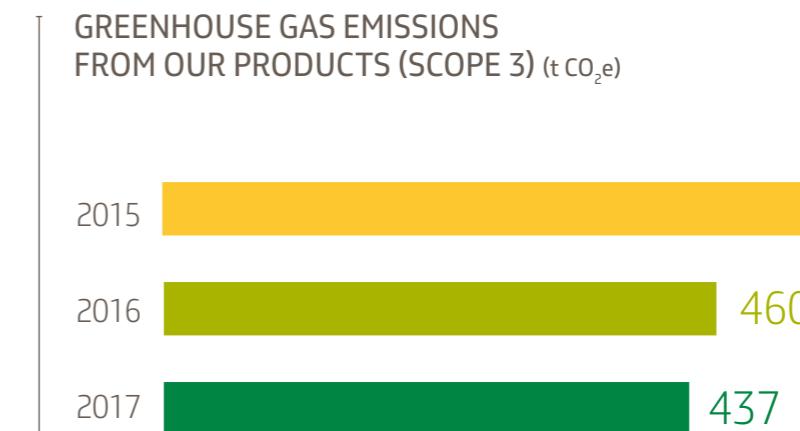
Our avoided emissions curve (the difference between actual emissions and those that would have occurred if no measures were taken to reduce the emission intensity in relation to 2009) is 108.3 million tCO₂, and from 2009 to 2017 (equivalent to more than a year and a half of total system emissions). These values are verified by third parties until 2016 and will also be verified in comparison to 2017, in the first half of 2018.



The main initiatives we take to mitigate emissions are related to the better use of gas (reduction of flare burning) and improved efficiency of thermoelectric plants. Currently, the gas used in the exploration and production area (> 95%) is higher than the average of the International Oil and Gas Producers Association (IOGP). Our actions also included the modernization of facilities, more efficient equipment, and the standardization of projects and operational practices.

We also highlight in 2017 the reinjection of 2.5 million metric tons of separated CO₂ of gas produced in our pre-salt fields in Santos Basin, totalling 7 million metric tons of CO₂ since 2008, including several award-winning technologies (Offshore Technology Conference - OTC).

In addition to managing emissions from our operations, we track emissions from our suppliers and products (scope 3 emissions), with products accounting for more than 95% of the total. The data is also included in the third party verification process.





PREPARING THE DECISION-MAKING PROCESSES FOR TRANSITION

Several factors make it essential for energy companies to have robust systems that account for climate change in their strategies, risks, and operations. The requirements of stakeholders are growing, and regulations are uncertain.

We are aware of the changes that push the energy market both from the demand side (energy efficiency, circular economy, smart cities, vehicular technologies, mobility paradigms, shared economy), as well as from the supply side (cost reduction and scaling up of renewable energy and batteries, hydrogen), with the involvement of non-traditional players in the energy sector.

Thus, due to the intensive nature of capital and the long cycle of energy investments, climate change is a relevant decision-making component.

The Climate Change subject is addressed by the Board of Directors through its Health, Safety, and Environment Committee, and the Strategic Committee. Thus, the theme is monitored by the HSE Executive Committee, which advises the Executive Board, with the participation of the company's executive managers.

In risk management, we define a systematic to identify risks that the top management has to consider. Currently, Carbon Risks, Climate Change Adaptation Risk, and Regulated Pollutant Emissions Risk and Air Quality integrate the portfolio of risks we quantify and manage.

As to strategic planning, we work with three long-term scenarios, and all of them have climate change as one of the fundamental aspects of their narratives, thus influencing different variables that include projections of demand, oil price, and oil products.

Our most challenging scenario considers that rapid transformations of consumer values and behaviors would lead to the transition to a low carbon society, with significant reflections on the estimated oil price curve.

According to our system of investment projects, the new projects must be submitted for approval considering the economic evaluation in the three scenarios, including the fastest transition scenario.

The prospect of adopting carbon prices in global climate policies is considered in all our scenarios. We defined a methodology for forecasting carbon prices consistent with the internal logic of each scenario, and studied methodologies for incorporating carbon prices into the investment decision-making process.

With regard to physical risks, there are indications that, without adaptation measures, there may be a loss of value for companies in the long term horizon. Extreme events such as extra-tropical cyclones, storms, floods and critical temperature increases can cause damage to units, posing threats to safety and operational continuity. There may be impacts on water availability, which are relevant mainly to our continental industrial assets.

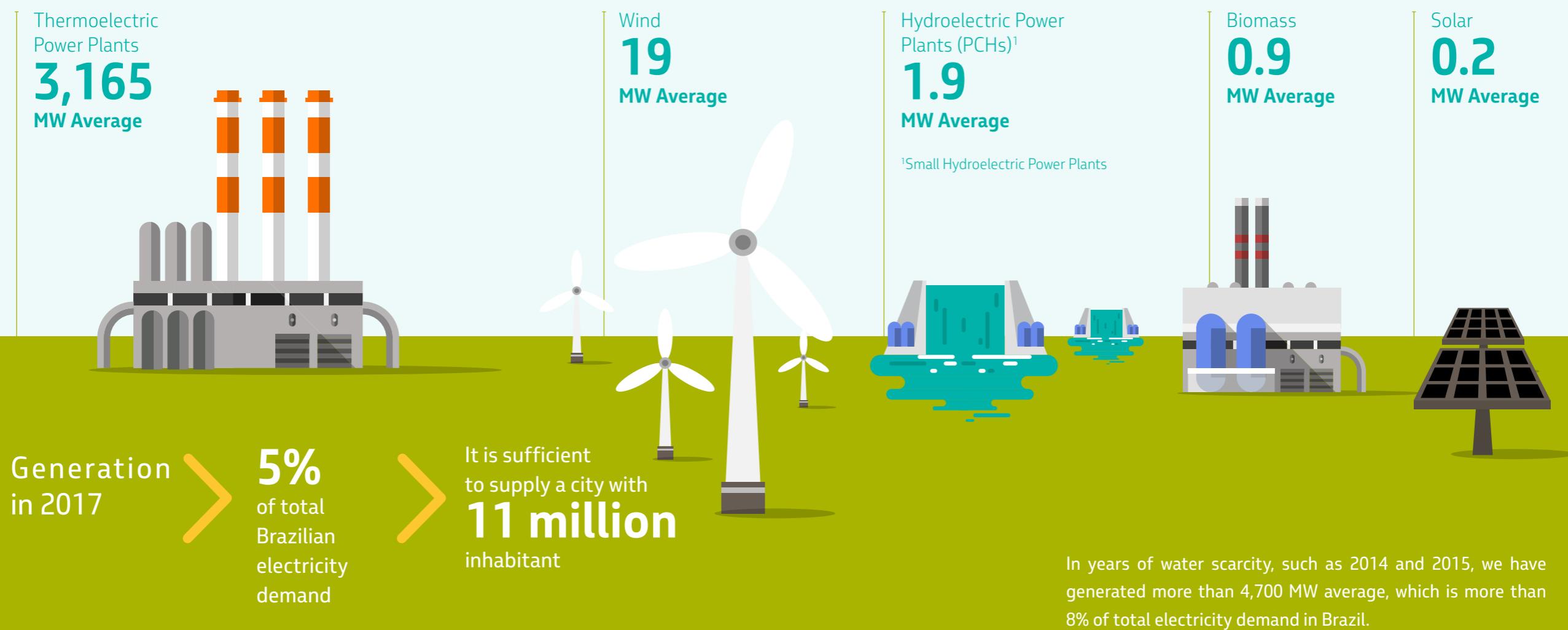
In order to mitigate these risks, we developed a model at our research center for assessing physical impacts on operations. In our assets' life cycle, those impacts' magnitude is within the safety parameters already considered in our projects.

BUSINESS AND INNOVATION IN LOW CARBON

We have significant experience in the electricity and renewable energy markets, with a research and development portfolio in solar energy, wind energy, and biofuels.

We are relevant supplier of electric energy to Brazil, with accumulated experience in the electricity market and business models. We have an installed generation capacity of 6,400 MW, including our own plants and participations, and we are the sixth largest generator agent in Brazil, and the first one in thermoelectricity.

In 2017, our thermoelectric plants generated 3,165 average MW, with 2,982 MW average from natural gas and 183 MW average from fuel oil. In terms of renewable energy, around 19 MW were generated from participation in four wind farms, 1.9 MW from participation in two small hydroelectric plants, 0.9 MW average from biomass, and 0.2 MW average from our photovoltaic plant.





In the biofuels market, we have been marketing fuels with a high renewable content for decades, and we have internal laboratories for developing fuels and their mixtures with biofuels. Since 2008, we have a fully owned subsidiary, Petrobras Biocombustíveis, dedicated to this market. This activity underwent a strong restructuring in the year 2017, and has been having its business models evaluated.

Based on our capabilities, past experiences, knowledge and significant presence in the market, we intend to build the means to develop high value opportunities in the renewable field, combining technology and innovative business models. Therefore, we have an ongoing interdisciplinary strategic initiative on the subject.

We recognize the need for innovation to meet energy demand with emission reductions. We are aware of energy sector role, our role in particular, in financing and promoting new technologies.

We have a history of investing in research and development in low carbon technologies and industry collaboration. Additionally, we have recently joined the Oil and Gas Climate Initiative (OGCI), an organization committed to invest USD 1 billion over 10 years for a low carbon future.

One of the focuses of our technological direction is "Transition to Low Carbon", resulting in a consistent portfolio of research and development in the areas of Carbon Capture Utilization and Storage (CCUS), renewables (wind, solar, biomass) and

climate change, with an investment of BRL 52.4 million in 2017, according to the following typologies:

RANKING	BRL MILLIONS
1st generation Biofuels	5.4
Advanced Biofuels	11.1
Bioproducts	3.0
Waste Energy	10.5
Hydroelectric Energy	1.0
Thermoelectric Energy	2.8
Alternative Energies	0.3
Wind Energy	5.7
Solar Energy	5.7
Hybrid Electric Vehicles	6.9
TOTAL	52.4

We highlight some of the lines that make up our portfolio of vision for the future, and that seek to make renewable energy generation available, including hybrid, integrated and distributed generation arrangements.

We have business in wind energy and we recognize the synergy with our current businesses and with the Brazilian electrical system. Our research and development portfolio includes the Offshore Wind Generation Pilot Plant project in the Brazilian Northeast and with an industrial scale turbine. We are aware that access to wind potential data is a relevant competition factor, thus we count on a wide network of anemometric towers, and we have developed the Offshore Wind Resource Evaluation Equipment Nationalization project. We also work on the wind generation predictability, through the project Tools for Wind Generation Forecast Improvement in Brazil, which allows gains through optimization.





Brazil has a lot of sunshine, and we already have a photovoltaic solar plant with installed capacity of 1.1 MW. Additionally, the renewables economy is related to its capacity and intermittence factor. We are currently conducting the project Technical and Commercial Arrangements for the Energy Storage Systems Integration in the Brazilian Electricity Sector, aiming at demonstrating energy storage technologies to reduce the intermittency associated with photovoltaic solar energy generation plants, and to enable us to seize business opportunities in generation, whether centralized or distributed, where energy storage represents a solution or advantage.

We believe that carbon capture and sequestration have significant potential to contribute to the Paris Agreement objectives. We continue to act in innovation in the area, for example, through the Carbon Capture and Geological Storage Technologies project, which studies technologies for capture, transport, storage, and sustainable use of CO₂, both from oil production and exhaust gases.

We also work to provide better products for our customers. The F1 Product Development project develops lubricants and fuels for hybrid vehicles and high-efficiency combustion from fossil and renewable sources.

The Algae Biodiesel Project, the 2G Ethanol Production Process Critical Stages Evaluation pilot project, and the

Conventional Refining Bio-Oil program aim at ensuring competences for producing advanced biofuels on a competitive basis, including taking advantage of our large industrial park.

TRANSPARENCY AND ENGAGEMENT

We are committed to performance transparency in terms of emissions management and climate change. Since 2006, we have been part of the Carbon Disclosure Project (CDP), a non-profit institution that manages a global disclosure system to provide transparency for climate change companies actions.

We participate in initiatives and forums on climate change, and articulate with interested parties to establish coordinated actions in relation to the theme. It is noteworthy to mention the participation in Ipieca, an association of the global oil and gas industry for environmental and social issues, and in new technologies research and development groups, such as the CO₂ Carbon Project (CCP) and the Carbon Sequestration Leadership Forum (CSLF), in addition to our recently announced membership in the Oil and Gas Climate Initiative (OGCI).

Through the Petrobras Socio-Environmental Program, we sponsored 12 projects for the conservation of natural areas, productive reconversion and recovery of degraded areas and plant formations of biomes. These projects are developed in strategic locations that are representative of the main Brazilian biomes, and contribute to the carbon stocks conservation and fixation in total vegetation biomass. It should be emphasized that the CO₂ emissions related to biomass carbon sequestration are additional to the avoided emissions curve of our operations.



For more information on Petrobras Socio-Environmental Program, please refer to Social Investment.



ENERGY EFFICIENCY AND ENERGY CONSUMPTION

Energy efficiency is a topic considered since the investments design in its initial stages.

We carry out a management process based on technical and economic performance indicators, which are reviewed periodically. The main initiatives for energy conservation are related to the reduction of losses for flare, steam and condensate losses, and process optimization.

We use thermoelectric balances and online control indicators by type of equipment, and that allows agility and visualization of impacts. In 2017, only with the reduction of losses to flare, we achieved savings of approximately BRL 120 million.

In addition, we maintained the development line of Energy Performance Information Management systems and methodologies for the diagnosis of equipment and processes, as management tools.

In 2017, we recorded a total consumption of 948 thousand Terajoules (TJ), or 441 thousand boe/d, a 5.4% increase compared to the previous year, with one reason being the increase in thermoelectric dispatch at the request of the Operator National System (ONS).

Actions to improve energy performance have enabled us to save 2,910 terajoules in the year (TJ/a), or 1,355 boe/d, equivalent to the electricity consumption of a city with 113 thousand inhabitants for one year.

ENERGY CONSUMPTION WITHIN PETROBRAS SYSTEM (IN TJ)

ENERGY CONSUMPTION	2015	2016	2017
Diesel oil	79,648	57,672	61,948
Fuel oil	59,415	75,342	51,106
Natural gas	719,597	550,027	641,530
Fuel gas	124,596	100,560	86,150
Residual gas	17,990	11,488	16,612
Liquefied Petroleum Gas (LPG)	1,254	147	1,130
Coke	69,161	61,755	67,715
Miscellaneous	(3,114)	(3,066)	8
Imported steam	28,256	26,870	1,852
Imported electricity	18,382	18,693	19,593
TOTAL ENERGY	1,115,185	899,487	947,645

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

b) The volume of natural gas and liquid fuels burned in flare in 2017 totaled 77,500 TJ and is not considered in the calculation of energy consumption.

c) Other include exported steam and electricity.



DIGITAL TRANSFORMATION





Digital transformation is a reality currently experienced by society, in which digital technologies and their new forms of work, collaboration, and innovation are increasingly integrated into our lives and companies' key activities.

Digital transformation leading companies are more efficient, adaptable, fast, and competitive in business, and evolve exponentially without safety and compliance losses.

Oil and gas industry specific studies point to several value adding opportunities with the adoption of low uncertainty and high maturity digital solutions. The order of magnitude of this potential and the need to prepare for this new competitive environment are making the sector's main companies to structure their digital transformation journeys.

In practical terms, a digital transformation journey contemplates the creation of conditions (processes, organization and culture) for its acceleration and the development of capacities (technology, technical knowledge and environment for experimentation) to insert digital technologies in our activities. There are several immediate opportunities for gains from digitalization and process optimization. Also, we must not lose sight of the these technologies' potential to transform our operating models and our business models.

It was also found that, on the world stage, the oil and gas industry is one of the industrial segments where digital transformation is less advanced. On one hand, this means a longer and more challenging journey; on the other hand, there are more opportunities for immediate and significant gains with the implementation of already available and consolidated solutions. So, evolving with society, in our 2018-2022 Business and Management Plan has the strategy of capturing opportunities created by digital transformation by applying new technologies to our processes and/or generating new processes or new business.

We expect to increase operations efficiency, productivity, and operational safety, as well as accelerate the decision-making process and ensure the best conditions for the workforce to carry out its activities. As an example, we have the exploration and production segment context, in which we intend to reduce the time for first oil in platform, increase operations safety through task automation, increase decision support through artificial intelligence, and improve reservoir management and logistics.

Like the exploration and production segment, all our other areas, including refining, natural gas, marketing,

and sales, and corporate areas, can benefit from digital transformation, generating positive impacts for the business. A preliminary analysis of our technology portfolio has identified that 10% of our research and development projects already have some digital technology being applied to support the generation of business results.

The strategic digital transformation initiative foresees the completion of activities related to establishing and constructing our digital strategy. Once having a defined digital vision, the digital transformation routes may be built with their different implementation stages, seeking to balance short, medium, and long-term objectives.

Digital technologies have been widely employed in our company. Examples are applications in simulation in sedimentary basins, 3D visualization of electronic models of assets, remote operation and automation. Digital technologies have also been increasingly researched and developed. Currently, approximately 10% of our research and development portfolio incorporates digital technologies such as Big Data, High Performance Computing and Artificial Intelligence, in the pursuit of technological solutions to support business development.

We highlight some research and development projects that make use of digital transformation technologies:

- **Data Mountain Smart Search:** aims to optimize the search of information, structured or not, in the enormous mass available, both in the internal and external environments. They are technologies that include algorithms related to the semantic search, and natural language processing.
- **Process event data structuring in offshore rigs:** it aims at extracting knowledge from data, to improve operational management during the Stationary Production Units life cycle. It considers the use of natural language processing technologies and ontologies.
- **Cognitive systems for processes and equipment diagnosis:** aims at producing intelligent systems for remote monitoring of the processes in production units, based on cognitive technologies and new methods to

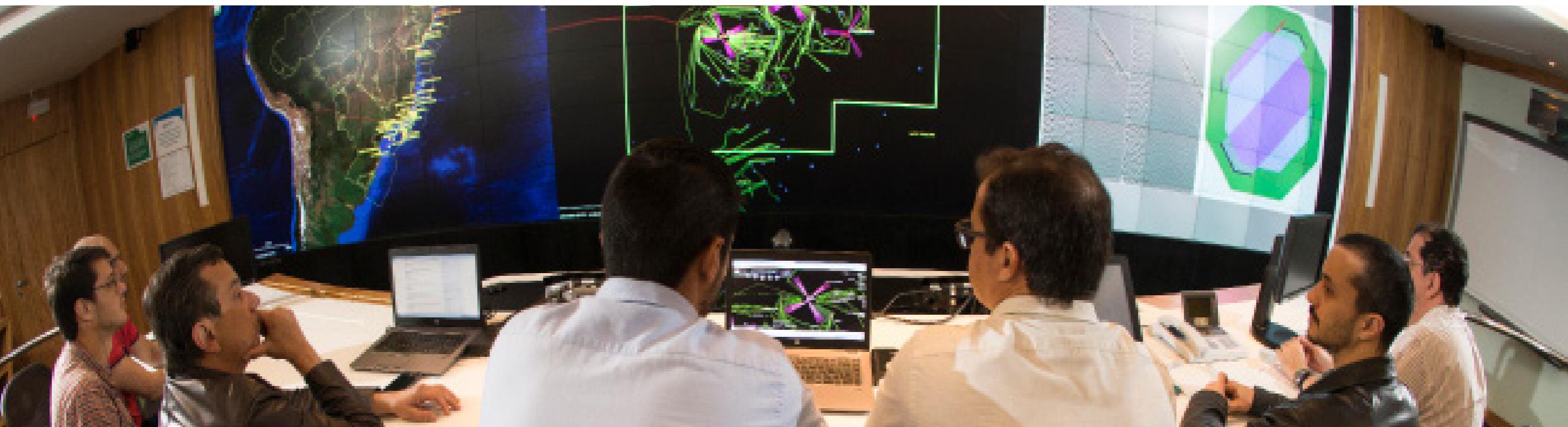
identify early abnormalities and abnormal operation and maintenance conditions. It generates, as a benefit, the profitability increase and safety aspects improvement. Includes the use of Cognitive Computing, Big Data, and Data Science technologies.

• **Express oil characterization:** aims at producing a complete, virtually real-time oil assessment from a limited set of laboratory-measured characteristics, bio-inspired clustering algorithms, and state-of-the-art technologies in Deep Learning and Machine Learning. Its benefits are reduced costs and increased agility in oil data updates, providing better operation schedules for refining units.

• **Optimization of the cooperation terms management process:** it aims at reducing costs and deadlines in the legal and contractual framework processes, procurement

and reporting of cooperation terms with scientific institutions and regulating authorities. Includes the use of semantic search and artificial intelligence.

• **Supervisory HSE system based on Artificial Intelligence:** aims at reducing our recordable injuries rate, using an image monitoring system in operational risk environments with deep neural networks, a technology known as Intelligent Video Analytics (IVA), in order to detect occupational hazards and deviations, and triggering alert protocols and real-time responses to events.





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Commitment to Life

Safety is a core value in our Strategic Plan. The Commitment to Life program, with preventive actions and treatments of deviations and incidents, aims at strengthening the safety guidelines at all stages of our processes, and eliminate critical deviations to prevent accidents.

In line with the Strategic Plan, the Business and Management Plan, and the Commitment to Life program, we launched a new Health, Safety, and Environment Policy (HSE), approved in June by our Board of Directors. The policy deals with commitments and behaviors to be taken with regard to care for life and the environment and to promote ethical and safe behavior on a day to day basis.

Our new HSE Policy provides for a commitment to reduce risks to safety and health of people, and to strengthen the process safety; take care of each other in the workplace and, when in doubt, stop and look for help; prevent and minimize environmental project, process, and product impacts; anticipate and respond to emergency situations promptly; strengthen our HSE culture with a focus on education, training and awareness; seek alignment with industry's best practices in accordance with legislation, regulation, codes, and standards; continuously implement HSE improvements; demand respect for HSE requirements recommendations from our partners and suppliers; and consider HSE requirements and climate change in business decisions.

In Regarding Process Safety Area, we follow the Number of Anomalies in Safety Process Level Indicator 1 (Nasp Tier 1), which records the most severe occurrences. The Nasp Tier 1 indicator was defined in accordance with industry's best practices, making it possible to compare our performance with that of our peers.

Process safety accidents are characterized by loss of primary containment of hazardous fluids or energy in process facilities (for example, spilling a volume of an oil product into a pipe). Although rare, process safety accidents can cause environmental impacts and damage to industrial facilities and people's health.

In 2017, we recorded 27 occurrences of process safety accidents (Nasp Tier 1), which were investigated to have their root causes identified.

We recommend preventive and corrective actions, whose implementation is monitored. In case of serious accidents, we disclose alerts to our entire company, in order to allow the units to evaluate the likelihood of a similar event occurring in their own operations, and decide on the appropriateness of adopting the recommended measures.



Despite the efforts of our leaders and our workforce in the search for continuous improvement in HSE management and safety culture, we record and regret the occurrence of six fatalities and one disappearance in the year 2017.

 For more information on occurrences, please see the Annual Report.

Reinforcing knowledge management, a Process Safety training was developed - focusing on the protection layers concept, understanding process safety events, and effective management of risks, strengthening leadership

and involving the workforce - in the Distance Learning modality that will encompass all our leaderships, with a final goal of 7,500 trained people.

Also in E-learning modality, was also developed HSE Conduct Treatment Training with a focus on system application, guiding the leadership in error differentiation and HSE conduct breach, mainly reinforcing the safe practices valuation by the work force.

One of the Commitment to Life initiatives is training in the Golden Rules. In 2017, 185 thousand people have been

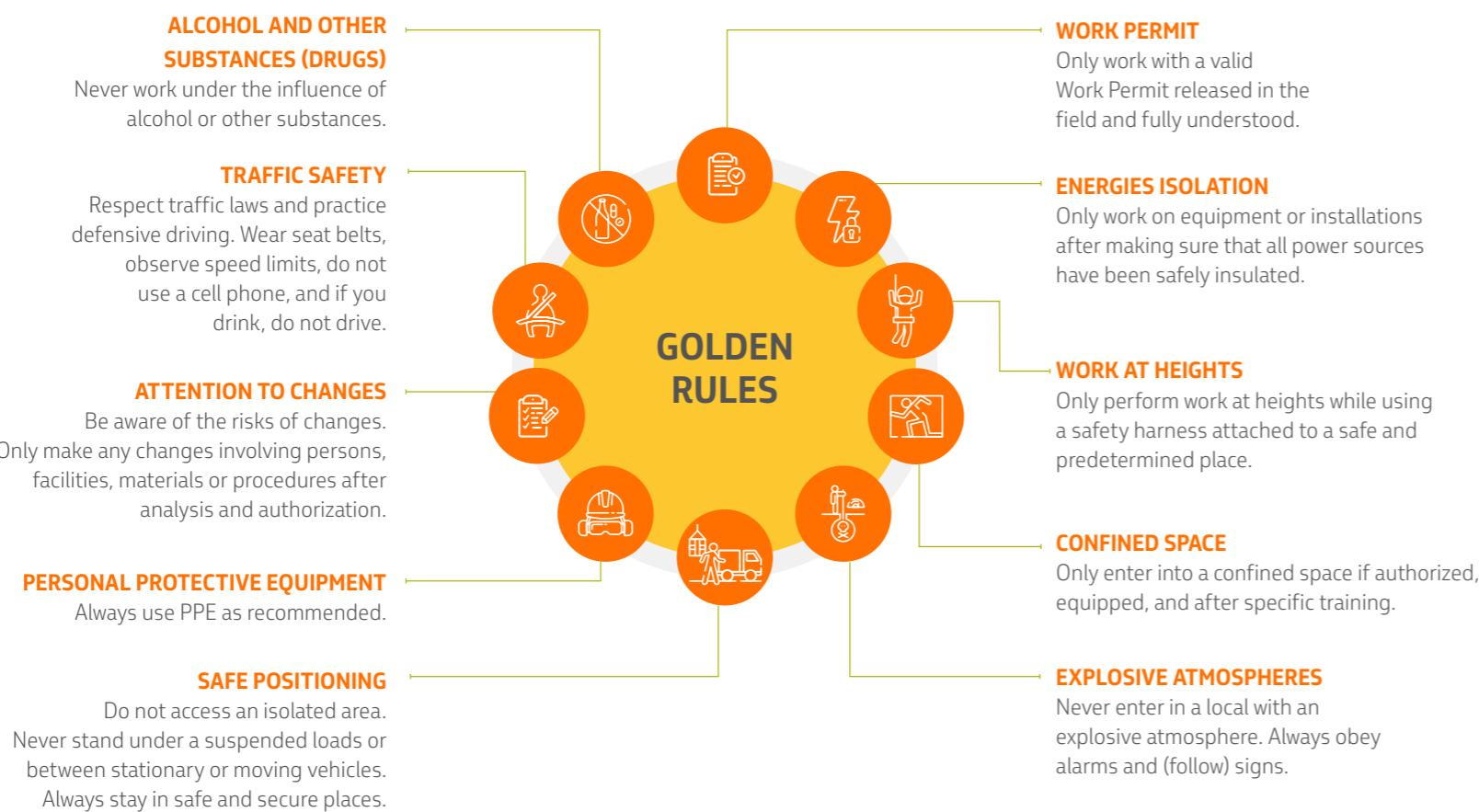
trained, and they make Commitment to Life one of our greatest safety training programs.

In order to broaden the issue visibility, we publish approximately 630 articles, videos, and photos related to the program on our intranet, dedicated to our workforce.

In 2018, we established the goal of training 18,600 employees in the Commitment to Life program.

In 2017, we held the HSE Conference to disseminate Health, Safety, and Environment good practices, with the participation of over 1,000 people from our workforce. During the three-day event, 36 lectures were presented (13 external speakers, four from abroad), 24 panels of debate, ten rooms with simultaneous presentations, 347 good practices registered, and 138 selected for presentation during the conference, with 67 lectures about safety, 36 about environment, 25 about health, and ten about contingencies.

During the Petrobras' HSE Conference, the Lessons Learned workshop took place, in which more than 100 asset and operation units managers discussed major accidents in the world oil industry and the lessons learned.



HSE EVENTS AND CAMPAIGNS

Throughout 2017, we have developed HSE events and campaigns for our workforce:

- Work Safety and Health World Day: on April 28, a meeting was held with the workforce to discuss the importance of safe behavior for the identification of risk situations and the prevention of accidents. Outreach materials were prepared and sent to the units, so that they could be distributed to the workforce, with the following themes: speed and driving, sleep and driving, sleep, yellow fever, healthy eating, and alcohol and other substances.
- Celebration of our company's 64th anniversary: on October 3, 2017, our CEO, Pedro Parente, reinforced the challenges to achieve better results in safety and launched the new phase of the Commitment to Life program. HSE activities were carried out in our units, such as HSE dialogues, safety inspections, lectures, and behavior audits conducted by leaderships.
- Campaign to reduce accidents with hands and fingers: a survey released in the campaign showed that within the accidents that occurred from January 2016 to March 2017, 32% involved injured hands and fingers. As a result, actions to prevent accidents with hands and fingers were intensified during activities carried out by our workforce. We developed content for use in daily safety dialogues, reinforced by leaderships.

Commitment to Life
program campaign poster.





HEALTH

Our programs related to occupational health and hygiene are based on the prevention of occupational risks, occupational health medical control, promotion of health, and actions implemented under the Commitment to Life program. The health control program for our employees includes annual occupational examinations. These examinations include medical, dental, and nutritional assessment, with an approach to the clinical and occupational history of each employee. All our employees are monitored by the program.

The health indicators monitoring and the epidemiological profile analysis of our employees, together with the characteristics and risks of their activities, guide the planning of actions aimed at injuries prevention and health promotion.

An analysis of our employee's epidemiological profile considers information from monitoring the main health problems, chronic diseases, compulsory notification diseases, accidents, individual characteristics such as blood pressure, cholesterol, glucose and triglycerides, body mass index, in addition to life habits related to physical activity, alcohol and tobacco, eating habits, and regular sleep.

The results found contribute to the implementation and/or maintenance of actions and programs to promote physical activity, healthy eating, prevention of problems related to the use of alcohol, tobacco and other substances, ergonomics management, and traveler's health.

Additionally, we undertake multidisciplinary health monitoring actions for employees with disabilities and employees away from work due to accident or illness. These actions are aimed at improving their relation with work, providing a productive and healthy work environment.

Other actions that cover the entire workforce are educational campaigns, communication actions involving health issues, corporate guidelines regarding food in our facilities, and the annual influenza vaccination campaign.

Our health actions are also guided by a monitoring of the Time Lost Percentage (TLP) indicator and the temporal analysis of absenteeism due to accidents and diseases, as well as its main causes, either related to work or not.

INDICATOR	2015	2016	2017	2018 (TARGET)
Total Recordable Injury (TRI)	2.15	1.63	1.08	1.0
Recordable Accident Rate (RAR)	4.39	3.30	2.76	-
Lost Time Injury Frequency Rate (LTIFR)	0.76	0.59	0.58	-
Work Accident Frequency Rate (WAFR)	13.88	12.64	11.20	-
Work Disease Frequency Rate (WDFR)	0.02	0.00	0.02	-
Average days lost per employee related to work	0.22	0.19	0.23	-
Lost Time Percentage (LTP) (%)	2.47	2.47	2.40	2.40

Indicators identity:

- . Total Recordable Injury (TRI): number of injuries registered per million man-hours of risk exposure. It includes typical cases of injuries without loss of time (excluding first aid cases), injuries with loss of time, cases of occupational diseases, and fatal accidents.
- . RAR: number of accidents registered per million man-hours of risk exposure. It includes typical cases of injuries without loss of time (including first aid cases), injuries with loss of time, cases of occupational diseases, and fatal accidents.
- . LTIFR: number of injuries with loss of time resulting from typical accidents or cases of occupational disease per million man-hours of exposure to risk.
- . WAFR: total number of typical work or travel injury cases per 1,000 employees.
- . WDFR: total number of new cases of occupational diseases per 1,000 employees.
- . Average days lost per employee, related to work: number of days lost per employee. Data on work-related health reasons - accident and illness. Civil days are considered for calculation from the day after the injury until the day before the return.
- . LTP: Lost Time Percentage The LTP is calculated by the formula $LTP = \text{total hours lost} / \text{total planned hours} \times 100$. Regarding the calculation of hours not worked, all hours of all medical and dental leaves due to accident and illness, both occupational and non-occupational, regardless of the number of days of leave, are considered. Regarding the calculation of the planned hours, the planned working time is considered (hours planned to be effectively worked, according to what was provided in the regime and Work Schedule Plan - WSP), in the period.

The rates related to occupational safety (TRI, RAR, LTIFR) include company's employees and suppliers employees. Health-related rates (WAFR, WDFR, Average days lost and LTP) include company's employees only.



The absenteeism, measured in days lost, is reviewed in a stratified way by variables such as gender, age group, causes and types of injury and relation to work. This stratification allows us to direct our health actions. It is noteworthy that about 3.8% of leaves due to health reasons have some relation with the job.

Occurrences of occupational accidents and diseases are monitored by the indicators Work Accident Frequency Rate (WAFR) and Work Disease Frequency Rate (WDFR). These indicators allow the identification of deaths that may have occurred, such as the outcome of an occupational accident or occupational diseases.

Considering biological monitoring and surveillance health, we did not identify workers with high incidence or high risk of developing work diseases, according to the historical series of the WDFR indicator.

Our Health, Safety, and Environment Policy is reflected in the commitments expressed in the clauses of the Collective Bargaining Agreement (ACT). Our agreement has a chapter on industrial safety and occupational health that covers the following topics:

Periodic examination	Access to workplaces	HSE committees formed by company's employees and suppliers' employees and Internal Accident Prevention Committee (Cipas)	Healthy Eating Program	Cipas' operation and work accident communication
Conducting lectures on risks in the workplace	Access to the workplace and participation in accident investigation	Occupational health and safety conditions	Work safety and official inspections	Fire fighting and first aid
Environmental and biological monitoring	Health Policy	Right of Refusal	Disease prevention	Benzene Agreement
National Safety Campaign	Social Security and Professional Profile	Fleet renewal	Helicopter Underwater Escape Training (Huet) Inspection and Training, for submerged helicopter escape	



All our employees are represented in formal safety and health committees. In our operating units and administrative facilities, there are Internal Accident Prevention Committees (Cipas) responsible for reporting hazardous conditions in the workplace and contributing to the preservation of the health and physical integrity of the workers. In units located in the other countries where we operate, there are also committees consisting of employees and guided by local legislation that establish the characteristics, duties and responsibilities of respective members.

The members of those committees receive training, comply with verify the safety conditions of the facilities routines and the actions implemented to improve said conditions and participate in the investigation of accidents.

In 2017, we held the ninth annual meeting of the presidents and vice presidents of our units' Cipas, with the objective of sharing lessons learned and good practices in the management of internal committees. More than 100 representatives from the various areas of our company participated. At the time, we reinforced the role of committee members and their play in safety inspections, accident investigations, and advancement to improve our organization's safety culture.

IMPACTS ON HEALTH AND SAFETY RELATED TO PRODUCTS AND SERVICES

We comply with national and international standards on health and safety impacts, and explain the need to comply with the agreements to our suppliers.

Our significant products and services go through stages of health and safety risk assessments to protect workers, neighboring communities and the end consumer. The evaluations results are outlined in the Material Safety Data Sheet (MSDS) and in the Dangerous Goods Transport Emergency Sheets (ES).

In the MSDS, the product's impact on safety, environment and health are identified and evaluated, as well as recommended actions to avoid or mitigate said impacts. They are sent to all product customers and the information is available on the Petrobras Distribuidora website (www.br.com.br). As to emergency sheets, which are found in all transport of dangerous products such as automotive and industrial fuels, the main risks are summarized, as well as what to do in the case of accidents involving spill, fire, people, information to doctors and environmental pollution.

The emergency sheets are also on our website, as well as delivered to drivers during loading of dangerous products on tankers, tanker barges, or other vehicles. In addition, all of our service stations display a poster instructing on actions to be taken in case of emergencies with products, in case of spill, fire, and victims.

As to significant services, all are performed according to the procedure that considers the evaluation of impacts on health and safety.

In case of services that can not be standardized because the conditions change according to location or climate, a Job Safety Analysis is previously performed in which the health and safety impacts are identified and evaluated, with a description of the necessary measures for safe work. With this information, the person in charge of the area where the service will be performed issues a Work Permit after verifying that the work force understood all measures, and monitors the continuous compliance with these safety actions.

Our main products fully comply with the Brazilian National Petroleum, Natural Gas and Biofuels Authority's (ANP) specifications, which are defined with our participation and other agents.

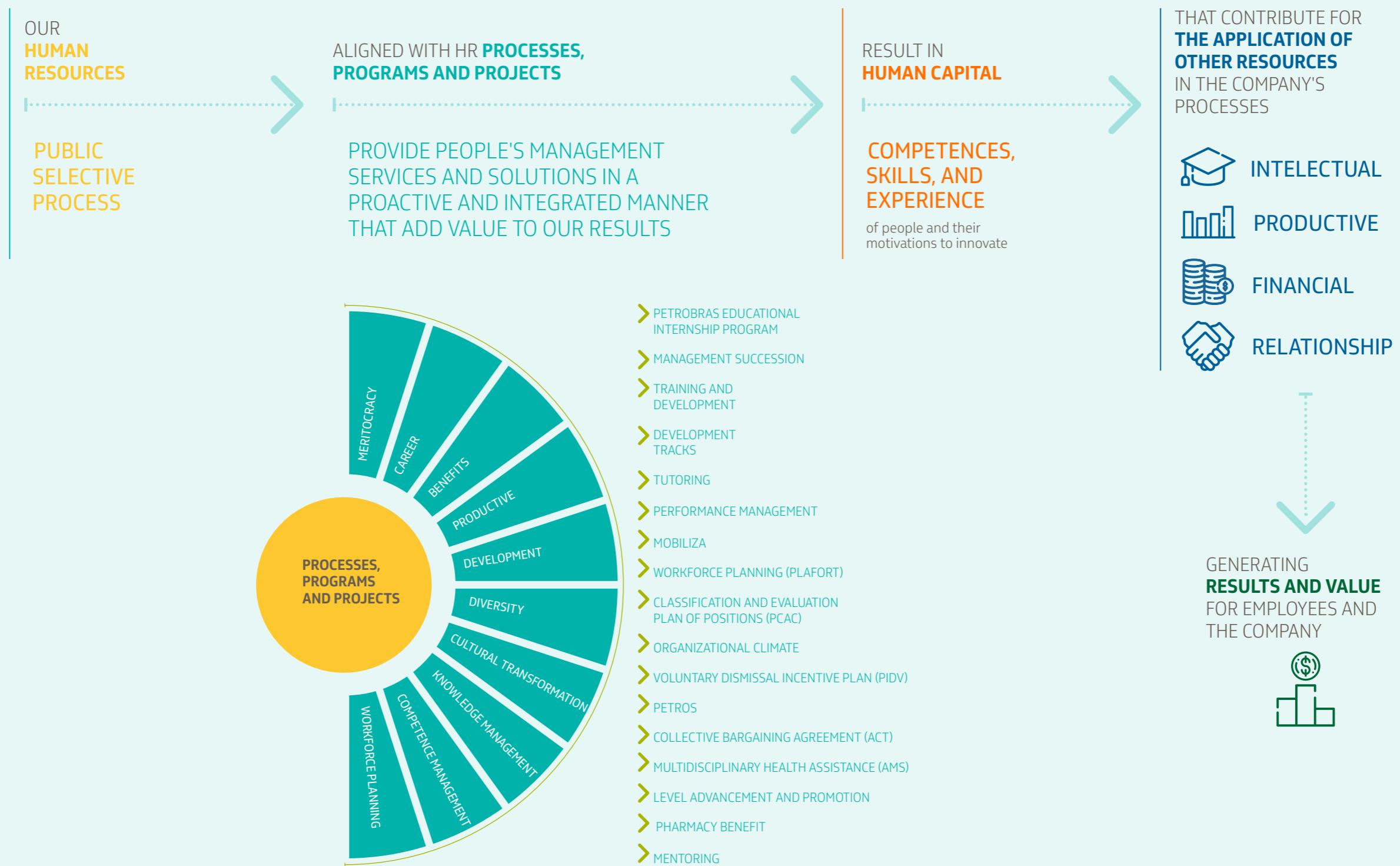
	CONTENTS/PETROBRAS	NATIONAL SPECIFICATION MAXIMUM LIMIT
	Average Benzene 0.49%	1%
GASOLINE	Average Sulfur < 34 ppm	50 ppm
	Average Sulfur 5 ppm	10 ppm
DIESEL OIL S-10	OCA1 Average Sulfur 0.65%	2.0%
	Average Sulfur less than 1%	3.5% *
FUEL OIL		
		
MARINE FUEL- BUNKER		

* National and
international limit

Audits were carried out to evaluate health and safety impacts of products and services in 33 of Petrobras Distribuidora's facilities. Therefore nonconformities related to management and legal compliance systems were recorded, none of them resulted in a fine, penalty or warning.



Human Capital Management





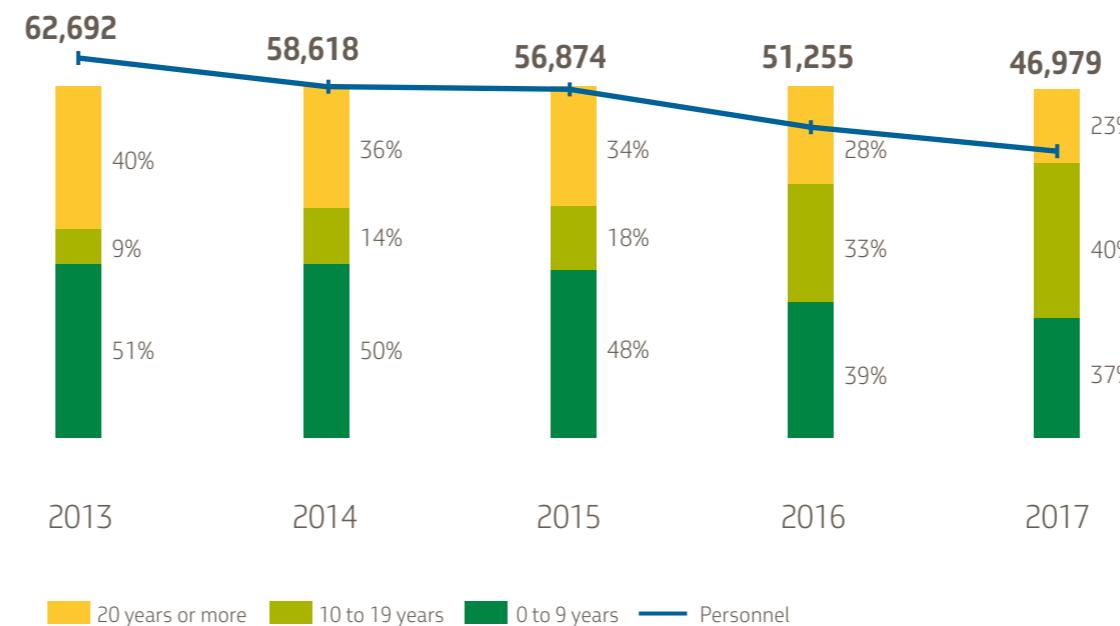
Our Strategic Plan establishes a people management model that seeks the allocation and retention of talents, satisfaction, commitment and productivity of our employees through various initiatives, based on internal inputs (organizational climate research, interviews, and strategic drivers), and external inputs (best practices, studies and research).

We reviewed our Human Resources Policy and implemented the new human resource model.

In order to design and adapt our workforce, we use the Workforce Planning methodology, considering the level of productivity and the growth of the activity aligned to PNG. Next, plans are drawn up establishing actions of movement, admission and dismissal.

We closed 2017 with 46,979 employees (Petrobras holding), a reduction of 8.9% in relation to 2016. We recorded greater variation of our workforce in 2014 and 2016 due to the Voluntary Dismissal Incentive Plans (PIDVs) carried out in those two years.

WORKFORCE - PERSONNEL EVOLUTION AND TIME IN COMPANY (PETROBRAS HOLDING)

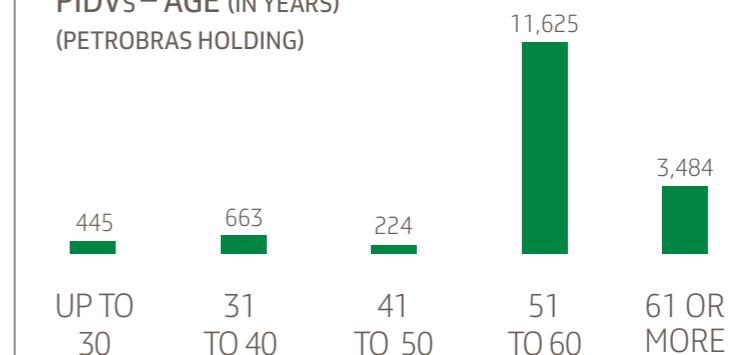


The dismissals through PIDVs changed the bands distribution by time in company, as well as the age pyramid, creating a more balanced professional profile. This new profile is important to our growth in terms of human resources and knowledge management.

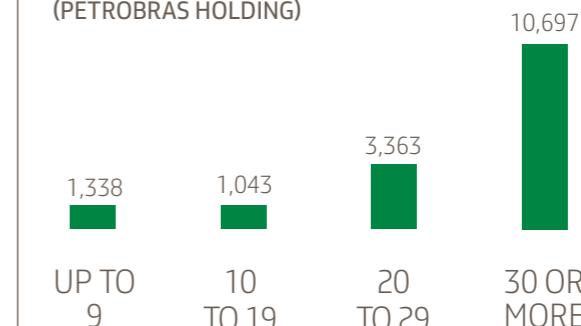
Historically, our turnover rate has always circulated at small levels. However, as of 2014, we performed two PIDVs that caused a change in this scenario. The PIDV launched in 2016, as well as 2014, was based on knowledge management principles, managerial succession, and operational continuity, seeking a planned and systemic dismissals of enrolled employees.

The total number of employees dismissed by the PIDVs (2014 to 2017) was 16,441.

PIDVs – AGE (IN YEARS) (PETROBRAS HOLDING)



PIDVs – TIME IN COMPANY (IN YEARS) (PETROBRAS HOLDING)





Our employees in Brazil are admitted through a public selection process, according to constitutional provisions, for positions contemplating 56 different professions, being 20 of mid education level and 36 of higher education level, with equal wages for men and women. According to Brazilian law, 20% of positions are reserved for self-declared Black people candidates, and 5% for disabled people. In the other countries where we work, the selection is made through interviews and curricular analysis, prioritizing the local workforce.

In 2017, 158 people joined our company (Petrobras Holding), 123 men and 35 women, most of them in the age group of less than 36 years old.

We transformed the employees internal relocation into an ongoing program called Mobiliza. The program is only for employees with no managerial function, and aims at adjusting the units' workforce and skills required for our area.

The results achieved in recent years have been 458 employees relocated in 2017 and 151 in 2016.

The work contract of our 46,972 employees follows the Labor Laws Consolidation Code (CLT). Also, we have seven officers (CEO and other executive officers) whose relation with the company is statutory and governed by company's charters.

STAFF PROFILE BY GENDER AND POSITION LEVEL PETROBRAS HOLDING (%)

	2015	2016	2017
MID LEVEL			
Women	4,433	3,809	3,331
%	8	7	7
Men	30,566	26,792	23,969
%	54	52	51
TOTAL	34,999	30,601	27,300
%	62	59	58
HIGHER LEVEL			
Women	4,697	4,487	4,280
%	8	9	9
Men	17,178	16,167	15,399
%	30	32	33
TOTAL	21,875	20,654	19,679
%	38	41	42
TOTAL	56,874	51,255	46,979

EVOLUTION OF MANAGEMENT AND SPECIALIST FUNCTIONS BY GENDER PETROBRAS HOLDING (%)

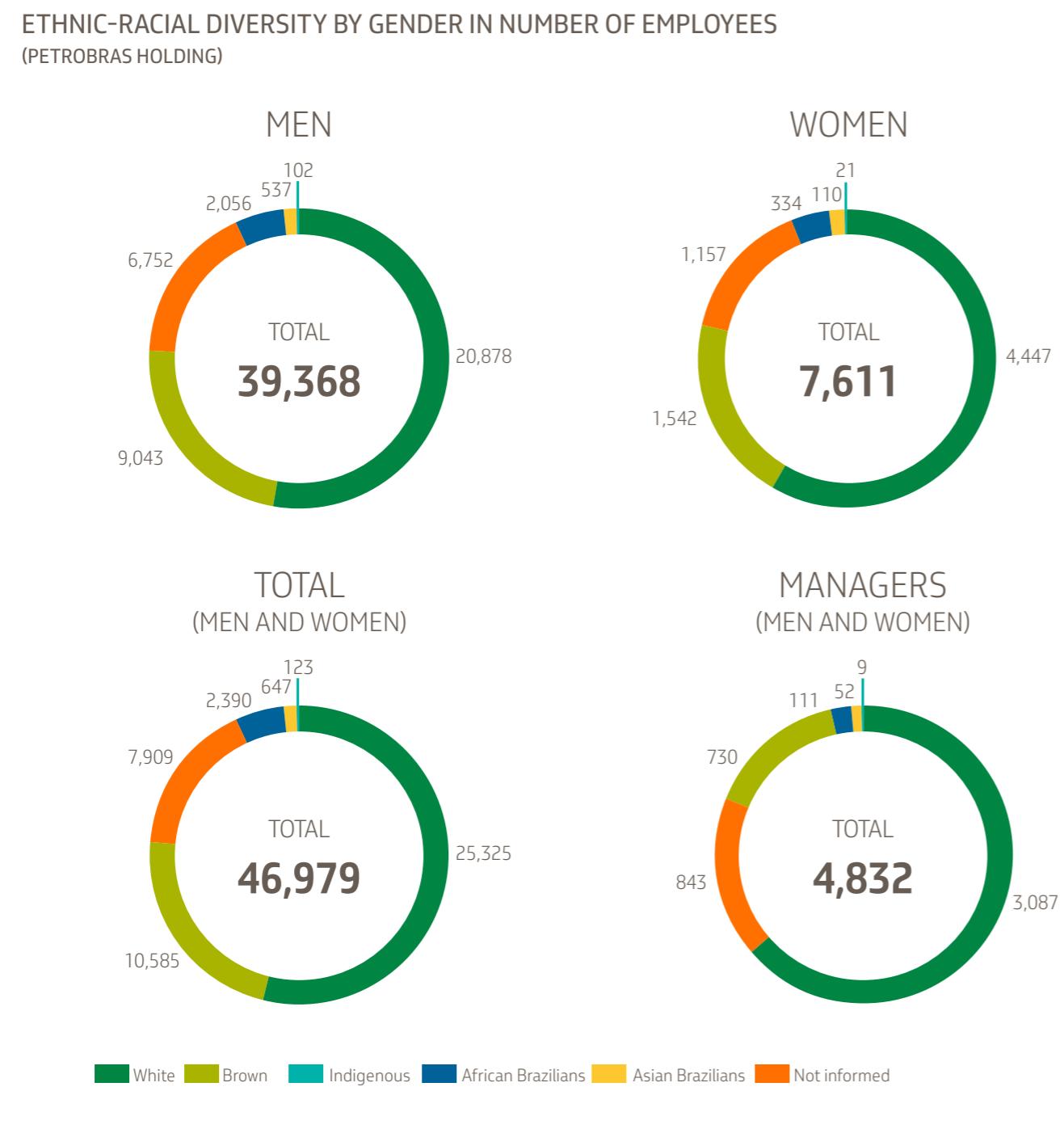
	2015	2016	2017
SPECIALIST POSITION¹			
Women	348	300	248
%	19	19	18
Men	1,499	1,290	1,140
%	81	81	82
TOTAL	1,847	1,590	1,388
SUPERVISION POSITION			
Women	189	176	187
%	8	8	8
Men	2,226	2,150	2,077
%	92	92	92
TOTAL	2,415	2,326	2,264
MANAGEMENT POSITION			
Women	1,169	856	852
%	18	17	18
Men	5,202	4,066	3,980
%	82	83	82
TOTAL	6,371	4,922	4,832
TOTAL	10,633	8,838	8,484

PERSONNEL PROFILE BY REGION PETROBRAS HOLDING

	2015	2016	2017
WORK REGION			
Southeast	40,326	36,883	34,456
Northeast	12,344	10,565	8,963
South	2,740	2,529	2,397
North	1,214	1,078	986
Midwest	250	200	177
TOTAL	56,874	51,255	46,979

¹ The specialist position consists of the following functions: consultant, senior consultant, and master consultant.

We plan people's management by the principles of Diversity - respect for differences, non-discrimination and equal opportunities - and strengthening vital quality aspects of the organizational environment. Promoting Diversity in the internal climate allows an expanded world view, and tends to positively impact aspects such as productivity, creativity, ambience, and others.





Our Board of Directors currently consists of nine members, including one woman and eight men. Our Audit Committee is chaired by a woman, and the other four members are men. Our executive board consists of eight officers, including one woman and seven men.

BOARD OF DIRECTORS COMMITTEE



AUDIT



EXECUTIVE BOARD



Our service contracts are ruled on legal provisions, internal guidelines, and our Ethics Code, and the work schedules are under suppliers' responsibility, with no interference from us in said definitions.

In 2017, we had 117,201 suppliers' employees providing services in Brazil and abroad, 0.3% less than in the previous year. At Petrobras Holding, there were 100,123, and the Northeast and Southeast regions concentrating the largest number of suppliers' employees, 28,082 and 63,609 respectively.

Suppliers' employees are classified in the following categories, for external services (only Petrobras Holding and subsidiaries in Brazil):

- operation support specialized technical services: 41,059
- infrastructure support specialized technical services: 43,000
- administrative specialized technical services: 14,255
- civil works specialized technical services: 18,096

REMUNERATION POLICY

We have a Classification and Evaluation Plan of Positions (PCAC) that guides our remuneration policy. In 2017, the highest paid employee received annual remuneration equal to approximately 5.5 times the average annual remuneration of the other employees. The highest remuneration position is the executive manager. The senior management, which includes the executive board, the CEO and directors, has its own rules established by the Nomination, Remuneration, and Succession Committee (Cirs).

Composing of directors and market people with outstanding experience and technical expertise, Cirs proposes the financial compensation given to officers and directors. The Board of Directors is responsible for approving the proposals delivered by the committee, as well as appointing and dismissing its members. Our

chairman is a member of the Board of Directors, but does not vote on this matter.

The total remuneration of our senior management is approved annually by the Annual General Meeting, in accordance with Art. 152 of the Corporations Act (Act 6404 of December 15, 1976). The Board of Directors distributes the amounts destined to Executive Board remuneration, without prejudice to our remuneration hierarchy. The Executive Board members remuneration is defined in light of our economic, financial, environmental, and social results, in order to promote the recognition of senior management and alignment with our short, medium, and long-term strategies and goals.

The Board of Directors members remuneration corresponds to 10% of Executive Board members remuneration, on monthly average.



In 2007, we reviewed the Classification and Evaluation Plan of Positions (PCAC), in order to update the positions and wages structure, considering the oil and gas market, and to support the people management processes.

As of 2007, the PCAC start to include three career position categories (junior, full, and senior), both for the mid level and the higher level. The wage structure has four mid-level position groups, with 31 wage levels in their careers, and two top-level position groups with 25 or 27 remuneration levels. The remuneration increase percentage between wage levels is constant: 3.8%.

Our remuneration consists of basic and additional wage, such as time in company, dangerousness, and work systems regimens/conditions. We do not make wage distinction by gender.

The standard initial wage varies according to entry position. Currently, in the superior level case, the lowest remuneration is equivalent to 10.8 times the national minimum wage. As to the intermediate level, the minimum wage equals 3.4 times the national minimum wage.

In September 2017, when the collective bargaining agreement was negotiated, the same percentage (1.73%) was practiced in the compensation of all on-shore division employees.

WAGE AND REMUNERATION PROPORTION BETWEEN WOMEN AND MEN (PETROBRAS HOLDING)

RELEVANT OPERATING UNITS	FUNCTION	2017	
		MID LEVEL	HIGHER LEVEL
Exploration and Production Executive Board (DE&P)	With function	0.82	0.93
	Without function	0.77	0.90
Refining and Natural Gas Executive Board (DRGN)	With function	0.75	0.89
	Without function	0.78	0.91
Other Executive Offices	With function	0.90	0.93
	Without function	0.85	0.92
PETROBRAS		0.76	0.89

- a) We address the areas directly related to our main business according to "Relevant Operating Units": exploration and production area and refining and natural gas (RGN) area. The other operating units and administrative units are included in the "other executive offices" item.
- b) Women's average remuneration divided by men average remunerations, in each group's case.
- c) We have a wage schedule with different levels of basic wage, all applicable to both men and women. However, the basic and additional wages are considered in remuneration calculation, such as transportation vouchers, childcare allowances, etc.

Our remuneration practices are reviewed according to the perspective of stakeholders such as unions, employees, the oil and gas industry, the market, professional councils, and others. We also consider comments from intranet articles, and the of ambience survey answered annually. Based on these contributions, adjustments are made to remuneration practices, such as changes in the career progression system, managerial promotion, and benefits granted.

We implemented the optional workday reduction, identified as a demand of employees through the ambience survey, and agreed with in the last collective bargaining agreement.

The reduction of the working day daily, from eight to six hours, with a reduction of 25% in remuneration, is not definitive. It is valid for one year, and can be renewed automatically for an equal period, if there is no manifestation to the contrary by the employees or their immediate manager. It was made available to administrative regime employees without managerial function, after rules were negotiated with trade unions. Apply priority was given to employees with children, stepchildren, or minors under any kind of guardianship, provided that they are under the age of 12, or with no age limit if they are registered in the Special Assistance Program, and employees who are committed to accompanying a family member who needs special care. A total of 556 employees already work under a 6-hour daily regime, being 41% men and 59% women.

COLLECTIVE AGREEMENT AND SOCIAL ADVANCES

We value transparency in our relations with all our stakeholders, including trade unions. Currently, we have established relationships with 17 oil unions representing the on-shore staff, and eight labor unions representing the off-shore personnel. The trade union relations management is present in the human resources value chain, and one of our purposes is to maintain a permanent negotiation process, so that solutions may be achieved together with employees' representatives. We hold bimonthly meetings with unions to deal with issues such as work regime, outsourcing, health plan, and collective agreement monitoring, aiming both at improving working conditions and negotiating Collective Labor Agreements.

All our employees are covered by collective agreements, either by the On-Shore Employees Agreement, which is always negotiated in September, or by the Off-Shore Employees Agreement, which is always negotiated in November. The so-called ACT economic clauses, which deal essentially with wage readjustments and other items that make up the employees' compensation, are discussed annually. Social clauses, which deal with issues such as HSE, working conditions and other provisions, are discussed on a biennial basis.

We offer the same benefits to all our employees. Both the full-time and temporary or part-time employees have access to:

- MULTIDISCIPLINARY HEALTH ASSISTANCE (AMS)
- SUPPLEMENTARY RETIREMENT PENSION PLAN
- EDUCATIONAL BENEFIT FROM CHILD EDUCATION TO UNIVERSITY FOR EMPLOYEES' CHILDREN AND STEPCHILDREN
- COLLECTIVE AGREEMENT WITHDRAWAL BENEFIT
- SICKNESS ALLOWANCE ADDITIONAL PAYMENT
- PHARMACY BENEFIT
- SPECIAL ASSISTANCE PROGRAM DEDICATED TO PERSONS WITH DISABILITIES FOR EMPLOYEES, AS WELL AS TO THEIR DEPENDENTS
- MEDICAL ASSISTANCE PROGRAM FOR THE EMPLOYEE INJURED AT WORK

We also sponsor two complementary pension plans: the Petrobras System's Petros Plan and the Petros Plan 2, both managed by the Fundação Petrobras de Seguridade Social (Petrobras' Social Security Foundation). The Petrobras System's Petros Plan (PPSP), with defined benefit, does not accept new entries, and is undergoing a reorganization process that is essential to ensure the plan's continuity in the long term, with the payment of retirement pays and pensions, and the fulfillment of all commitments made with the participants.

For more information on the Petros Plan reorganization, please see the Annual Report.

All of our 46,979 employees, being 39,368 are men and 7,611 women, are entitled to parental leave. In addition to the legal provisions, our employees are entitled to the maternity leave extension, up to 180 days in total, and 20-day paternity leave. In 2017, 550 employees took maternity leave, while 1,365 took paternity leave, making a total of 1,915 (4%) employees. Of these, 1,775 already returned to work (3.7%), being 1,357 men (2.8%) and 418 women (0.9%).

TRAINING

Petrobras University's (UP) new philosophy and performance model is being implemented through an integrated program consisting of ten projects aimed at aligning this philosophy and this model to the best market practices.

The following changes are planned in these projects:

- Review of Petrobras University's governance structures;
- Review of the development of our leaders and experts;
- Resumption of investments in Human Resources Development (HRD), aiming at maintaining our unique technical capacity;
- Implementation of a knowledge certification process, thus creating mechanisms to verify which employees holds knowledge that is critical to our business;
- Establishment of UP's strategic partnerships through commercial and cooperation agreements with reference entities in the market;
- Systematization of UP's educational technical services;
- Definition of the Development Trails methodology, consisting of a series of training sessions mapped according to all our macroprocesses;
- Centralization of physical facilities in the Southeast region.

In 2017, we invested BRL 33.15 million in our employees' training, which is 56% less when compared to 2016. In order to comply with our cost reduction strategy, we focus on intensifying training in our own units, in institutions in the country, and in the increased use of distance

education platforms. The smaller number of employees, especially on account of the PIDV, also reflected in the reduction of amounts invested in personnel training.

We have recorded 407 thousand participations in training courses for new employees and continuing education in Brazil and abroad in 2017. We also recorded 42.2 hours of training per employee last year, with 1.4 hours of training for new employees and 40.8 hours for continuing education.

In 2017, we continued our efforts aimed at employees' continued compliance training both through distance education and face-to-face training, addressing various compliance issues and reinforcing concepts set forth in the Ethics Code and the Conduct Guide.



For more information on compliance training, please see Ethics and Transparency.

In order for our employees' skills to be constantly updated and the process transition to be effective, our training planning is based on the needs associated with operational continuity, compliance with legal, regulatory, and process safety requirements, targets set in the performance management process, career prospects, and competency development aligned with our strategy.

The training also aims at developing teamwork skills, initiative, people leadership, strategic action, process and results orientation, creativity and innovation, learning and knowledge sharing, customer focus, and decision making. These trainings are available to all employees, regardless of job title or profile, with a 16-hour workload.

We also conducted the Retirement Preparation Program (PPA), in order to develop an understanding of this new stage, to make its planning easier, and to encourage the preservation of the knowledge the employee produced during the years of activity in our company.

The participation in program is voluntary, and aimed at employees who have five years or less to meet the government's retirement criteria. For the year 2017, however, priority was given to the participation of eligible employees who were enrolled in the ongoing PIDV, considering their imminent withdrawal. In 2017, the Program offered 17 new classes, comprising about 500 employees.

In 2017, our main knowledge management practices and programs were:

26 Mentoring	168 Shadowing	25 Technical job rotation
29 Managerial job rotation	23 Active Communities of Practice	103 Lessons learned, best practices, and technical warning
168 Tutoring	2,585 On the job Trainings	89 Technical Meetings
3,692 Knowledge Inventories 90% in scope of the Voluntary Dismissal Incentive Plan - PIDV	11,350 Employees involved	

PERFORMANCE ANALYSIS

The performance evaluation and management process is based on objective metrics and the implementation of a performance-based remuneration model.

We review our processes of Performance Management (GD), Level Progression and Promotion (ANPR), and Gratified Positions Level Progression (ANFG), in order to materialize the cultural transformation necessary to change the mental model, which becomes meritocratic, transparent, and focused on results, providing differentiated recognition and reward for the most outstanding employees.

EMPLOYEES ASSESSED BY GENDER AND LEVEL IN 2017 (PETROBRAS HOLDING)

LEVEL	FUNCTION	WOMEN	MEN	TOTAL
MID LEVEL	Without function	2,694	20,158	23,122
	With function	343	3,220	3,563
Total of mid-level evaluations		3,037	23,378	26,685
Total mid-level employees		3,331	23,969	27,300
HIGHER LEVEL	Without function	3,180	10,861	14,041
	With function	945	3,995	4,940
Total of higher level evaluations		4,125	14,856	18,981
Total higher level employees		4,280	15,399	19,679
MISCELLANEOUS	Without function	70	200	270
	With function	30	52	82
Miscellaneous - Total		100	252	352

a) Miscellaneous are, for example, the requested evaluations, directors, and holders of positions with special contracts.

b) Some employees enrolled in the PIDV were not evaluated.

Regular performance and career development reviews are carried out through our Performance Management (GD) system. This year, the total employees evaluated and who had access to their performance evaluation was 46,018, the equivalent of 98% of our total workforce, of which 45,666 are our own employees and 352 are employees required from other companies in the system or performing higher management functions.

In relation to senior management, the first stage of the Board of Directors (CA) and the Executive Board (ED) evaluation process consisted of a diagnosis about scenario and context in which we are inserted, the moment we are living, and aspects of our governance. In the next phase, a diagnosis was made through interviews, assessments (technical and behavioral evaluation), and a 360° evaluation (simultaneous feedback from various close sources). The results, based on performance comparative data regarding market practices, were presented to those evaluated from their performance's point of view. The following documents were also provided: evaluation report (both individual and collective) from BD members and committee members; evaluation report (both individual and collective) from EB members; presentation of the results for each participant, individually; and presentation of the results to the president of the Board and our CEO.

In order to support the manager with information on integrity before deciding on people that should hold key positions, including top management positions, we have been conducting the Integrity Background Check procedure since 2016. This procedure consists of a summary of public information from free or paid sources and information from our internal systems that demonstrate the assessed person's degree of exposure to integrity in view of best integrity practices related to prevention of fraud, corruption, and money laundering.

In 2017, 3,111 integrity assessments of candidates for key positions were held in Petrobras Holding and other companies of the System.

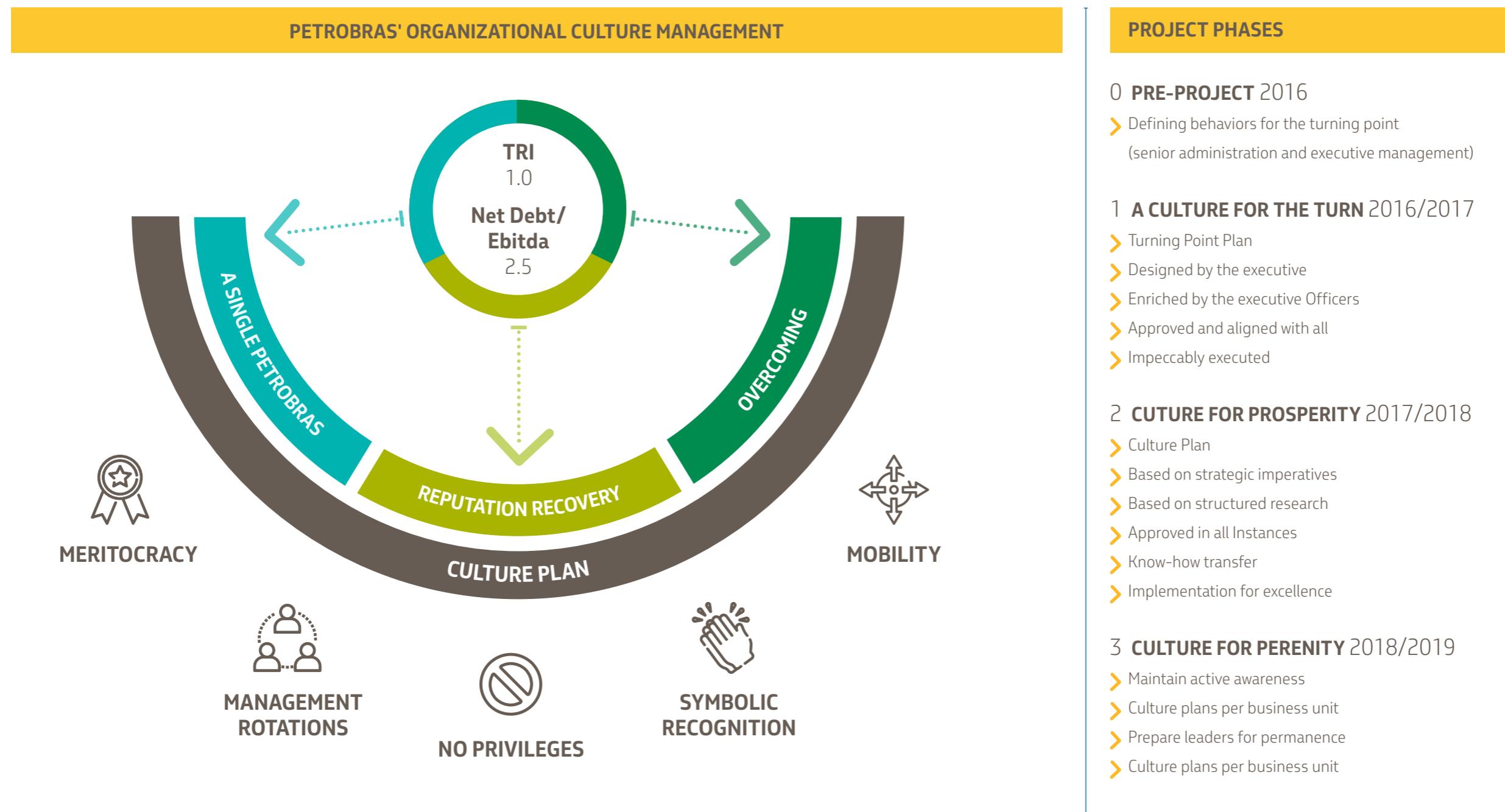
For the designation of people for key positions, including top management positions, we also carry out a procedure called Qualification and Management Criteria Analysis to subsidize the manager with information from the candidate on the minimum qualification requirements.

A total of 3,003 training and management analyses were carried out for managerial functions, positions in senior management, positions of company managers in the system and positions of senior management advisors.



CULTURAL TRANSFORMATION

The Cultural Management Project, started in 2016, aims at adapting our organizational culture, based on the leadership, in order to align workforce behaviors with new strategic challenges.



The first phase, named A Culture for the Turning Point, involved our senior management with the objective of obtaining feedback from the leadership on the individual and collective performance committed, focusing on meritocracy, elimination of privileges, and the symbolic recognition of individual and collective results of employees to achieve our strategic objectives.

By the end of 2017, this first stage of the project was finalized with the application of cultural diagnosis, seeking to identify which cultural archetypes and behaviors are most present, in order to understand the strengths and to bring inputs to improve the organizational culture. This research brought a consistent analysis material for the development of the actions of the second phase of the project, scheduled for 2017 and 2018, called Culture for Prosperity, and also for the third phase, called Culture for Permanence.

In this way, the cultural management project must implement a strong and permanent culture that supports the challenges inherent to our strategies to make the necessary changes in the short, medium, and long term, thus guaranteeing our sustainability and good reputation.



Respect Human Rights

Our commitment to respect human rights is expressed in the corporate value "respect for life, people, and the environment", in our Ethics Code and our Social Responsibility Policy. Our Social Responsibility term for suppliers addresses the following human rights issues: prohibition of forced and child labor, health and safety, freedom of association, and right to collective negotiation, non-discrimination, working hours, wage standards and availability of an ombudsman channel.

Since 2003, we have joined the United Nations Global Compact, which principles are to support and respect the protection of human rights and eliminate discrimination in employment.

Our Ethics Code applies to our own operations and suppliers. It addresses the following human rights issues:

ETHICS CODE:

	Respect for life and for all human beings		Equity		Non-discrimination		Respect for differences		Respect and promotion of diversity and fighting all forms of prejudice		Equal opportunities for all employees		Fair labor relation
	Health and safety at work		Promotion of education and training		Right to free association		Non-use of forced or compulsory child labor by suppliers and their production chain		Ombudsman office available as formal channel for grievances and complaints		Respect intellectual property		Contribution to environment preservation, biodiversity, and sustainable use of water

Approved in March 2017, our social responsibility policy, principles commit to, respect human rights and to interact responsibly.

SOCIAL RESPONSIBILITY POLICY

Principles

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

Guidelines

In all our activities, we commit to:

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



IDENTIFICATION AND TREATMENT OF SOCIAL RISKS AND TO HUMAN RIGHTS ISSUES

Our Risk Policy provides inputs to prepare maps that indicate the probability and impact of our main risks. Risk maps have been prepared taking into account categories that include social risks. The risk analysis allows us to establish criteria and objectives for the preparation of action plans for mitigation and treatment of identified social risks, which will be monitored during project implementation and operations.

Our Corporate Standard for Social Risk Management was reviewed in 2017, addressing the various stages of the business life cycle and the methodology for characterizing the social context in the places where we operate, as well as for identification, analysis, evaluation, treatment, and monitoring of social risks.

Regarding to the workforce, potential social risks related to human rights include discrimination and lack of equal opportunities, which can be avoided by reinforcing the values of our company and by valuing diversity in the workplace.

Regarding to communities, these issues include risks of interference in local livelihoods, indigenous peoples, traditional communities and vulnerable groups, access to land, water, preservation of cultural heritage, pressure on public services and other related issues quality of life of the local population.

Those risks can be avoided by identifying and treating social risks and building a trusting relationship with the communities where we operate. Petrobras Distribuidora maps the communities around the units every two years, which includes issues related to potential impacts on human rights, such as:

- indigenous communities, "quilombolas" or traditional communities.
- impacts on the living conditions of populations (local traffic disturbance).
- spills, contamination, atmospheric emissions, and properties devaluation.
- generation of employment and income opportunities.
- sexual exploitation of children and adolescents.
- drug trafficking
- organized criminal activities
- militias or other armed groups.

In 2017, 47 units were mapped, which is equivalent to 88% of its operating units.

Transpetro responds to another important community-related challenge with regard to increasing records of intentional third-party interference (illegal tapping) in our pipelines. These occurrences pose a risk to people, facilities and the environment, requiring a continuous and integrated action with the authorities and with the communities that live near the pipelines. Throughout 2017,

Transpetro adopted a series of actions in an alignment with Petrobras holding, in order to mitigate the risks associated with illegal tapping, especially in areas of the states of Rio de Janeiro and São Paulo, that presents high occurrence records. These actions encompass emergency exercises, communication campaigns in community radios, awareness events targeting facilities's neighbor populations in order to alert about the risks involved, meetings with civil defense, military police and fire departments, in addition to the set up and dissemination of the 168 telephone number for direct contact with the communities.

Regarding the suppliers, issues related to labor rights (freedom of association and collective bargaining,), prohibition of forced and compulsory child labor in the production chain, fighting discrimination in the workplace, working conditions (e.g. health and safety) and impacts on local communities, are specific requirements in registration, declarations, and specific contractual clauses whose compliance is monitored throughout the term of contracts.



SOCIAL RISKS IN INVESTMENT PROJECTS

In order to improve the social risk management process and promote respect for human rights in investment projects, we incorporated new requirements for the decision-making process into the Corporate Systematics for Investments Projects revised in 2017. They include the preparation of a Social Responsibility Report, in addition to the reports usually requested, and the participation of Social Responsibility analysts in the multidisciplinary review group that elaborates recommendations for the project phase transition. The Social Responsibility Report includes the social context and the diagnosis of communities, as well as actions to mitigate social risks. Within the new system, 22 investment projects were analysed in 2017.

In order to promote social responsibility in the supply chain in the implementation of investment projects, especially in the Construction and Assembly contracts (Engineering, Procurement, and Construction - EPC), we have included a specific contractual annex on Communication and Social Responsibility. This contractual annex guides the social risks management during construction work implementation by the supplier. We can highlight the following requirement aspects: preparation of a Communication and Social Responsibility Plan, optimizing the procurement for local labor, and promote the reallocation of professionals at the time of demobilization.

In order to monitor compliance with these requirements, in addition to the activity reports monthly verification, we perform the on-site use of a checklist. In 2017, a total of 13 checklists were applied to contracts.

DIVERSITY AND FIGHTING DISCRIMINATION

We seek to provide the necessary conditions for the development of our employees and we have implemented awareness actions regarding diversity for our workforce, such as debates and publication on the Petrobras Portal on the Intranet.

On January 29, 2018, the Transgender Day of Visibility was marked by a round table discussion attended by a diversity specialist and a transgender lawyer who is a gender and sexuality specialist. The purpose of the meeting was to provide capacity building for teams that provide care to employees.

The gender identity theme is aligned with our values, which include Respect for life and people, and our HR Policy, which one of its guidelines is "Providing employees with a good working environment that promotes diversity and relationships based on trust and respect, not tolerating any form of harassment or discrimination."

Regarding people with disabilities, the Employee Disability Approach Program (Paed) works on four pillars: management, accessibility, education, communication and existing practices. In addition to the Program, we grant a leave of absence of up to two hours per day for employees with disabilities who require medical care, and leave of absence of up to 240 hours per year or leave days for the employees to attend treatments and therapies of their children enrolled in the Special Assistance Program (PAE). Evaluations are carried out on a case-by-case basis, with individual solutions, depending on the specific needs of the employee.

Since 2005, we have been part of the Gender and Race Pro-Equity Program, promoted by the National Secretariat for Women's Policies and supported by the United Nations Entity for Gender Equality and Women's Empowerment (UN Women). This program aims to eliminate all forms of discrimination in access, pay, promotion and permanence in employment. As participants in this program, we carried out actions that value diversity, respect and promote equal opportunities between men and women, and were granted five consecutive certification with the Pro-Equity Seal.

We are in the 6th edition of the Pro-Equity Gender and Race Program, referring to the 2016-2018 Action Plan and, since 2006, several actions have already been implemented:



DISSEMINATION OF CONTENT ON GENDER AND DIVERSITY ISSUES, ESPECIALLY IN WORK ENVIRONMENTS.



RECOGNITION OF CIVIL RIGHTS TO SAME-SEX PARTNERS INCLUDING PETROBRAS'S MULTIDISCIPLINARY HEALTH ASSISTANCE (AMS) AND PETROBRAS (PETROS) PENSION FUND.



INTERNAL SURVEY TO KNOW THE EVOLUTION OF CAREERS IN OUR COMPANY, CONSIDERING THE COLOR/RACE AND GENDER ASPECTS.



IMPLEMENTATION OF 24 SUPPORT ROOMS FOR BREASTFEEDING, IN OUR UNITS ALL OVER BRAZIL.



APPROPRIATE FEMALE UNIFORMS.



SAME CHILD DAY-CARE ALLOWANCE TO MALE AND FEMALE EMPLOYEES



EXPANSION OF THE -MATERNITY LEAVE FOR 180 DAYS, ADDITIONAL PERIOD FOR PREGNANT EMPLOYEES WHO HAD PREMATURE DELIVERY, AND EXTENSION OF PATERNITY LICENSE FOR 20 DAYS.



PROMOTION OF DISCUSSION BETWEEN "LIKE OUR PARENTS" FILM CASTING AND OUR WORK FORCE ABOUT POSITIONS HELD BY WOMEN IN TODAY'S SOCIETY, AFTER THE MOVIE WAS EXHIBITED. THE MOVIE WAS PARTIALLY SPONSORED BY THE PETROBRAS CULTURAL PROGRAM.

We provide up to two hours daily allowance for breastfeeding mothers (infants up to 1 year of age) and guarantee to the worker who is pregnant or breastfeeding that the work is carried out in non-risk areas related to pregnancy or breastfeeding, without prejudice of their additional and/or working conditions for up to one year.

Based on our ambience survey, which raises employees' perception of management, we assess the social responsibility dimension. In this survey, there is a specific approach to discrimination, expressed in the question: "Does my management treat everybody without discrimination, regardless of color, origin, gender, disability, religion, or sexual orientation?" The last survey was undertaken between December 2016 and January 2017, and the result for this item was 83% favorable.

We are signatories to the Declaration of Corporate Commitment to Confront Sexual Violence against Children and Adolescents since 2010, an initiative conducted by the Children and Adolescents Rights National Secretariat of the Ministry of Human Rights of the Presidency of the Republic.



TRAINING IN HUMAN RIGHTS

Regarding to human rights training, all new employees, upon joining the company, participate in training courses that aim to disseminate values based on respect for people, human and cultural diversity and plurality of thinking.

We also conducted the training "Evaluation and Interdisciplinary Follow-up of People with Disabilities," for Health and Human Resources professionals, which scope will be expanded in 2018.

All relevant security professionals and suppliers have been trained and are retrained every two years. This involves, among other things, the basic concepts of human rights and human relations.

In 2017, Transpetro has made available in the Virtual Learning Environment , a series of courses and videos as a way to reinforce our commitment to human rights issues. The "Pro-Equity of Gender and Race" series of courses consists of:

- diversity affects all of us
- diversity is also your responsibility
- accept diversity personally
- diversity: people at the top can make a difference
- diversity: Are you a role model?
- ignoring diversity is endangering

And courses:

- Diversity of Gender and Race, participation of 791 people
- Diversity in Organizations, participation of 118 people
- Fighting Violence against Women, participation of 131 people

Training in fighting violence against women aimed to promote awareness raising of our workforce to the types of violence that women can be subjected and the social mechanisms involved, as well as channels for reporting and organizations and institutions that provide support to victims.

In 2017, Petrobras Distribuidora promoted three workshops on human rights and diversity for service providers at its headquarters.

Posters on these themes were also sent to communities close to the units as part of the implementation of the Community Relationship Action Plans. Among the topics covered included the International Day against Homophobia, the International Day for Ending Violence against Women and responsible parenthood.

In addition, we follow national and international forums on the Business and Human Rights issues. In 2017, we can highlight our participation in the human rights due diligence training carried out by the Human Rights Working group of the Brazilian Network of the UN Global Compact.

SUPPLIERS

We have signed the National Pact for Slave Labor Eradication in 2015, and our contracts provide in a standard clause for the non-use of forced labor or any activity analogous to slave labor.

The Social Responsibility Term of our Suppliers Register, which follows clauses set forth in SA 8000, provides that the supplier must respect the right of all employees to form unions or associate with such entities, as well as to bargain collectively, ensuring that there is no reprisal for that. This is a self-declaration renewed annually.

In the Exploration and Production segment, operations are related to exploration, production development, and production of oil and natural gas. Among the main activities carried out by our suppliers, there are services such as construction and chartering of production platforms, manufacture of modules for offshore platforms, and construction of underwater equipment. In this regard, our contracts contain specific clauses of contractual obligation for companies prohibiting child labor, forced or conditions analogous to slavery'. Each production system, both under construction and in operation, is constantly inspected by our teams and in the event of any irregularity being detected, the supplier is immediately notified and must comply with its contractual obligations.

We charter our vessels in the international shipping market. They are used to transport oil and oil products, according to strong regulations by international norms, laws and conventions. One of these regulations, the Maritime Labour Convention (MLC 2006) of the International Labour Organization (ILO), deals with working conditions on board merchant vessels. The vessels we charter are previously evaluated according to the inspection protocol established by the Oil Companies International Marine Forum (OCIMF), which includes the identification of the ship's documentation and compliance with the MLC 2006. Therefore, in the contracts we have sign, which follow an international model, there are provisions for shipowners to comply with the requirements of said international norms, laws, and conventions.

At Petrobras Distribuidora, registered suppliers agree electronically with a Social Responsibility Statement that includes issues related to labor practices and human rights, such as:

- prohibition of child labor and forced labor (conditions analogous to slavery' or in degrading conditions);
- freedom of association and collective bargaining;
- prohibition to discrimination based on gender, race, religion and sexual orientation.

Suppliers also agree to follow our Ethics Code, Conduct Guide, and Social Responsibility Policy.

Petrobras Distribuidora also signed the National Pact for Slave Labor Eradication, and the company does not do business with companies included in the Ministry of Labor and Employment's (MTE) Black List. Therefore, the company periodically monitors this register with the purpose of identifying the existence of commercial relations under its management mainly for the acquisition of biofuels. If the result points to the inclusion of indirect suppliers of inputs, a survey is carried out to identify which direct suppliers are subject to the acquisition of inputs from these indirect suppliers in the supply chain.

If the supplier is included in the register and the company has this business relationship (setting up a direct supplier), the contractual clauses that establish the end of the relationship will be applied.

Petrobras Biocombustível requires suppliers and the acquisition of raw material from family agriculture to submit a declaration of non-use of child labor in all of its contracts.

DISCRIMINATION DENOUNCEMENTS

In 2017, we received, through our Denouncement Channel, 38 registrations of discrimination involving gender, race/color, ethnic origin, sexual orientation, religious identity and nature of employment contract (suppliers' employees), of which nine are still being processed, 26 were evaluated and closed as filed or dismissed, and three were confirmed and treated.

Of the three confirmed cases, the first relates to differential treatment for employees attendance to job according to gender, the second is related to discriminatory practice by a supervisor/agent of a company that provides services on the basis of race, and the latter refers to the discriminatory practice based on regional characteristics committed by a supplier supervisor in relation to subordinates. In response, general guidance was adopted regarding the provisions of our Ethics Code and Conduct Guide that recommend the rejection of any form of prejudice and discrimination and the communication of any cases experienced or witnessed. For the first case, the commitment to respect diversity and to the effective compliance with the rules established in standards was ratified; in the second case, the supervisor representative who practiced the race discriminatory act was requested to be replaced immediately; in the last case, the person denounced was penalized in accordance with supplier's Consequence Management rules.

INDIGENOUS PEOPLE AND TRADITIONAL COMMUNITIES

Our relationship with indigenous and traditional communities follows the current legislation and is formally oriented in internal procedures. In Brazil, we observe the provisions of the National Policy for the Sustainable Development of Traditional Peoples and Communities (Decree 6040/07), the Normative Instructions and the Interministerial Ordinance of each responsible management body, the National Indian Foundation (www.funai.gov.br), the Palmares Cultural Foundation (www.palmares.gov.br) and the National Historical and Artistic Heritage Institute (www.portal.iphan.gov.br).

Within the scope of the Petrobras Socio- Environmental Program, we have several voluntary projects that address in the environment preservation, involving territories of indigenous peoples and conservation units. The Program's current portfolio includes 19 projects that directly benefit more than 20 indigenous or traditional communities in various regions of the country within the Biodiversity and Forests and Climate initiatives. The main activities developed include development of non-timber forest products chains (socio-biodiversity products) such as chestnut, copaiba, guaraná, latex and handicrafts, and the training of indigenous and extractive communities for the sustainable management of their territories, as well as to implement territorial management plans in their areas.



Berço das Águas

PROMOTION OF HUMAN RIGHTS IN SOCIAL AND ENVIRONMENTAL PROJECTS

The Petrobras Socio-Environmental Program promotes human rights by establishing the following priority targets: Women, Black People, People with Disabilities, Traditional People and Communities, Indigenous People, Children, Adolescents, and Young Adults. The program also considers the following transversal themes in the project review and selection process: Gender Equity, Racial Equality and Inclusion of Persons with Disabilities.



For more information on the Petrobras Social-Environmental Program, please see Social Investment.



Ethics and transparency

PETROBRAS CORRUPTION PREVENTION PROGRAM (PCPP)

We have a permanent commitment to ethics, integrity and the fight against fraud, corruption and money laundering, which must guide our daily activities and those who are related to us. In this sense, the PCPP, approved by the Executive Board, establishes mechanisms for prevention, detection and correction of acts that are not consistent with the conduct established and required by us, aimed for our stakeholders.

As one of the elements of PPPC, Integrity Due Diligence (IDD) of counterparties seeks to know and assess the integrity risks inherent in our business relationships. The IDD result is expressed by the Integrity Risk Rating (IRR), which can vary from high, medium, or low. The IRR is taken into account by managers in our decision making process and has been applied within the scope of our relationship with suppliers of goods and services; with customers in the trading of oil products and derivatives; with the institutions with which we have projects of sponsorships and agreements related to the functions of Communication and Social Responsibility; with companies interested in asset disinvestment processes and/or corporate equity, strategic and operational partnerships. In 2017, 5,640 counterparties were evaluated.

Our Corporate Compliance Policy has principles and guidelines that aim to describe and publicize our commitments regarding the promotion of ethical values and transparency in the conduct of our business, with zero tolerance to fraud, corruption and money laundering.

Starting from our value chain, we have listed 1,060 processes to be assessed against risk factors that indicate our degree of exposure to risks of fraud, corruption and money laundering. Based on this analysis, we prioritize processes to carry out compliance assessments that enable the prevention of materialization of these risks.

TRAINING ON ANTI-CORRUPTION POLICIES AND PROCEDURES

In order to raise the workforce awareness, we carry out actions to disseminate guidelines on conduct and reinforce our ethical values through publications and communications in our internal channels. Among these actions, we highlight the development of an internal web page called "Petrobras in Compliance".

We offer e-learning training that address topics from our Ethics Code and our Conduct Guide, with the participation of the executive board and the entire Board of Directors. The online course had more than 59,000 entries in 2017.

In addition to e-learning training for all employees, face-to-face PCPP courses are offered to employees who carry out activities that are more exposed to compliance

risks, such as our employees involved in procurement processes of goods and services and our managers, totaling 218 and 335 employees in 2017, respectively. As to senior management, there were also face-to-face training sessions that included topics such as: relevant act or fact disclosure and negotiation of securities policy, senior management's role in ethics management, conflict of interests and internal controls.

We also promoted other initiatives, such as:

- e-learning training in Introduction to Sarbanes-Oxley Certification, focused at ratifying concepts and information on the process of certification of internal controls, aimed at the management public;
- training on the prevention of Money Laundering and Terrorism Financing (PLDFT), aimed at managers and compliance agents;
- classroom training for the Compliance area employees;
- training on Administrative Accountability Process (AAP) for Compliance Agents;
- international certification of employees carrying out compliance activities.

For the external public, we carried out communication actions publicating videos in the hotsite **daquiprafrente.hotsitespetrobras.com.br**, with the measures adopted for the improvement of our processes.

We also communicate information through our external channels, such as the Investor Relations, Supplier Channel and Petronect Portal websites. Among the actions developed, we highlight the reinforcement of our Presents, Gifts, and Hospitality Policy. In addition, we promoted the discussion over compliance in great circulation media, through publicity materials that we sponsor.

PREVENTION OF CONFLICTS OF INTEREST

The Federal Act 12,813 of 2013 was created to address and clarify issues that guide the conflict of interest in state-owned companies and mixed-capital companies. According to our by-laws, it is a prerequisite to hold a management position that the candidate has no conflicts of interest with our company and fully observes the legal requirements and prohibitions. This is reinforced by our Corporate Governance Guidelines, the Code of Good Practices, by the Ethics Code, the Conduct Guide, the Petrobras Corruption Prevention Program (PCPP), and the Internal Regulations of the Board of Directors.

If any of our Board members change their main occupation after their election, it is recommended that this fact be brought to the board, which will reassess requirements, impediments and possible conflicts. If the

director is a representative of the employees, the latter can not participate in discussions and deliberations on the establishment of the human resources policy involving matters of union relations, remuneration, benefits and advantages, including supplementary pension and assistance matters, in which hypotheses the conflict of interest would be configured.

Our Related Parties Transactions Policy also establishes the principles that guide us in entering into this type of transaction and in situations where there is a potential conflict of interest, in order to ensure the commutativity of operations and the preservation of our interests, in line with the transparency in corporate governance processes and best practices. In addition, as defined in our Ethics Code and the PCPP, we are committed to refuse support and contributions to political parties or political campaigns of candidates for elected office.

We also have our Antitrust Code of Conduct², which provides for our commitment to the strict compliance with Brazilian antitrust or fair-competition laws and with those of foreign jurisdictions in which we conduct business.



For more information on the PCPP, please see the Annual Report.

AUTHORITY DELEGATION

The powers and attributions of the Board of Directors and the Executive Board are described in our By-laws. The Basic Organizational Plan, in turn, defines the competencies of those in charge of organizational units in our general structure, as well as the general attributions of these units in economic, environmental and social topics, among others.

In addition to the powers and attributions provided for in the Bylaws, we have established in the Competence Limits Table the amounts and powers to approve the acts necessary for our management, as well as guidelines and rules for application and use of delegations. It is up to the Internal Audit to monitor the use of these delegations in order to verify compliance with the acts performed.

In addition, we have a shared authorizations model in which significant decisions such as purchases, procurement, and other relevant management acts must be shared by at least two managers with no direct subordination relationship between them.

² Available at <http://www.investidorpetrobras.com.br/en/corporate-governance/governance-instruments/antitrust-code-conduct>



TRANSPARENCY

We have restructured our Transparency Portal in 2017, for a simpler and more accessible navigation. The goal of the Portal is to offer a better service to the citizen through active transparency. More information has been disclosed, including documents mentioned by the in the Brazilian State-Owned Companies Act 13,303/16, the Public Access to Information Act and the Anti-Corruption Act, such as internal audit reports, executive board agenda and accountability processes of legal entities, among others. In addition, guidelines established by other regulations on transparency, have been included, especially those provided by government regulators. A specific section was created about the Ombudsman's Office, including links that facilitate the register of demands. We also carried out communication actions with the areas that register bids, contracts and additives about the importance of filling up data correctly, improving the compliance with the LAI and the Inter-Ministerial Ordinance no. 140/2006.

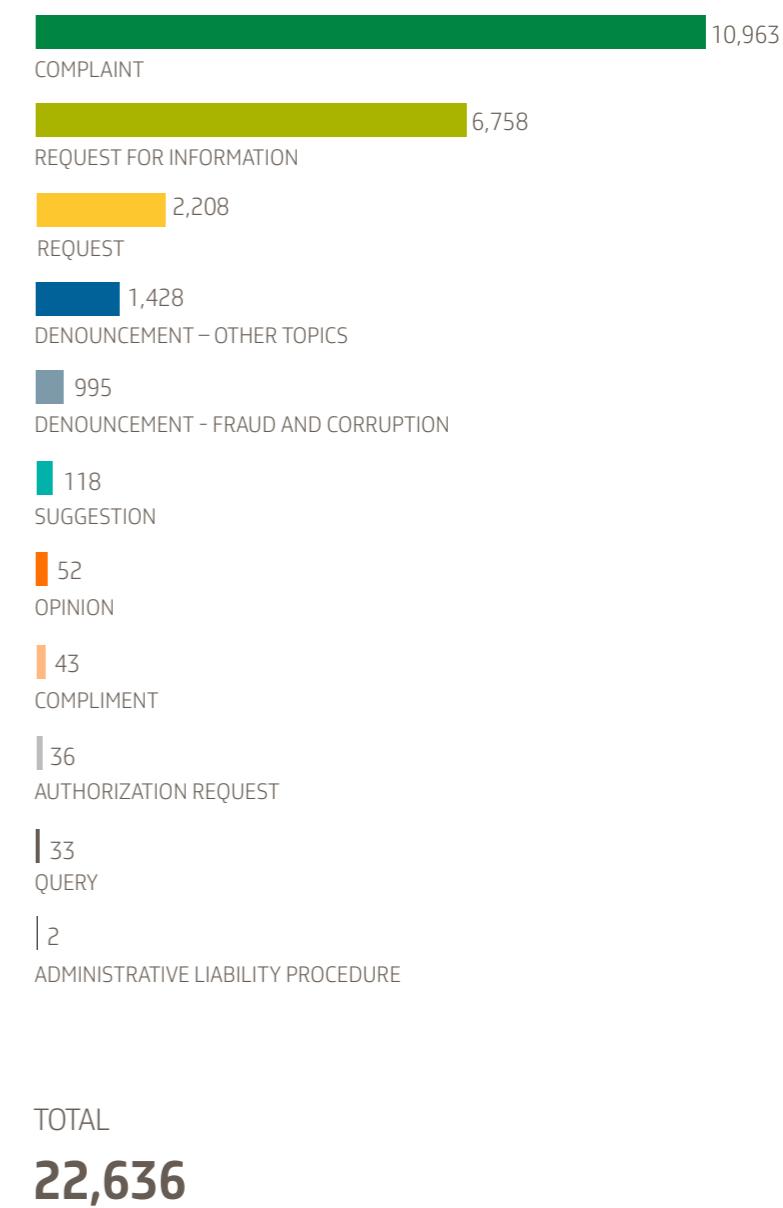
Through the Ombudsman's Office, we provide every information requested, abiding by the LAI, using the Citizen Information Service, and in denunciations, complaints, requests, compliments and suggestions, as well as demands related to the health benefit offered to employees and their dependents and issues within the scope of Act 12,813/2013 (Conflict of interests Act). For the latter, the Ministry of Transparency, Inspection and General Controller Office of the Federal Government (CGU) provides

the Electronic System for the Prevention of Conflicts of Interests, where our employees can consult and request authorization to exercise private activity, thus avoiding situations generated by conflict between public and private interests that may jeopardize the collective interest or improperly influence the performance of the public function.

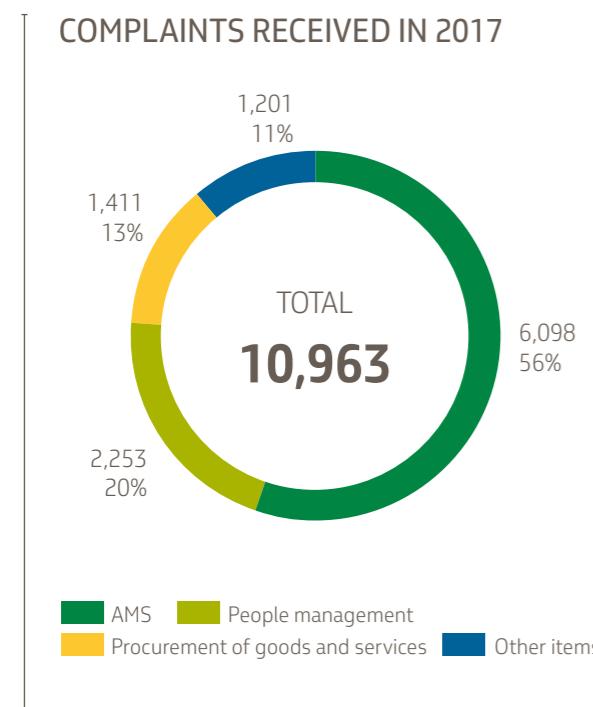
We also make means of contact available to our public, such as telephone, electronic forms, personal assistance and Denouncement Channel, for the register of reports, respecting the confidentiality of the denouncers whenever necessary. Our Denouncement Channel is managed by an external, independent, and specialized company. Available 24 hours a day in three languages (Portuguese, English and Spanish) and in all countries where we operate, the channel centralizes the denouncements received, including those related to discrimination, harassment, and human rights violations.

The Ombudsman's Office is also the direct channel between our several stakeholders and senior management. On a quarterly basis, the General Ombudsman's Office gives, to the Executive Board and to the Board of Directors, a presentation, which, among other issues, delivers an assessment of the fraud and corruption denunciations considered most critical, high e very high risk, and the degree of risk is assessed quantitatively according to a matrix that includes aspects such as materiality and risk to the company image, among others. The total number of these denouncements in 2017 was 80, including all companies of the Petrobras System.

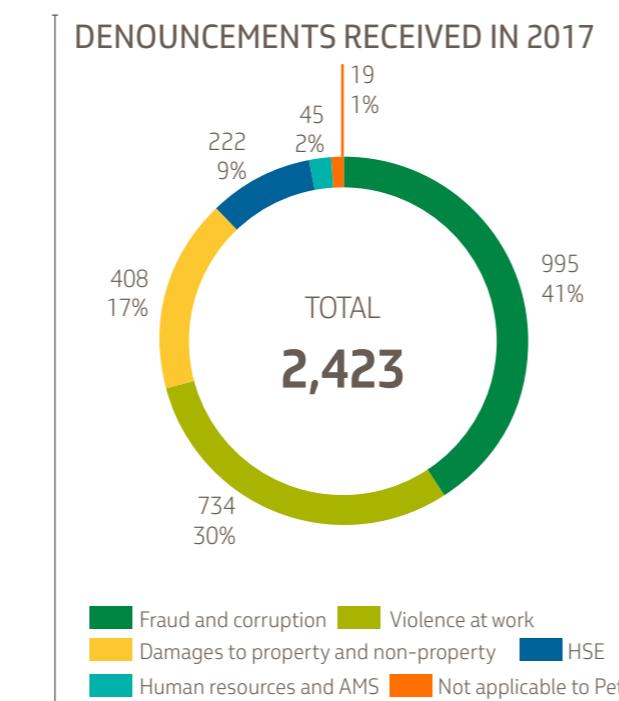
TOTAL DEMANDS RECEIVED IN 2017



Regarding complaint related to Multidisciplinary Health Care (AMS) offered to our employees, the majority was on the Pharmacy Benefit (drug reimbursement) and the beneficiary registration. With reference to the complaints about people management, most were related to remuneration and benefits. Regarding complaints about the procurement of goods and services, the majority was concerning to the relationship of between companies contracted and the workforce.

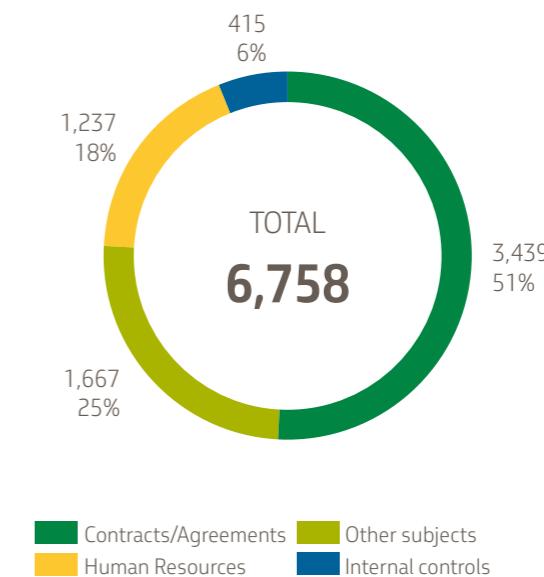


With regard to denunciations of fraud and corruption, most of them were about personal advantage. Regarding violence at work, most of them were offences. With reference to property and non property damage, the majority was related to property security; and on human resources and AMS, the majority referred to function deviation.



Regarding the requests for information received about contracts and agreements, the majority was related to access to contracts or agreements signed by the company. Regarding human resources, the majority was related to jobs and internships. As to Internal Controls, the majority was related to the access control in the units.

INFORMATION REQUESTS RECEIVED IN 2017



Among the 6,758 requests for information received in 2017, 6,620 had been closed by the end of the year. Of these, 5,406 were closed in up to 20 days, while another 786 were closed between 21 and 30 days.

Petrobras Distribuidora and Transpetro also have their Ombudsman's Office, linked to their Board of Directors. They receive internal and external demands, with the purpose of acting as communication channels between the senior management and the several stakeholders, allowing these publics to seek the solution of problems in the relationship with our subsidiaries, by registering complaints, denunciations and suggestions.

CAR WASH OPERATION

The investigation called Car Wash Operation, conducted by the Brazilian Federal Police, is aimed at investigating the practice of money laundering in several Brazilian states and focused part of its attention, as of 2014, on irregularities involving suppliers responsible for the provision of goods and services, revealing the existence of a scheme of undue payments to political parties, political agents, and others, including some of our former executives.

During 2017, we monitored and collaborate with the work developed by the relevant authorities to elucidate the facts and keep our stakeholders informed through our relationship channels. The internal investigation carried out by two independent offices is still under way, and is follow by a Special Committee with a direct reporting line to the Board of Directors.

We submit to the relevant authorities the investigation results of non-conformities made by internal committees. We emphasize that in all criminal proceedings and administrative improprieties in which our former employees are defendants for acts related to corruption, we have been officially recognized as victims of irregularities and, for this reason, we act as prosecution assistant (in criminal proceedings) or co-author (in actions of administrative misconduct).

We have taken the necessary measures to recover damages suffered due to these acts, including those related to our corporate image. Therefore, since the beginning of the Car Wash Operation, the amount of BRL 1,475,586,737.78 has been returned to our cash account as compensation for damages.



For more information on the Car Wash Operation,
please see the Annual Report.

In 2017, there are 51 criminal lawsuits on corruption and/or money laundering without res judicata. It is also worth noting that two criminal actions have already become final. Thus, since the beginning of the Car Wash Operation, we have been monitoring 53 criminal actions on corruption and/or money laundering.

We applied disciplinary measures to employees of different hierarchical levels, totalling 20 contract terminations, 95 suspensions and 183 written warnings. The cases refer to misconducts such as non-compliance with our norms, negligence in the performance of duties, insubordination, among others.

In November 2016, we implemented the necessary procedures for our Administrative Accountability Procedures (PAR). The PAR is intended to establish liability of legal entities that perform acts harmful to us, provided for in the Anti-Corruption Law, No. 12.846 / 13, regulated by Decree No. 8420 / 15. The allegations that may lead to the opening of PAR are identified through communication to our Denouncement Channel, to our Ombudsman's Office or to the Compliance area.

If the liability of the legal entity for the unlawful act is confirmed, after the conclusion of the administrative procedures, including the opportunity of self-defense, the Law provides for the imposition of fines of 0.1% to 20.0% of gross sales of the last year prior to the opening of the PAR and the extraordinary publication of the administrative sanctioning decision.

In 2017, two Administrative Accountability Procedures were concluded with the amount of fines applied totalling BRL 3.7 million. The penalties applied are published in the Official Gazette (DOU), registered with the National Register of Penalized Companies (CNEP), in the MTF-CGU Portal and in the page of our Transparency Portal.

COMPLIANCE WITH LAWS AND REGULATIONS

We conduct our activities in compliance with the laws and regulations in force in the countries in which we operate, in addition to complying with our own internal rules, standards and procedures based on best market practices. Several compliance mechanisms exist to reinforce this commitment. In spite of this, in 2017 we received 107 infraction notices from the National Petroleum, Natural Gas and Biofuels Agency (ANP) and paid about BRL 86 million.

We were sentenced for anticompetitive conduct by the Administrative Council for Economic Defense (Cade) for the supply of natural gas under conditions deemed discriminatory to the Gemini Consortium in the amount of approximately BRL 15 million.

We have identified that, in the year 2017, we received 19 infraction notices of an environmental nature, in the total amount of about BRL 113 million³. Of these, the most significant corresponds to the tax assessment amounting BRL 22.5 million due to pollution from the discharge of Biological and chemical solid wastes to sea from the hull scraping of the vessel Pedreiras, operated by Transpetro. We present defense to the Ibama and we are waiting for a reply. As the proceeding is in progress, there was no payment of fine.

Petrobras Distribuidora received a fine in the municipality of Dourados (MS) due to non-conformities of environmental nature, in the amount of BRL 5.2 million.

At Liquigás, in 2017, a promotion and incentive agency did not comply with a contractual clause, which led to termination of the contract and collection of a fine by our subsidiary of approximately BRL 3 million.

There were fines in the amount of BRL 65 million resulting from the signing of two Conduct Adjustment Documents (TCC) signed by Liquigás with Cade in proceedings investigating the practice of anticompetitive conduct in the Northeast of the country and in the Federal District and its surroundings.

³ Environmental taxes of more than BRL 1 million were considered significant. The value of 19 infraction notices received by Petrobras holding company was based on the legal knowledge information and related to contentious proceedings. The amount reported refers to fines received in 2017 and all the respective lawsuits are in progress.





ENVIRONMENT

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Atmospheric Emissions and Air Quality

We are aware of the importance of air quality to society, affected by both industrial activity and transportation. We continually invest in emissions performance from our operations and product quality.

We have sophisticated internal laboratories for engine and product testing, and we conduct research on air quality and atmospheric emissions control in partnership with leading universities in the country.

Our air quality and meteorological parameters monitoring network has 44 data acquisition stations, installed in nine Brazilian states, allowing us to know and manage the impact of our activities, as well as contributing with information to the public management of air quality .

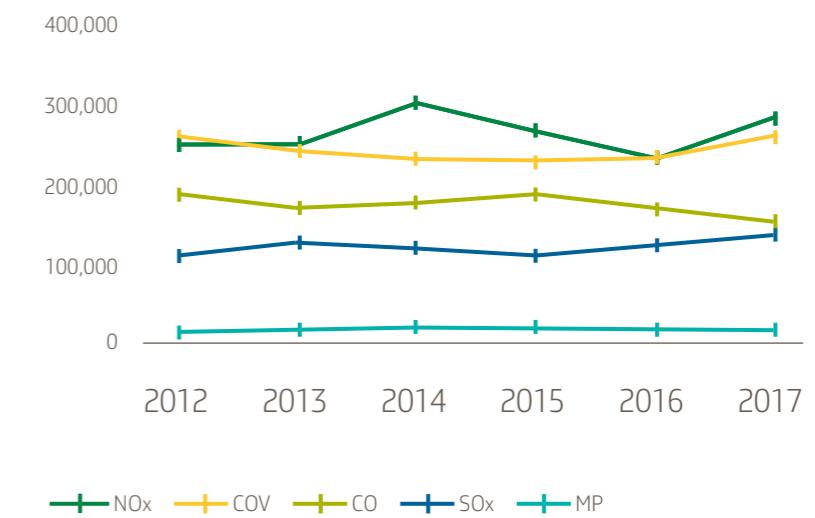
Air quality information is considered in our decision-making process, both in the assessment of risks and investment decisions. All our investments are evaluated in relation to their impacts on the atmosphere, from the initial design stage of the project.

Since 2002, we have carried out the monthly analysis of our emissions through a consolidated system and the SIGEA® (Atmospheric Emissions Management System). We have detailed information, from source to source, comprising more than 17,000 sources of 67 typologies, for sulfur oxides (SOx), nitrogen oxides (NOx), particulate matter (PM), volatile organic compounds (VOCs) and carbon monoxide (CO).

In addition to tracking emissions from our operations, we also track the performance of our products. We have invested in improving the quality of fuels, producing both gasoline and low-sulfur diesel, which has led to a progressive reduction of vehicular emissions of SOx and PM, contributing to the improvement of air quality in cities.

The behavior of our emissions is the result of three factors: the expansion of our activities in the last decade, the improvement of product quality (which increases the complexity of our facilities and our energy consumption) and the relevant investment in emissions reduction projects.

HISTORY OF REGULATED POLLUTANT EMISSIONS IN THE LAST 5 YEARS (METRIC TONS)



It is noted that despite our expansion vector, with increased production curve and a new refinery, and the increased complexity required in our industrial activities to improve fuel quality, emissions of particulate matter, sulfur oxides, carbon monoxide, and volatile organic compounds have undergone fluctuations without a tendency to increase. With respect to nitrogen oxides, a significant effect of the largest thermoelectric dispatch is observed in 2014, 2015 and 2017, when water shortages affected hydroelectric generation in the country.



Considering the relevance of unused oil in the oil and gas sector, we continually monitor the volume of natural gas burned in flare and dissipated into the atmosphere.

HYDROCARBONS NOT USED (MILLIONS OF CUBIC METERS)

DESTINATION	2015	2016	2017
Burned in flare	2,894	2,998	2,922
Dissipated in the atmosphere	72.0	60.3	49.34

a) We consider the volume records of flared gas for exploration and production activities; refining; fertilizer production; gas treatment and transportation.

b) We consider records of gas released directly into the atmosphere through venting and de-pressure events.

In the period from 2016 to 2017, there is a reduction in the total volume of unused hydrocarbons, which is related to our actions aimed at reducing flaring and other operating efficiency measures, despite the increase in production in the period.

We monitor the use of ozone-depleting substances (ODS) at our facilities to comply with Brazilian legislation, which provides for their elimination, after gradual reduction. Such emissions are mainly due to the air conditioning activity and systems, without emissions from our production processes.



For information on our performance in greenhouse gases and climate change management, see *Transition to a Low-Carbon Economy*.



Sowing Sustainability

Biodiversity

The spatial distribution and diversity of our operations often make a frequent interface with protected and sensitive areas. The identification of these areas is a step in the prevention and mitigation of risks and associated impacts. Our management of risks and impacts to biodiversity follows guidelines established in codes and standards, in addition to environmental documents management instruments (Cadam), with 6,384 records, the GeoPortal, which enables the integration of geographic databases into a single visualization platform, and our Annual Biodiversity Report, which consolidates the management measures and other initiatives related to biodiversity or interface with the theme, being an important subsidy in the critical evaluation and improvement of our strategies.

TYPE OF PROTECTED AREA

	EXTERNAL AREA	INTERNAL AREA	GRAND TOTAL
Permanent Preservation Areas (APP)	53	423	476
Natural Cavity ¹	2	5	7
Legal Reserve	1	4	5
Archaeological Site	109	56	165
Indigenous Territories	5	2	7
Quilombola Territories	3	6	9
Conservation Units	228	92	320
TOTAL	401	588	989

¹ Underground natural cavity is any and all underground space accessible by humans, with or without identified aperture, popularly known as cave, grotto, abyss, or hole, including its environment, mineral and water content, fauna and the flora found there and the rocky body where they are inserted, provided they have been formed by natural processes, regardless of their size or type of parental rock.

In 2017, we had 20 events with confirmed or probable impact on fauna, flora or habitat, such as suppression of vegetation, erosion and accidental death of animals in units. These events are subject to mitigation and environmental impact or recovery measures, such as recovery and reintroduction of protected species and revegetation, treatment and recovery of degraded areas, adaptation of facilities and other measures. Regarding causes, 65% of these events were caused by routine operations, followed by 25% non classified and 10% generated by accidental causes.

In 2017, we developed corporate guidelines for fauna management (rescue, rehabilitation, release) in our operational units to prevent and mitigate risks

and impacts to wildlife, human health, workforce and operational safety, associated with fauna interactions, considering the well being of animals to achieve these objectives. In addition, we have already taken important actions on the subject, including the Pro-fauna program, whose objective is to guarantee the adequate treatment to occurrences of fauna at the facilities of the Monteiro Lobato Gas Treatment Unit (UTGCA), Caraguatatuba (SP). The program includes actions of mild scaring, capture and relocation of healthy animals, rescue and rehabilitation of animals in abnormal condition, registration, necropsy and scientific use of dead animals.

In 2017, more than 500 fauna occurrences were recorded, among them endangered species or with poor ecological

data, or even from the top of the food chain, evidencing optimal quality of the environments in the area of the enterprise. Due to the positive results, the program was a reference for operational facilities such as the Urucu Base (AM) and the Henrique Lage Refinery (Revap - SP), with potential for application in our other assets.

We identified and evaluated impacts in order to subsidize the definition of preventive, mitigating and compensatory measures in the phases of installation, operation and deactivation of our projects.

Through the Petrobras Socio-Environmental Program, we sponsored voluntary initiatives spread across several Brazilian biomes.

One example is the Semeando Sustentabilidade (Sowing Sustainability) project that, with the objective of promoting conservation and recovery actions in degraded areas, worked in the municipalities of Itapuã do Oeste, Cujubim, and Rio Crespo, in Rondônia, producing 320 thousand seedlings of forest and fruit species for reforestation of degraded areas based on experimental models of Agroforestry Systems. Throughout the year, the Cadastro Ambiental Rural-CAR (Rural Environmental Registry) of 270 properties was made possible, 51 hectares were recovered and 69 other hectares recovered in previous periods. As a result, ecological corridors have been established and studies have been carried out about the quantification of carbon stock in living plant biomass above and below of the ground, demonstrating the contribution of environmental project actions to carbon sequestration and avoided emissions of greenhouse gases.

For more information on the Petrobras Social-Environmental Program, please see Social Investment.



Semeando Sustentabilidade



According to project's life cycle stage, the types of operations, the environmental factors, the legal requirements, the environmental agencies requirements (in the case of licensing constraints), among other factors, we have developed several studies and projects with the objective of assessing risks to biodiversity and establishing action plans. In 2017, reports involved 208 initiatives developed by 47 units, involving characterization and environmental monitoring, recovery of degraded areas, mapping of protected areas, fauna management, among others.

We carry out environmental programs in Santos Basin in order to characterize, monitor, mitigate, respond to compensate for eventual impacts of our activities. Some examples are the Fishery Compensation Plan (PCAP), the Wildlife Protection Plan (PPAF), the Platform Birds Management Plan (PMAVE), the Santos Basin Regional Characterization Project (PCR-BS) , the Beach Monitoring Project (PMP), the Cetacean Monitoring Project (PMC), among others.

In 2015, we signed a contract with the University of the Vale do Itajaí (Univali) for the monitoring of beaches and veterinary services of birds, turtles and marine mammals in the states of Santa Catarina, Paraná, and São Paulo. This action is part of the Santos Basin Beach Monitoring Project (PMP-BS). The scope of this contract includes the installation of stabilization units and rehabilitation and de-oiling centers for marine animals. The 30-month project aims to evaluate the interference of oil and natural gas production and flow activities in the Santos Basin pre-salt pole on birds, turtles and marine mammals, in addition to monitoring the beaches between Laguna (SC)

and Saquarema (RJ), also providing veterinary service for animals found.

In 2017, three new marine stabilization units were inaugurated at the PMP-BS in Santa Catarina, in the cities of Penha, São Francisco do Sul, and Laguna. The stabilization unit is structured for veterinary care of live and dead animals collected on monitored beaches. In addition to these, it is planned to install a rehabilitation and de-oiling center in Florianópolis (SC). In Paraná, there are plans to build a rehabilitation center and, in São Paulo, three rehabilitation centers, a stabilization unit and a support base.

The SIX's 40-year Mining Areas Recovery Program has been responsible for re-creating, in São Mateus do Sul, Paraná, more than 850 ha of forests with species under threat of extinction such as araucaria, imbuia, espinheira- santa, Brazilian oak, and sassafrás, all of these in areas already used in the process of shale industrialization. In this program, more than 5,000 seedlings were catalogued in remnants of the old araucaria forest and seeds are grown in a nursery of SIX, where 120,000 seedlings per year are produced.

In the Potiguar Basin, we have the fauna Protection Action Plan for events of oil spills during drilling activities in Blocks BM-POT-16 and BM-POT-17. At the Presidente Bernardes Refinery, in Cubatão, we conducted a survey and monitoring of wildlife groups located in the Atlantic Forest (avifauna, herpetofauna, mastofauna and ichthyofauna) and at the Alberto Pasqualini Refinery in Canoas, we implemented a shrub-tree planting program in the refinery area, aiming at recovering the native vegetation in an area planted with eucalyptus trees.

We have also invested in research projects and development of technological solutions and methodologies that promote the improvement of environmental management and mitigation of the impacts of our operations. Ongoing projects include environmental characterization, mitigation or reduction of effects on ecosystems and biodiversity, and recovery of degraded and impacted environments through reforestation projects, recovery of native species and others. We can highlight the Environmental Characterization Projects of the Santos Basin, Potiguar Basin, and Sergipe Basin, aiming at raising, systematizing and providing existing and qualified environmental information for the region. We also emphasize the Onshore Environmental Recovery Projects, whose objective is to evaluate and make available technologies for the recovery of degraded areas of low cost and high efficiency for the three main biomes of the Exploration and Production area.

The Amazonia Exploration and Production Operating Unit (UO-AM) and the Sergipe Alagoas Exploration and Production Operating Unit (UO-SEAL) have been using "drones", technically known as the Remotely Piloted Aircraft System - RPAs, for mapping and several other activities, such as inspection and monitoring of pipelines and systems and production areas, monitoring areas of protection and environmental recovery, monitoring environmental incidents, monitoring cargo transportation and passengers, planning and monitoring operational activities, among others.

The Cenpes has used RPAs to monitor the recovery of the vegetation cover of a shrub area and its surroundings, located in a sandy stretch of Cacimbas Beach, in the

municipality of Linhares (ES). Those are important data that would only be obtained through a phytosociological survey.

In view of the gaps in scientific knowledge about marine bioinvasion, we encourage the conduction of research on the subject, particularly on sun coral, an organism considered invasive in Brazil. Along these lines, Cenpes develops a research and development project that contemplates the following lines of research:

- Bioinvasion by Bioincorporation Management and Control (GEBIO): Cooperation Document (TC), signed in 2013, with the Almirante Paulo Moreira Sea Studies Institute of the Brazilian Navy. The objectives of this cooperation are:
 - . Establishment of Database on Encrusting Species of the Brazilian Coast;
 - . Establishment of scientific collection of encrusting species;
 - . Monitoring of invasive species in Arraial do Cabo;
 - . Development of bioinvasion risk analysis methodology;
 - . Evaluation of reports and documents in the encrusting species field; and
 - . Dissemination of knowledge and training.
- Evaluation of the Occurrence of sun coral in Guanabara Bay and Adjacent Areas: this project, carried out in 2016, evaluated consolidated substrates of the Guanabara Bay for the presence or absence of sun coral. No presence of colonies and polyps of *Tubastraea* spp was identified in locations surveyed in the Guanabara Bay and adjacent areas.
- Cooperation Agreement with the USP Oceanographic Institute (IO-USP) (2016-2020): the main research lines of this project are:
 - . Development of systems to monitor sun coral and larval dispersal, through image identification;

- . Control of biofouling in artificial substrates (hulls) by acoustic treatment;
- . Mapping of the presence and density of sun coral larvae in the Todos os Santos Bay; and
- . On-site experiments of the effects of manual removal of colonies on sun coral dispersal.

We also adopted several measures of risk management of marine bioinvasion by biofouling in its operational practices, among which we highlight:

- application of antifouling systems to Stationary Production Units (UEPs): all UEPs under construction in Brazil and in other countries apply antifouling paint to the hulls and niche areas before leaving the dry dock to minimize biofouling in the period in which the hull is submerged until the completion of the work. This is an unprecedented measure worldwide.
- alignment with International Maritime Organization (IMO) Resolution MEPC.207 (62) "Guidelines for the Control and Management of Biofouling of Ships to Minimize the Introduction of Invasive Alien Species": 56% of our oil tankers fleet already meet the IMO guidelines and the rest is in implementation phase.
- requirement to clean new hulls of platforms coming from abroad in the regions of origin.



We support the Ministry of Mines and Energy (MME) in the IMO discussions on the subject and we integrate the sun coral Working Group created within the Sea Resources Sector Plan Subcommittee (PSRM) to provide subsidies for the elaboration process Control Plan and monitoring of the bioinvasion of sun coral, now under way within the Ministry of the Environment.

Based on the national and international lists of threatened species, several species were identified in the areas of influence of our activities.

NUMBER OF ENDANGERED SPECIES - NATIONAL LIST

Vulnerable	148
Endangered	59
Critically endangered	33

NUMBER OF ENDANGERED SPECIES - INTERNATIONAL LIST (IUCN)

Vulnerable	125
Endangered	50
Critically endangered	18

Humpback Whale Project



Water Resources Management

Availability of water in sufficient quantity and quality is essential for our operations. We directly use water in our facilities for steam generation, cooling systems, oil production, gas treatment, byproducts processing, human consumption, among other uses. Hence, almost all our activities generate wastewater (industrial, sanitary, produced water and others). Therefore, we understand that discussions involving water resources and wastewater are relevant and strategic for our business sustainability.

Our water resources management has as its basic principle the constant search for water use rationalization, which allows us to guarantee the necessary supply to our activities and to contribute to its conservation in our facilities' influence areas. Thus, we seek the adoption of less water-intensive technologies, the minimization of its use in operations and processes, reuse and identification of alternative supply sources, always considering local

water availability and technical-economic feasibility of the actions. In relation to the generated wastewater, we seek the minimization of discharged polluting substances, the segregation, treatment and proper destination of the streams, observing discharge standards and the capacity of the receiving bodies to assimilate wastewater.

We use several tools for water resources and wastewater management, and the results of projects and actions are monitored by senior management. We have developed Process Standards and specific Technical Standards related to these topics, which establish requirements that must be observed and deployed across all of our business areas.

Regarding information systematization, we have a corporate database, called Data Hidro (Corporate System on Water Resources and Wastewater), in which information on volumes of water used, withdrawal sources, potentially polluting loads discharged, industrial and sanitary wastewater volumes, costs involved (among others which are necessary for the management of the themes) is recorded, consulted and processed. Through this system, we annually elaborate our water resources and wastewater inventory, which in 2017 included 455 water user and wastewater generator facilities (466 in 2016).

We evaluate our performance through the calculation, monitoring, and monthly critical analyses of corporate indicators (Fresh Water Withdrawal Volume - ADC, Discharged Wastewater Volume - EHD, Reused Water Volume - VAR, and Oils and Greases Mass on Wastewater - OG).

In 2017, we invested in the development of a specific module for Data Hidro that allows periodic critical analysis of our discharged wastewater streams' behavior. We also carried out projections of fresh water volumes to be collected over the next four years, according to our Business Plan. This information will be used as basis for critical analysis and continuous improvement of our processes performance.



ACCESS TO WATER AND IDENTIFICATION OF RISKS

Ensuring access to the necessary water supply for the continuity of our activities is one of the priorities of our water resources management. We use an important tool to evaluate our facilities exposure to scarcity risks: the Water Scarcity Risk Index (IREH), developed in partnership with the Federal University of Rio de Janeiro (UFRJ). The index allows the identification and prioritization of locations and operational units for the development of detailed water availability studies and for the implementation of risk mitigation or management measures. The methodology takes into account not only the susceptibility of the installations to the physical scarcity of the water resource, but also river basins vulnerabilities and resilience actions developed in the facilities.

Between 2015 and 2016, we applied the index to a set of 44 operating units that account for about 90% of total fresh water collected by our operations in Brazil, what allowed the classification of these facilities into five risk magnitude ranges. Evaluating these results together with each unit's financial importance, we selected and prioritized the facilities to develop actions aimed at water security.

In 2017, we established and started to implement a corporate action plan for water risks mitigation and monitoring, consisting of 40 actions involving our units participation in water resources forums, such as Basin Committees, availability studies for local water resources assessment, studies about opportunities for rationalizing water use, technological research and development (R&D) on optimizing water use, among other actions.

ENGAGEMENT

We are aligned to global and local initiatives regarding sustainable water use. For example, we were the first Brazilian company to become associate member of the World Water Council (WWC), a global network which mission is to promote awareness, build political commitments and provoke actions on critical water issues for facilitating conservation, development, planning, management and efficient use of the resource.

In order to follow-up the discussions and proposals for changes in legal requirements and to identify possible improvements in water use management, we also integrate the Water Resources Network of the National Industry Confederation (CNI) and participate in the Brazilian Business Council for Sustainable Development (CEBDS).

In the local scale, in order to collaborate with participatory management of the river basins where our facilities are located, we participate in several forums, as the river basin committees. Also as initiatives adopted at the local level, we sponsor socio-environmental projects with river basin conservation and preservation objectives. One of them, the Semeando Água project, aims to reverse degradation processes of the water bodies in the Cantareira System region, by changes in land use and occupation. The strategy is based on the implantation of conservationist practices in the productive processes, on native forest recovery and on environmental education actions.

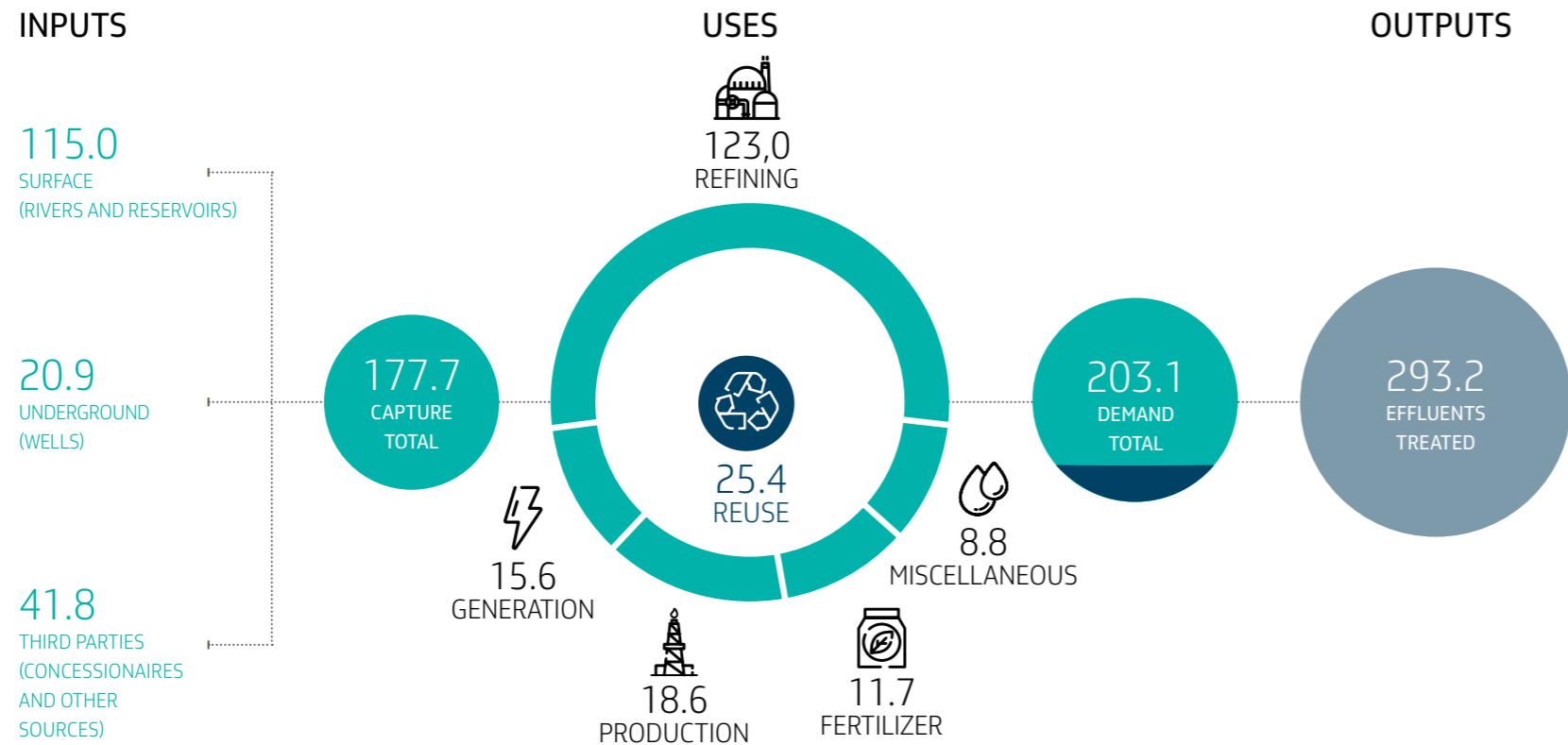


TECHNOLOGY

We invested approximately BRL 14 million in research and development projects related to water resources and wastewater management, in partnership with companies, research institutions and eight Brazilian universities. The research lines aimed at guaranteeing the necessary water supply for our units' operations, as well as optimizing the resource use, improving, for example, cooling systems management and control with online analysis capabilities. In addition, we have advanced in researches about water desalination for industrial use, in improving the efficiency of our wastewater treatment processes and in a project to develop a decision support system to optimize water resources management in climate change scenarios.

During 2017, we collected 177.7 million m³ of fresh water and 2,928.5 million m³ of brackish and saline water for our operational and administrative activities.

Water balance (MILLIONS OF M³)



a) Values presented were obtained through the consolidation of direct measurements in the units (2017 Water Resources and Wastewater Inventory).

b) Volume of disposed wastewater presented in the balance refers to industrial wastewater and produced water associated with extracted oil.

c) Rainwater volumes are included in "Third-parties (Municipal water supplies or other water utilities)" category, accounting for 0.05 million m³.

d) Fresh water volumes received from other units of Petrobras holding or subsidiaries are accounted for in "Third-Parties (Municipal water supplies or other water utilities)" category, according to the defined calculation methodology.

e) Among our operations, the ones with the highest fresh water withdrawal were: refining (69%), energy generation (9%) and oil and gas production (10%).

f) Volumes accounted for reuse do not include condensate recovered in thermal cycles, recirculated cooling water and produced water reinjected for secondary and tertiary oil recovery purposes.

g) Open-circuit cooling fresh water inputs and outputs are not included. In 2017, we used 30.9 million m³ of fresh water for this purpose.



Regarding fresh water, we used 175 sources, of which 158 are located in Brazil (accounting for about 97% of total fresh water collected volume) and 17 in the other countries where we operate. In Brazil, the maximum limits for fresh water withdrawal from the environment are established by public bodies that are responsible for water resources management, considering hydrological criteria and the multiple human and ecological uses of water within a river basin.

We continuously invest in assessing our activities impacts, observing protected areas and identifying sensitive areas located in our units' influence regions. We have not identified significant impacts in the water sources where we withdraw.

A significant part of our investments in rationalizing water use has been directed towards reuse projects development. Among the benefits, we have achieved a reduction in our global need for "new water" withdrawal. In 2017, total reuse volume was 25.4 million m³, which corresponds to 12.5% of our total fresh water demand. This reused volume would be enough to supply, for example, a city of approximately 615,000 inhabitants for a year.

From these reuse actions, we estimate an annual saving of approximately BRL 24.2 million in the costs of water withdrawal and wastewater disposal.

TOTAL REUSED WATER VOLUME

	2015	2016	2017
Reused water (millions of m ³)	23.6	24.8	25.4
Reuse in relation to total fresh water used (%)	10	11.5	12.5

a) Data source used for the calculations was the 2017 Water Resources and Wastewater Inventory.

b) Refining activity accounts for approximately 98.5% of total reused water volume.

Reuse actions implemented in our refineries involve changes in operation procedures and investment projects, aiming at a higher water recovery, in addition to measures that provide higher efficiency in water and steam use in operations. The "Potiguar Clara Camarão" Refinery (RPCC), for example, inaugurated a treatment plant for produced water (water associated with oil production from nearby production wells) in 2017, with daily treatment capacity of up to 1,600 m³ of this stream. The treatment is able to adapt this water characteristics, allowing its industrial reuse and reducing by 90% the need to withdraw new water from artesian wells for industrial purposes.

In 2017, with five years of operation, the Water Treatment and Reuse Station (ETRA) of the Cenpes Complex, our Research Center, reached the mark of one billion liters of reuse water that is used at the cooling towers of its utilities system. The ETRA brings together cutting-edge technologies such as membrane bioreactors and reverse osmosis systems, highlighting the Cenpes Complex as an eco-efficient construction.

Wastewater volume discharged to the environment due to our operations was 293.2 million m³, including industrial wastewater and produced water from the oil extraction process. This total volume of effluents contained: 1.9 thousand metric tons of oils and greases; 5.4 thousand metric tons of chemical oxygen demand (COD) and 1.7 thousand metric tons of ammonia. Discharged wastewater is previously treated to meet the discharge quality standards according to the environmental legislation.

We constantly adjust our operational processes management and control for continuous improvement of discharged wastewater quality. As an example, we can mention that, in the next two years, investments and new technologies development for produced water treatment are planned.

In order to assimilate our wastewater, we used 52 surface water bodies, 13 underground disposal points and 21 municipal supply/treatment utilities or third-party companies.

TOTAL WASTEWATER DISCHARGE OF PETROBRAS SYSTEM, BY DESTINATION

DESTINATION	2015	2016	2017
SURFACE WATER BODIES			
Discharged volume (millions of m ³)	270.7	274.8	285.1
Discharged volume (%)	97.7	97.5	97.3
UNDERGROUND WATER BODIES			
Discharged volume (millions of m ³)	3.2	1.1	0.4
Discharged volume (%)	1.15	0.4	0.1
MUNICIPAL SUPPLY/TREATMENT UTILITIES OR THIRD-PARTY COMPANIES			
Discharged volume (millions of m ³)	3.2	5.8	7.7
Discharged volume (%)	1.15	2.1	2.6
TOTAL			
Discharged volume (millions of m ³)	277.1	281.8	293.2
Discharged volume (%)	100	100	100

a) Data source used for the calculations was the 2017 Water Resources and Wastewater Inventory.

b) In 2017, the consolidation of discharged wastewater volumes does not include sanitary wastewater, which in the year accounted for 3.82 million m³.





Waste management

The processes of exploration, production, transportation, oil refining, natural gas, biofuel production, besides the generation of energy, creates residues that make up part of the negative impacts to the environment. We manage solid waste in order to minimize such impacts, contributing to the sustainability of our businesses in all the countries in which we operate.

We register actions implemented in different phases of waste management and several processes to reduce the generation of waste at source are adopted in the operational units. After selective collection, the wastes are segregated into Hazardous Solid Waste (RSP) and Non-Hazardous Solid Waste (RSNP), taking into account both the provisions of the Act No. 12305 and the NBR 10004. The RSP and RSNP performance and evolution results are monitored on a monthly basis by the operational units and in a corporate manner. In order to do so, our units use computerized online systems and offer training in the subject for the workforce, in the face-to-face and distance modalities.

In 2017, we confirmed the downward trend in the (Hazardous Solid Waste Generation Warning Limit). Thus, although we are in a scenario of a sharp increase in oil production, compared to previous years, there has been a reduction of approximately 14% in the generation of hazardous solid waste from the processes (132 thousand metric tons, in 2016 and 113 thousand metric tons in 2017). Likewise, the non-hazardous solid waste from processes was reduced, reaching 153 thousand metric tons regardless of

classification. The masses of waste are determined by weighing or estimated considering technical and engineering criteria, by us or by companies contracted for waste management.

The collected solid wastes are sent to recycling, treatment or final disposal actions, considering as premises to avoid damages to the environment by the inappropriate destination. We allocate 114 thousand metric tons of hazardous solid waste from industrial processes, which is more than the 2017 generation.

DESTINATION OF PETROBRAS SYSTEM SOLID WASTE (%)

DESTINATION	SOLID WASTE HAZARDOUS	SOLID WASTE NN-HAZARDOUS
Reuse as fuel	31	5
Recovery, recycling, and reuse (except for the former)	47	36
Biological treatment	2	14
Incineration	2	3
Disposal to landfill	10	37
Miscellaneous ¹	8	5
TOTAL	100	100

¹Waste returned to suppliers subject to unconventional disposal technologies or to more than one type of treatment.

**47 THOUSAND**METRIC TONS
of exploration and production**56 THOUSAND**METRIC TONS
of refining**8 THOUSAND**METRIC TONS
of storage and
transport**3 THOUSAND**METRIC TONS
of sales**0.3 THOUSAND**METRIC TONS
of service and technology**114 MIL**METRIC TONS
of process hazardous
solid waste**DESTINATION OF HAZARDOUS PROCESSE SOLID WASTE****78%**RECYCLING,
RECOVERY, AND
REUSE**20%**OTHER
TREATMENTS**2%**BIOLOGIC
TREATMENT

In 2017, we generate approximately 4,500 metric tons of hazardous gravel and fluids in the exploration and production processes. The reduction in generation of these types of waste compared to 2016 is due to the decrease in the number of production rigs in operation.

We expanded the reuse and recycling of oily streams with a view to recovering hydrocarbons in the production processes of green oil coke and other fuels in SIX and

Refap. In 2017, we surpassed a total reprocessing of 86 thousand metric tons, an increase of approximately 400% over the year 2015, when the reprocessed load was approximately 21 thousand metric tons.

Our management of non-hazardous process waste made it possible to achieve the following percentages of recycling or reuse:

SOLID WASTE MANAGEMENT**Recycling**

94% of paper

85% of wood

100% of metal scraps

83% of glass

87% of plastics

The masses of waste are determined by weighing or estimated considering technical and engineering criteria, by our company or by companies contracted for waste management.



In 2017, 114 thousand metric tons of hazardous process waste were transported domestically. We do not ship waste abroad. All hazardous waste is transported to allow final treatment or disposal to take place. We use suppliers licensed by competent authorities (environmental, transport and health surveillance), both for transport and disposal.

HAZARDOUS SOLID WASTE (METRIC TONS)

	2017
Hazardous waste transported	114
Imported hazardous waste	0
Exported hazardous waste	0
Treated hazardous waste	114

Petrobras Distribuidora is a founding associate of the Jogue Limpo Institute, a reverse logistics and environmentally correct destination program for used plastic lubricant packaging, which became an institute in 2014 as an instrument to comply with the legal observations of the Sector Agreement referring to PNRS (Act 12305/10). The Jogue Limpo Institute operations currently cover 14 Brazilian states and the Federal District, surpassing in 2017 the milestone of 600 million recycled packages since 2005.

Within the activities developed by Petrobras Distribuidora, the manufacture of lubricants for use in vehicles and equipment was considered as "primary production and service". The list below shows the materials used in 2017 for the manufacture of these products that are not integrated into the final product:

PRODUCT	WEIGHT (METRIC TONS)
<hr/>	
Non-renewable materials used	
Contaminated metal buckets, cans, metal containers or gas cylinders	0.2
Plastic bottles contaminated with oily residue	0.2
Plastic containers contaminated with oil	40.6
Contaminated empty metal drums (200 l)	494
<hr/>	
Renewable materials used	
Pallets	124.8
TOTAL	659.8

Petrobras Distribuidora recovers Used or Contaminated Lubricant Oil (OLUC), as well as Lubricant plastic packaging.

The percentages of recovered materials are:

- 37.9% of lubricants recovered from the total net sales in Brazil and 39.2% of lubricants recovered from the total lubricants that can be collected in Brazil.
- 25.5% of plastic packaging of 1L of lubricants of the total lubricants sold in this packaging format.

The data for the recovered lubricants indicator was collected from the Product Movement Information System (SIMP) and the data of the Clean Play Program was used for the indicator of recovered packages. All of this information is organized by the management responsible for the manufacture, storage and distribution of lubricants in BR.

Spill response readiness

The prevention and response to hydrocarbon spills to the environment, as well as the mitigation of the resulting environmental, social and economic impacts are strategically important, being expressed in our values and correlated with the continuity of the business.

Spill-response plans are structured at the local, regional, and corporate levels. The corporate contingency plan provides the structure and information to develop the necessary support strategies to provide additional resources to the units' Emergency Response Plans in Brazil and abroad. These additional resources are distributed in the Environmental Defence Centers (CDAs) and in advanced bases, located in several points of the national territory, in addition to the Transpetro Emergency Response Centers.

In addition to the structure of the CDA System, we have contracts with Oil Spill Response Limited (OSRL), a specialized oil spill emergency response institution that provides support with complementary resources in case of a national or international response (Tier 3) with the use of capping hydrocarbon spills into the environment and chemical dispersant for source control in blowout (explosion) scenarios.

In line with international best practices and lessons learned from major accidents, we have sought over the years to develop new technologies and expertise specific to the

area of prevention and mitigation of impacts resulting from hydrocarbon spills to the environment. In 2017, we performed 15 simulated regional drills, including spill-response training.

We maintain through the Cenpes, on a permanent basis, lines of research in the areas of application of chemical dispersant, environmental monitoring, environmental impact assessment, ecotoxicity, modeling and characterization of oil behavior at sea. In addition, the contingency equipment fleet has been continuously updated with the use of more efficient devices, both for onshore and offshore use. Finally, international partnerships have been established to allow access to state-of-the-art equipment and resources, such as capping and chemical dispersant applicators.

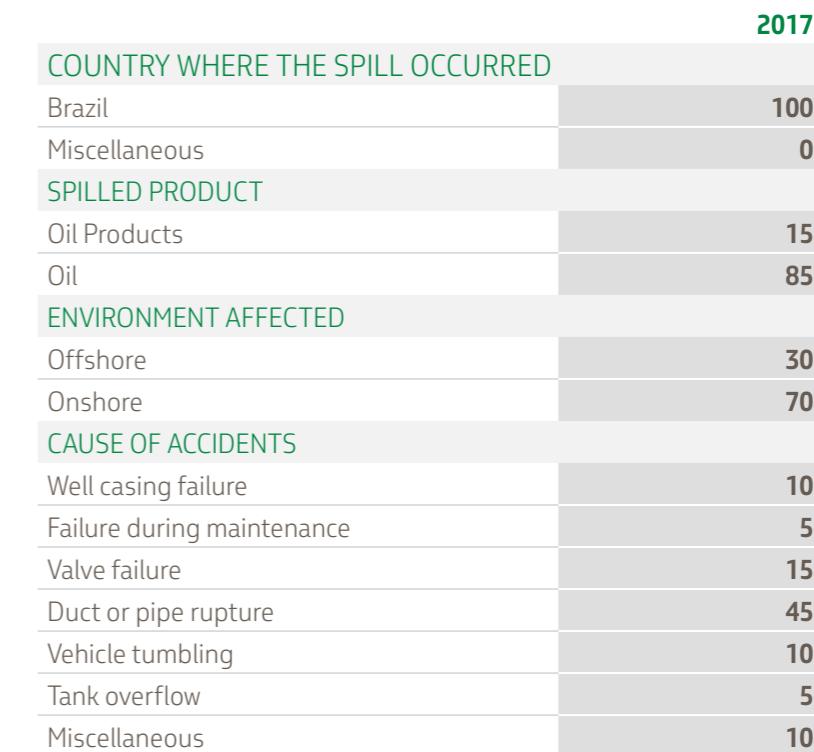
The volume of oil and oil products spills registered was 35.84 m³ in 2017, 83.4% below the warning limit set at 216 m³ and 30.94% below the registered volume in 2016.

SPILL (VOLUME OF OIL AND OIL PRODUCTS SPILLED IN M³)

	2017
Total number of spills in 2017 above 1 bbl	20
Total volume of spills in 2017 above 1 bbl	35.84
Average volume spilled by other oil and gas companies in 2016	556.17

a) Considers the spill of volumes exceeding one barrel (0.159 m³) that reached the environment. b) The total of 35.84 m³ is equivalent to approximately 225.4 barrels. c) Peer group average: data from spilled volumes extracted from reports of sustainability or similar published by the companies that make up Petrobras' peer group. Until the closing of this report, all data regarding volumes spilled by the companies in the Petrobras' peer group had not been disclosed.

CHARACTERISTICS OF OCCURRENCE BY SPILL VOLUME (%)



We identified a significant fine in the total amount of BRL 1.72 million as a result of a spill in the well pipeline in the State of Sergipe.



SOCIETY AND RELATIONSHIP

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Relationship with Stakeholders

In accordance with our Communication Policy, we are committed to communicating in a consistent, coherent, true, transparent, simple and agile manner in the relationship with all our stakeholders, representing our identity and our actions.

Also, our Communication Policy complies with the Act 13303/16, which requires all mixed capital companies to establish spokesperson policies in order to eliminate the risk of contradiction between the information provided by different areas of a company and the discourse of its executives. The new policy formalizes that our spokespersons are the CEO, directors, or any employee they designate to speak in public on behalf of our company.

In that sense, in 2017, we trained 85 professionals through the Relationship Agents Program, created to empower the professionals officially designated as spokespersons.

We have developed a new proposal of approximation with influencers called "Petrobras Dialogue", whose main

objective is to openly discuss issues considered relevant to us and our stakeholders. The first dialogue took place in November for influencers on "compliance".

We also conducted corporate visits to our facilities or offices, receiving 1,427 visitors from the scientific and academic community, five from the public authorities, and 20 suppliers.

We monitor social networks and our internal portal. Based on this monitoring, we raise and evaluate possible risks of communication and, in articulation with the areas involved and/or impacted, we produce related positions or contents.

We rely on a database of stakeholders to record contacts and relationship actions at the corporate level. We have a base of 440,317 people and 206,682 institutions that have registered or have a relationship with us.

The definition of subjects to be worked is given through the analysis of inputs such as the Strategic Plan and the Business and Management Plan, our new positioning, observing the corporate scenario, surveying the needs and demands of our various areas and the interests indicated by the workforce.

We classify stakeholders as groups of individuals and organizations that have common social, political, economic, environmental, or cultural issues and needs and that establish or may establish relationships with us and are capable of influencing or being influenced by our activities, business and reputation . The selection of stakeholders will be determined through the prioritization made from the analysis of the relevance and impact of the theme for that person or organization, in addition to the relationships already established with us. The criteria may differ according to the stakeholders category.

Our stakeholders are shown, highlighting those whose relationships are addressed in the following sections of this document.



For more information on our relationship with our stakeholders, please see the Annual Report.



Our commitment to stakeholders is confirmed in internal documents such as the Communication Policy, the standards of relationship, our Statute, as well as the Corporate Purpose and Vision.

We are aligned with references and external initiatives that reiterate the importance of relations with stakeholders, such as the International Social Responsibility Standard (ISO 26000), International Finance Corporation (Stakeholder Approach – IFC) standards, and the AA1000SES Standard of Engagement with Accountability Stakeholders.



We rely on research methodologies to gauge the stakeholders' perceptions. The results are used to elaborate communication diagnoses, to aid decision making and to provide indicators related to image, brand and reputation.

MONITORING SURVEYS

SURVEY	HOW IT WORKS	FREQUENCY
Corporate Image Monitoring System (Sismico)	Integrates and consolidates information from quantitative research regarding public opinion and various stakeholders. The information collected generates a set of image indicators that, combined, make up our general image indicator.	Annual
RepTrak™	The study allows us to evaluate our reputation with public opinion compared to other companies, based on seven dimensions: Financial Performance, Products and Services, Leadership and Management, Citizenship, Work Environment, Governance and Ethics, and Innovation.	Annual
Quarterly Image Survey	It has a more simplified scope and coverage than those of Sismico and aims to more frequently follow some critical image indicators.	Quarterly
Compliance Actions Internal Evaluation	Quantitative survey within employees of the holding and 19 subsidiaries.	Annual
PE-PNG Internal Communication Evaluation	Quantitative research with our employees, with the objective of evaluating internal communication aspects of the Strategic Plan and the Business and Management Plan.	Annual, and may vary depending on the dissemination of PE/PNG editions

In the case of image and opinion surveys, the results are consolidated in an Image and Reputation diagnosis. The themes identified in the last diagnosis review can be described as follows:

THEME	DESCRIPTION
Profitability and Indebtedness	Need to strengthen perceptions about our results and about measures and strategies focused on resume growing in the future;
Operational Safety and Environment	Need to increase the degree of stakeholders involvement with these themes, particularly in relation to the metrics set out in the EP/PNG;
Management	Opportunity to improve the perceptions of our administrative quality;
Transparency	Need to increase the perception of our transparency, due to the intense negative exposure experienced by us since 2014, due to Car Wash Operation and its developments;
Partnerships and Divestments	Need to broaden our understanding of our business strategies and impacts, with a focus on minimizing dissonance.

Based on these themes, we develop communication and relationship programs and projects geared towards our stakeholders.

INTERNAL PUBLIC

The senior management considers the internal stakeholder as one of its main targets, and communication with the workforce is prioritized in strategic matters. Periodically, the executives send letters about relevant matters. We also use our communication channels for this relationship, such as the Petrobras Portal (intranet), bulletins and printed and digital material with daily guidelines. In 2017, we carried out more than 1,300 internal communications actions, with a total of about 1.2 million messages sent by e-mail and also via SMS notification, on subjects such as new business plans, financial and operational results, governance , promotions and events, among others.



PRESS

We promote regular press conferences for the dissemination of financial and operational results and other matters of public interest. In 2017, 17 press conferences were held, of which five were broadcast live by the Virtual Press Room. In addition, we sent 384 press releases.

For the "Press" public, the main tool of engagement is the Petrobras Journalism Award, whose fourth edition was held in 2017 with a record of more than 1,782 entries. The annual awards grant recognition of monetary value to the best reports published by the Brazilian press, in national and regional levels, as well as recognition for

international correspondents, in the areas of Economy, Science and Technology, Sustainability, Culture, and Sport. We also have a mailing consisting of more than 40,000 journalists from around the world, who receive our communications in Portuguese, English and Spanish. In addition, the Petrobras News Agency, with exclusive access to journalists, publishes releases, interviews, photos, audio, and presentations that support news stories, and transmits, in real time, the main press conferences.

There are more than 22,000 journalists registered with the Petrobras Agency. We train our executives to act as spokespersons to the press, including in crisis situations. This year, we carried out 11 classes, in which we qualified

37 managers from all areas. In addition, a group was held in Petrobras Bolivia, with the participation of 14 managers, and one in Petrobras America, in which four managers were trained.

We also have the "Petrobras em Contexto" (Petrobras in Context), a training and relationship project with journalists covering topics related to our activities. We held nine technical lectures on topics such as: Local Content, Divestment Systematics, Gas to Grow and Assignment for Consideration. In addition, we received eight commissions from journalists, who had the opportunity to know our operational units such as platforms, terminals, refineries, among others.



COMMUNITIES

In 2017, we approved new corporate standards that address the methodology for the diagnosis and analysis of the social context, as well as the elaboration of the community relationship plan, which contains the activities to be implemented in the communities of our nearby area. These plans are developed with multidisciplinary teams on the operational fronts and reviewed annually.

We also participate and foster spaces for dialogue with communities, such as: community committees, community visits and lectures, and simulated emergency exercises.

These types of initiatives help in the creation and operation of relationship networks, which are responsible for facilitating interaction with other organizations and other actors, contributing to the prevention of occurrences, the monitoring of potential conflicts and negotiations in times of crisis.

We carried out actions for engagement with communities that involved about 5,600 participants. We also received 269 manifestation groups and demands at the local level.

EXAMPLES OF TOPICS AND CONCERNs

Risks of operations and training on evacuation in cases of accidents, improvement of communication about noise, smells, and safety of industrial operations for communities.

Exclusion of navigation and fishing within 500 meters around the platforms, imposed by standard of the Brazilian Navy.

Improvement of urban infrastructure and services: health, basic sanitation, agriculture, access roads, water supply points, works and public equipment overhaul.

Support to cooperatives, entrepreneurship, community organization, and associations.

Maintenance of socio-environmental programs and resumption of investment.

Generation of work and income, employment opportunities and employability, including procurement of local labor through suppliers.

The measures adopted to approach the topics consisted of:

- clarifying matters at the regular meetings of the Community Committee, including the participation of external speakers and government representatives;
- visits from community leaders, people from the communities and government representatives to our units, aiming at bringing these stakeholders closer and get them acquainted with our activities;
- meetings, lectures and training for communities;
- simulations and drills involving communities

One of the ways of dealing with the identified demands was the implementation of socio-environmental projects in the places where we work in complementary education, professional qualification, improvement of the employability condition of young people, children and adolescents rights, environmental education, among others.

SCIENTIFIC AND ACADEMIC COMMUNITY

Our activities in Research, Development and Innovation are coordinated by Cenpes, whose objective is to develop technologies to enable the compliance with our Business Plan and Management, in addition to anticipating trends and investing in technological routes aligned with our Strategic Plan, thus contributing to the continuity of our business and to the technological advancement of the oil, gas and energy sector.

Cenpes is one of the leading energy research centers in the world, the largest in Latin America with 1,301 employees, being 1,197 researchers working in the areas of oil exploration and production, refining, petrochemical, biofuels, natural gas, renewable energy, and environment.

In order to meet our technological demands, we have five experimental plants where pilot-scale tests are carried out. In 2017, we invested BRL 1,831 billion in research and development.

The partnerships we maintain with the scientific and academic community in Brazil and in other countries enable the reciprocal generation of knowledge and technology, with mutual benefits.

This year, we count on the collaboration of 193 universities and research institutes in Brazil and 20 abroad, with an approximate investment of BRL 553 million. Fifty-eight patents were filed, of which 20 were in the Brazilian market and 38 in the international market.

INVESTORS

We relate to investors through our website, the Annual Reports, participation in roadshows and conferences, one-on-one meetings or in groups, the dissemination of Communiqués, Material Facts or News Clarifications by telephone, letters and e-mails, webcasts and Shareholders' Meetings.



For more information on our relationship with investors, please see the Annual Report

The main topics and concerns raised during investor engagement in 2017 were: Price Policy, negotiation of the Transfer of Rights on oil reserves divestment, Initial Public Offering (IPO) of Petrobras Distribuidora, distribution of dividends, participation in block auctions for exploration and production of oil and natural gas, contingencies

disclosed in the financial statements, lifting cost trend, and class action. All of these themes have been duly clarified in our relationship with investors and are reflected in our material themes.

Investors recognize the efforts and results already achieved by our company, evidenced by the recommendations of the analysts and rating agencies.

CIVIL SOCIETY ORGANIZATIONS (CSOs)

In the relationship with Civil Society Organizations (CSOs), we highlight the Petrobras Socio-Environmental Program, through which we sponsor voluntary projects as described in the Social Investment chapter. The projects are implemented by CSOs and foster the establishment of partnerships with other third sector institutions, as well as partnerships with government, companies, associations, educational and research institutions, among others. These partnerships promote the strengthening of CSOs and the expansion of project results.

The main demands of this public refer to information about our guidelines and regulations for social investments, public selection processes and request for support. We maintain, on our website, information on the lines of action of the Petrobras Socio-Environmental Program, as well as on processes of public selection of projects. Our relationship with this public also happens in the development of projects to meet licensing requirements or other constraints.



For more information on the Petrobras Social-Environmental Program, please see Social Investment.



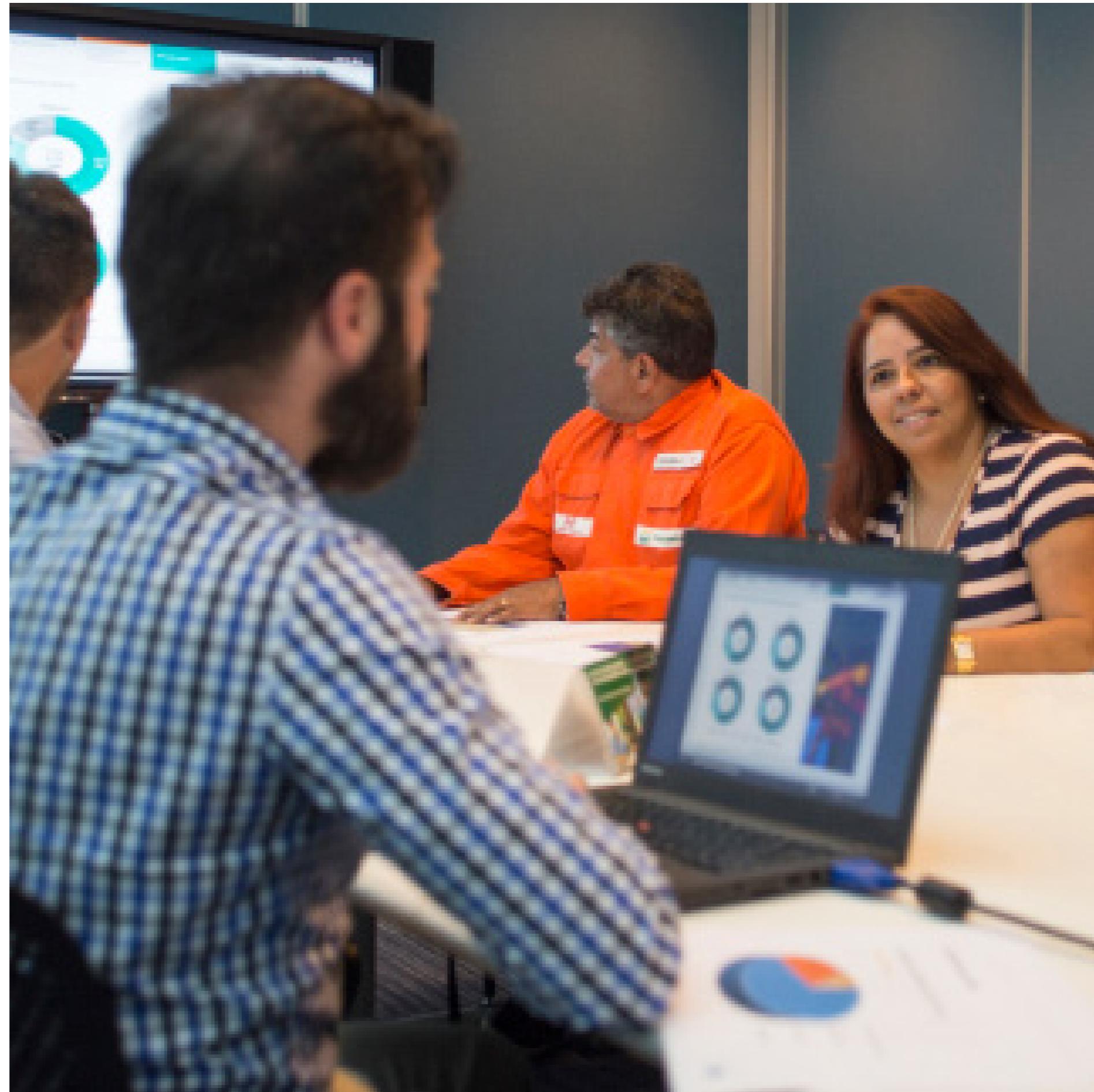
EXTERNAL INITIATIVES AND PARTICIPATION IN ASSOCIATION

We integrate the main national and international sector associations related to the oil and gas industry chain. We are signatories of initiatives related to the sector and to the national and international commitments, related to social, environmental and governance issues.

MAIN INITIATIVES AND ASSOCIATIONS	ENVIRONMENTAL	SOCIAL	TRANSPARENCY AND GOVERNANCE
The United Nations Global Compact and Brazilian Committee of the Global Compact			
Extractive Industries Transparency Initiative (EITI)			
World Economic Forum (WEF)			
International Association of Oil and Gas Producers (IOGP)			
The global oil and gas industry association for environmental and social issues (IPIECA)			
Associação Regional de Empresas do Setor de Petróleo, Gás, Biocombustíveis da América Latina e Caribe (ARPEL)			
Oil and Gas Climate Initiative (OGCI)			
Carbon Sequestration Leadership Forum (CSLF)			
Instituto Brasileiro de Petróleo, Gás e Biocombustíveis (IBP)			
Pacto Nacional de Erradicação do Trabalho Escravo – Instituto Nacional pela Erradicação do Trabalho Escravo (InPACTO)			
Women's Empowerment Principles –UN Women			
Programa Pró-Equidade de Gênero e Raça – Secretaria Especial de Políticas para as Mulheres			
Empresa Amiga da Criança – Fundação Abrinq			
Programa Destaque em Governança de Estatais – B3			
Conselho Empresarial Brasileiro para o Desenvolvimento Sustentável (CEBDS)			
Comissão Permanente para Questão de Gênero do Ministério de Minas e Energia			
Pacto Empresarial pela Integridade e contra a Corrupção			
Comissão Nacional Permanente do Benzeno e Comissões Estaduais do Benzeno			
Rede de Recursos Hídricos da Indústria – Confederação Nacional da Indústria			
Conselho Empresarial de Meio Ambiente da FIRJAN			
World Water Council – WWC e Seção Brasil do Conselho Mundial da Água			

Since 2005, we have signed the Extractive Industries Transparency Initiative (EITI), a voluntary initiative that brings together governments, international organizations, investors, companies and civil society groups with the aim of promoting governance improvement of countries rich in mineral resources. We were members of the initiative's board in 2007 and 2008. Since 2011, we have participated in the discussions of the Oil and Gas Companies Group, contributing to the discussions on the transparency requirements that must be met by the signatory countries.

We have obtained public recognition regarding the improvements made in our corporate governance. We were certified by the State Governance Highlight Program (formerly BM&F Bovespa) and the Estadão Empresas Mais Award, granted by the Estado Group, for the performance of our Board of Directors in corporate governance. We also obtained a maximum score (10.0) and were awarded the Level 1 Governance Seal Certificate of the new Governance Indicator (IG-Sest), prepared by the Secretariat of Coordination and Governance of State Companies (Sest), Ministry of Planning, Development and Management (MPDG). We are waiting for response by B3 for listing in Level 2 of Corporate Governance. These initiatives demonstrate our commitment to the continuous improvement of corporate governance, in line with best market practices.





Supplier Management

In 2017, we held agreements with approximately 11 thousand suppliers. Of the total amount of transactions we carried out, 77.48% were implemented with suppliers based in Brazil.

TRANSACTION VOLUME

COMPANY	NUMBER OF SUPPLIERS AGREEMENT TRANSACTIONS EXECUTED IN 2017	2017			TOTAL AGREEMENT (BRL MILLION)
		EXECUTED IN 2017	SEPARATE ORDERS EXECUTED IN 2017		
Petrobras holding	11 thou	3 thou	120 thou		41,000
Petrobras Biocombustível	0.7 thou	0.4 thou	2 thou		785
Petrobras Distribuidora	12.6 thou	3.4 thou	125 thou		35,600
Transpetro	4 thou	0.6 thou	49 thou		2,031

Transport suppliers were not included in the indicator.

PROCUREMENT PROFILE (%)

EMPRESA	% SUPPLIERS BUSINESS UP TO BRL THOUSAND	% SUPPLIERS BUSINESS WITH BRL 100 THOUSAND AND BRL 1 MILLION	% SUPPLIERS BUSINESS WITH BRL 1 MILLION AND BRL 100 MILLION	2017	
				% SUPPLIERS BUSINESS OVER BRL 100 MILLION	
Petrobras controladora	71.94	15.46	11.99	0.61	
Petrobras Biocombustível	78.72	11.32	9.82	0.14	
Petrobras Distribuidora	88.97	5.63	4.77	0.63	
Transpetro	76.97	16.15	6.88	-	

PETROBRAS SUPPLIERS

MAIN TYPES OF SUPPLIERS

Petrobras Holding

Chartering of production platforms, rigging, well services, Engineering, Procurement, Construction and Installation - EPCI, subsea operations, flexible lines, valves, tubes, air freight, charter vessels and special vessels, chemicals and catalysts, geophysical services, Engineering, Procurement and Construction - EPC, and equipment maintenance.

Petrobras Distribuidora

Acquisition of fuels and biofuels, additives, basic oils, packaging, production inputs and service providers related to the industrial area of Petrobras Distribuidora. Additionally, in the Transport section: road, coastal navigation, and river navigation, used in the movement of fuels and lubricants distributed by Petrobras Distribuidora.

Transpetro

Operational services, maintenance of logistics infrastructure, inspection, pipeline integrity, docking and complementary services, such as transportation.

Petrobras Biocombustível

Vegetable oils (soybean, cotton, palm oil and residual oils and fats), animal fats (from cattle, pigs and poultry) and methanol.

SUPPLIERS REGISTRATION AND REQUIREMENTS

We have a corporate register of suppliers with the objective of evaluating our suppliers under technical, economic-financial, legal-fiscal, integrity and HSE (Health, Safety, and Environment). The register serves as a basis for the selection of suppliers in bidding and contracting of both the parent company and subsidiaries. The evaluation criteria vary according to the criticality of the supply items and the type of supplier, and may include face-to-face technical assessments of candidates.

In 2017, we evaluated 7,433 companies in technical requirements, 4,512 companies in economic-financial requirements, 9,993 companies in legal-fiscal requirements, 5,057 companies in HSE requirements. These evaluations served to expand our base of qualified suppliers, ensuring safety and agility for future bidding processes.

In order to be part of our register, companies must provide detailed information on the structure, finances and mechanisms of compliance and fraud and corruption. In 2017, 5,306 companies were analysed under our integrity due diligence process.

HEALTH, SAFETY, AND ENVIRONMENT

Companies must present evidence and certifications related to compliance with safety, environmental and health standards, as well as declare that they comply with all requirements, laws and ordinances of this topic. In order to ensure proper application of rules for each type

of service, the Risk Matrix and Scope Categorization is used, which establishes the degree of risk related to the following topics: Community Health and Safety, Workplace Health and Safety, Environment (liquid spill, gaseous emissions and solid waste), Legal Impact and Attention to Company Image.

Environmental criteria were used in 74% of the new commitments formalized by Petrobras Holding in 2017 and in all contracts where these criteria must be observed.

In 2017, we completed the Supplier Improvement Management Program (PGBF), focusing on supply, qualification, selection and performance evaluation of suppliers. The main driver of this program was the reduction of the subjectivity of the registration requirements, making it simpler for suppliers to fill in the information. The improvements implemented will result in greater competitiveness, which will be monitored by the number of valid bids for procurement process.

Also in 2017, we approved Petrobras' Bids and Contracts Regulation (RLCP) to discipline the general hiring rules and meet the requirements of the Act 13303/2016. The document presents the new ways of contracting, the steps to be followed in the bids, the contractual management and the auxiliary procedures, including the suppliers' registration.

We emphasize that the RLCP was published in the Official Gazette in January 2018, and its implementation will be given progressively by our Organizational Units.

One of the main themes brought by the new legislation is the procurement regulation, with changes and innovations in relation to the norms that we are currently following. In this regard, the law provides that any procurement must be carried out, as a rule, through public bidding. This means that the hiring will take place through bids that will be open to any interested party that is able to meet the bidding conditions.



In order to present changes brought by the Act 13303/2016, we have launched the New Procurement Rules website, at:
<https://contratacao.petrobras.com.br/en>.

IMPACT ON SUPPLIERS CHAIN

Our Ethics Code requires suppliers and employees to respect the ethical principles and commitments of conduct defined thereof for as long as contracts with our System companies are valid.

Through the Ethics Code and the standards, with our guidelines for inspection of goods and services agreements, we emphasize that it is the inspector's role to demand the items provided for in contracts, by monitoring and inspecting supplies and aspects related to safety, environment and health, as well as social responsibility.



In addition to this Code, our Conduct Guide provides for general rules of relationship with suppliers. The relationship with suppliers during contract performance is through:

- in situ contract monitoring by the supervisors;
- Supplier Performance Index (IDF) measurement, which assesses, among other items, performance in relation to HSE practices;
- Daily Work Report (RDO), where all nonconformities and necessary improvements are recorded;
- manufacturing inspection of more complex goods requiring technical qualification (RQT) in order to mitigate possible risks of equipment failure.

In cases of non-compliance, supplier must carry out a mitigation plan, to be negotiated with the inspector. In case of contracts in force, the need for measures to be taken is considered, such as opening Penalties Analysis and Application Committee (Caase). Throughout 2017, we conducted 153 penalties through Caase, whose investigation included suspicions of fraud, non-compliance with contractual obligations, environmental damages, among other non-compliances by suppliers. As of 2017, 130 sanctions were applied to suppliers. Also in this period, 36 companies were included in the list of companies prevented from contracting, because of administrative sanctions imposed.

No company has entered the list of companies prevented from being a supplier due to environmental issues in 2017.

In 2017, 48 transporters were audited by Petrobras Distribuidora through periodic Quality, Safety, Environment and Health (QSMS) reviews. The main impacts of BR products transport are: generation of waste (tires) and emission of gases, as well as potential impacts such as accidents that can cause contamination of soil or water bodies due to spills. Through the Motorista DEZtaque Program, we seek to prevent accidents by training and raising the awareness of drivers who transport our products on safety-related topics. Through the Ecoefficient Transport Program, we estimate the atmospheric emissions from our transport and seek to minimize this impact. In 2017, there were no cases of termination of contract with this subsidiary based on environmental impact assessments.

SOCIAL RESPONSIBILITY

Our suppliers are evaluated according to social criteria during registration and renewal of contracts, as well as in the execution of service contracts. When they occur, nonconformities are adjusted according to the improvement plan negotiated with the contract inspector.

In terms of negative impacts on labor practices, 19 companies were penalized in 2017 for occurrences considered to be of high severity. In terms of negative impacts on society, four companies were penalized in the year for unworthiness reasons. For this reason, these

23 suppliers had their relations with us terminated for a certain period.

Our Report Channel, managed by the Ombudsman's Office, is prepared to receive reports on suppliers, such as those related to violations of right to freedom of association and collective bargaining, among other issues related to labor practices and human rights. Reports are investigated and, depending on the results of the investigations, our Goods and Services Procurement area is alerted to mitigate risks in new procurements. In the event of non-compliance with contractual clauses, the contract manager adopts the appropriate measures.

At Petrobras Distribuidora, all transport suppliers that provide services on a regular basis have to provide evidence of compliance with labor obligations. Nevertheless, among the potential negative social impacts of our supply chain, we indicate the non payment of labor obligations, such as FGTS and INSS.

At Petrobras Biocombustível, in compliance with the Social Fuel Seal, 100% of new suppliers are from family agriculture.

Social investment

Through social investment, we have strengthened our work with communities in the areas covered by our operations, building partnerships with institutions of the third sector, government, and universities, among others. The social and environmental projects contribute to preserve the environment, improve living conditions in communities, and to mitigate social and environmental risks related to our business.

The Petrobras Socio-Environmental Program is aligned with our Business and Management Plan (PNG 2018-2022) and our Social Responsibility policy, which provides for a commitment to energy supply, respecting human rights and the environment,

liaising responsibly with communities and overcoming the challenges of sustainability. The social investment also aligns with international guidelines and principles of social responsibility, such as the United Nations Global Compact, ISO 26000, and the United Nations Sustainable Development Goals (SDG).

In 2017, we strengthened the sponsorships and agreements governance and compliance procedures, and we are involved in the social and environmental projects portfolio renewal, with an expected realization of BRL 250 million by 2020. These projects will cover 20 Brazilian states, directly benefiting more than 100 thousand people, through activities such as education Environmental education, educational sport, complementary education after school hours, teacher training, besides the performance of several professionals in the management and conduction of the projects. These are social initiatives linked to education, sport, and the right of the child and adolescent,

and environmental actions that will protect springs, forests and hundreds of species of the Brazilian fauna, besides generating scientific knowledge, information and data banks relevant for the preservation of the environment and for sustainable development.

INVESTMENTS IN PROJECTS IN 2017

	(BRL MILLION)
Social and Environmental	60
Cultural	61
Sports	21
Total	142

Currently, the Petrobras Social and Environmental Program focuses on six lines of action and selects projects at the national, regional and local levels.



Biodiversity



Forests and Climate



Education



Water



Child and adolescents' rights

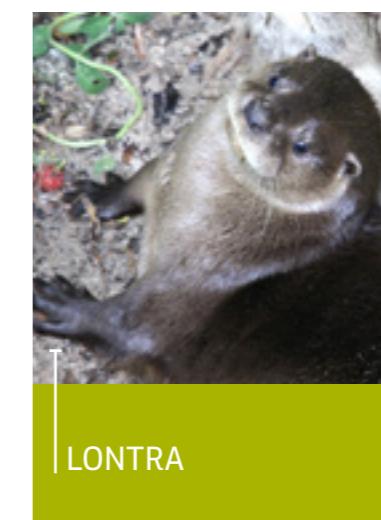
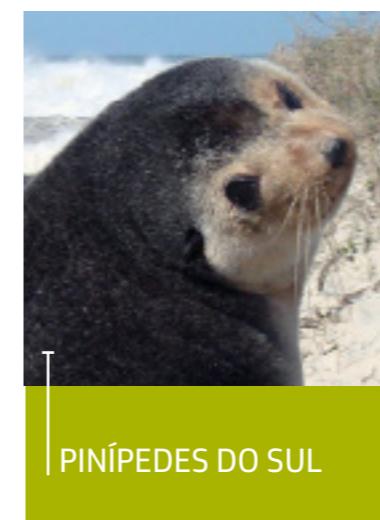


Sports

We sponsor initiatives related to environmental issues relevant to the oil and gas industry, such as water, biodiversity and climate change. Our projects are distributed throughout different biomes and Brazilian environments, such as: Atlantic Forest, Cerrado, Amazon, Caatinga, Pampa, and Coastal and Marine Environments.

As far as Biodiversity is concerned, we renew projects that work with conservation of species and habitats with a focus on endangered species in coastal and marine environments. The projects also deal with environmental education in schools and with local communities, mainly fishermen, contributing to the conservation of about 50 endangered species.

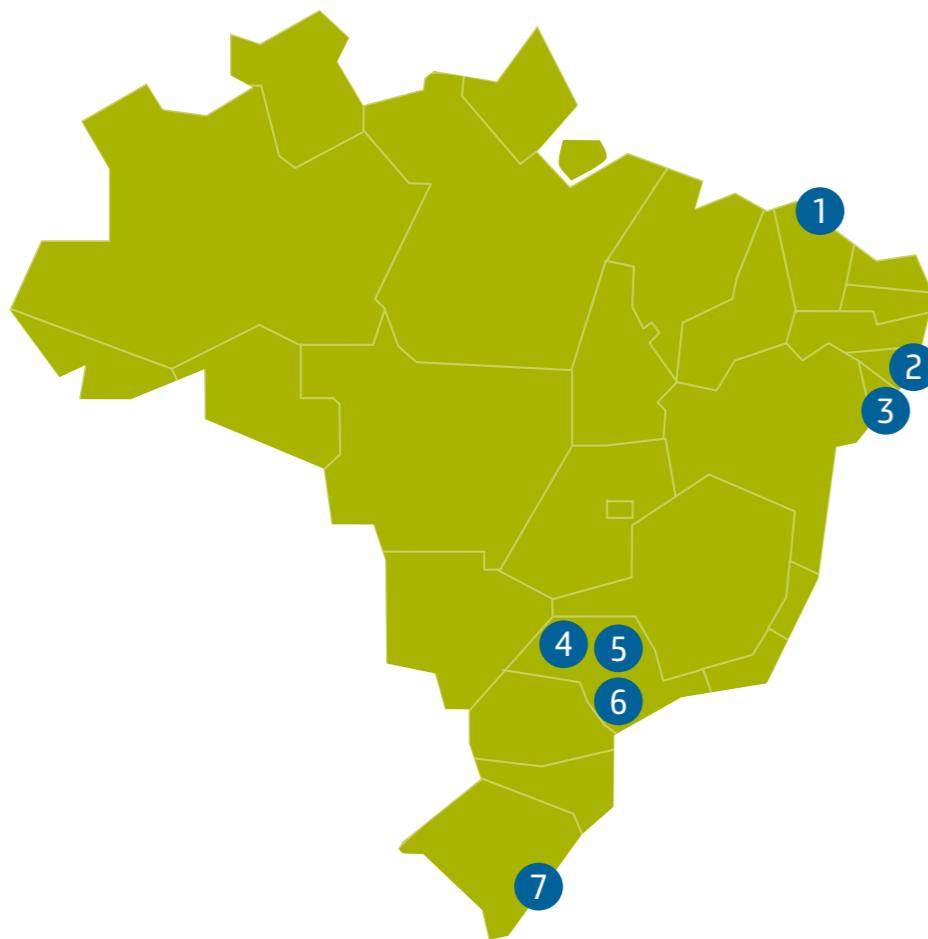
Here are some of our projects:



To know more about some of our biodiversity projects [click here](#)

Several environmental projects work on issues related to water, both in the protection of springs and forests, in the conservation of biodiversity in aquatic environments, in the management of water resources, promoting the rational use of water and monitoring and improving the water resources quality. With activities that include the dissemination of technological alternatives that are both low-cost and eco-efficient, the projects offer incentives and mechanisms that contribute to the effectiveness of water governance.

WATER LINE PROJECTS



DE OLHO NA ÁGUA

It promotes actions to improve quality of water systems in the coastal plain of the municipality of Icapuí (EC), with a view to restoring ecosystems and the quality of life of local populations. The actions are based on environmental diagnosis, monitoring and environmental education.



RENASCENDO

Contributes to the sustainability of the hydrographic basin of the Lower São Francisco River, in the state of Alagoas, through the recovery and conservation of biodiversity and the dissemination of knowledge and practices, aiming at improving the coexistence with the semi-arid lands.



OPARÁ ÁGUAS DO RIO SÃO FRANCISCO

Its objective is to recover degraded river basins of the Jacaré-Curituba e Betume River, in the lower São Francisco River region, in the state of Sergipe, promoting environmental education with the participation of local populations and riverine communities.



SEMEANDO ÁGUA

Aims at reversing degradation processes of the water bodies in the region of the Cantareira System (SP) by means of changes in use and occupation of the land, implementing conservation practices in productive processes, and restoring the native forest through environmental education actions.

TECENDO AS ÁGUAS

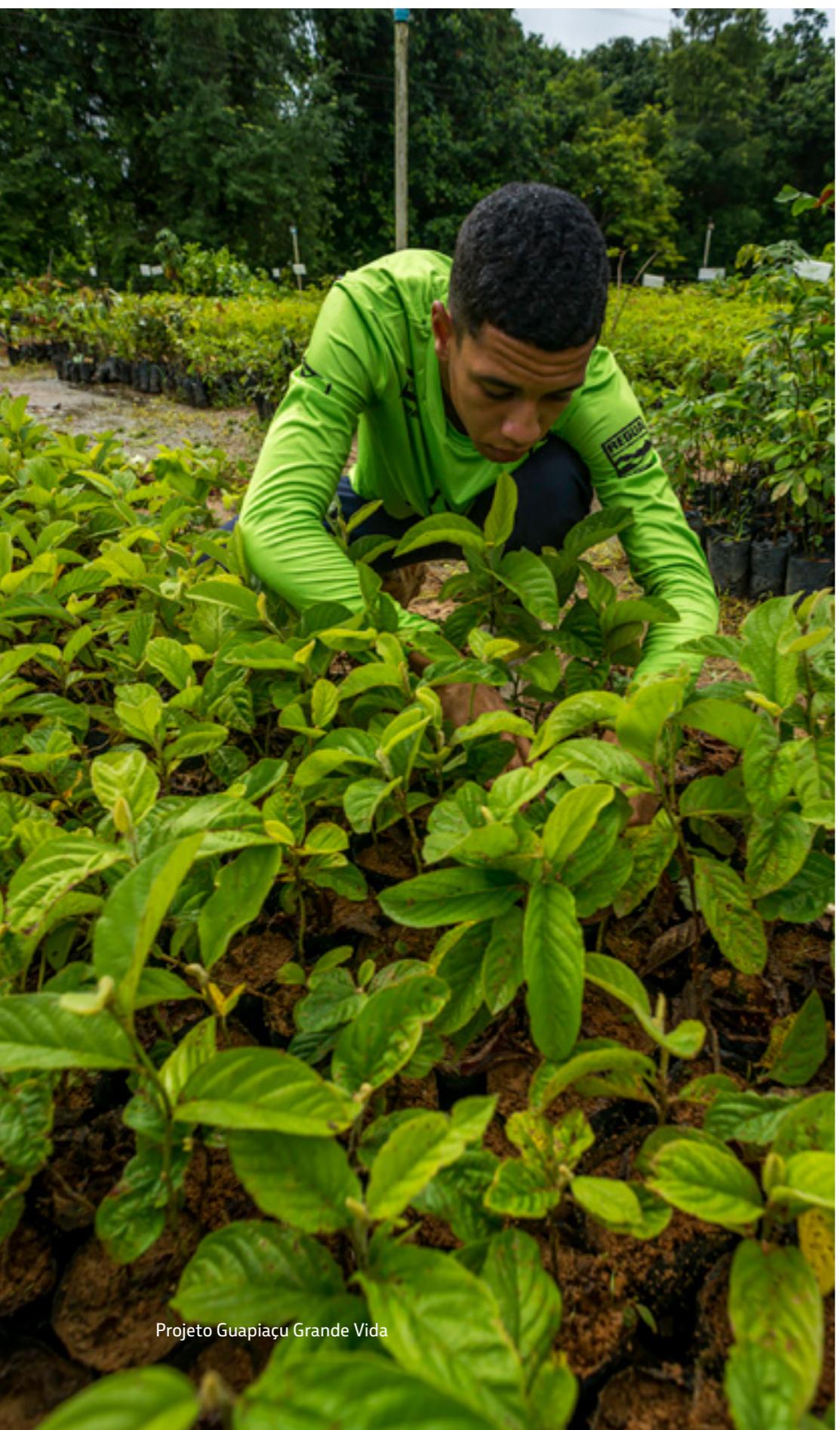
It aims to recover the quality of the water resources of the Porto Novo - São Sebastião and São Francisco System and the preservation of the Juqueriquerê River sub-basin and the São Francisco River sub-basin (SP).

PLANTANDO ÁGUAS

Its objective is the preservation of water resources by the environmental adaptation of rural properties in eight municipalities in the state of São Paulo, in a participatory manner.

TARAMANDAHY

It invests in improving the quality of the water resources of the Tramandaí River Basin (RS) by strengthening its management tools through integrating water, soil and forest conservation with a regional environmental education program.



In the line of action related to Forest and Climate, our projects work with maintenance and expansion of the vegetal cover of the Brazilian biomes, as far as climate change is concerned through the sequestration and fixation of atmospheric CO₂ in the forest and considering local knowledge of indigenous peoples and traditional communities.

FOREST AND CLIMATE PROJECTS

	MAIN OBJECTIVES
Raízes do Purus	Acting in forest maintenance and biodiversity conservation in the Amazonas, through sustainable use of natural resources of six Indigenous Lands and the Apurinã, Jamamadi, Paumari and Deni populations of the Xeruã River.
Viveiro Cidadão	Restoring Ecosystems in the region of the Rondoniense Forest Zone in permanent preservation areas (APP) and legal reserves.
Poço de Carbono Juruena	Consolidating alternative models of land use and occupation with Agroforestry System and extractivism of non-timber forest products (MT).
Pacto das Águas	Promoting the sustainable use of socio-biodiversity, with indigenous peoples and traditional communities of two Indigenous Lands, as a climate change mitigation strategy for the conservation of the standing forest in the Northwest of Mato Grosso.
No Clima da Caatinga	Contributing to preserve the caatinga and protect water resources of the forests in Ceará and Piauí, and the armadillo species.
CO ₂ Manguezal	Reforesting areas of the Atlantic Forest and mangrove forests, through cultivation and management of characteristic tree species, in the Todos os Santos Basin and Iguape Basin, in Bahia.
Uruçu Capixaba	Working on forest restoration, as well as protection of the Melipona capixaba, a species of bee that is endemic to the Espírito Santo region and of great importance for pollination, decreasing its extinction risk.
Guapiaçu	Strengthening the Guapi-Macacu basin ecosystem, with forest restoration actions and monitoring the water quality in the Guapiaçu Ecological Reserve, in the state of Rio de Janeiro.
Verde Novo	Promoting the forest restoration of the Peixe River and Camanducaia River basins, with the expansion of the productive capacity of native tree seedlings, planting of seedlings for the restoration of degraded areas, and environmental awareness in Minas Gerais and São Paulo.
Ar, Água e Terra	Implementing the productive conversion of degraded areas and conservation of biodiversity in seven Guarani villages of Rio Grande do Sul, contributing to the protection and sustainable use of biomes and to the development of indigenous communities.
Agroflorestar	Acting in environmental recovery and conservation, sustainable development of quilombola communities, traditional farming families, indigenous villages, and environmental education for public school students in the Ribeira Valley (PR and SP).
Berço das Águas	Preparing and implementing the Territorial and Environmental Management Plans for indigenous lands in the Juruena river sub-basin, Mato Grosso, with actions focused on food safety, biodiversity conservation and monitoring of territories, strengthening culture and promoting inter-peoples exchanges, as well as developing strategies for the management of water resources.

For more than 35 years, we have implemented initiatives for the preservation of marine biodiversity. Essential in this trajectory, the Tamar Project reached the mark of 35 million cubs of protected marine turtles, an important fact to commemorate the possible recovery of the populations of four of the five species of sea turtles that occur in Brazil. Researches developed by the offshore project have resulted in the discovery of four fish species previously unknown in the world. The project also has a large computerized database, the Sitamar, which brings together all the scientific information produced by Tamar in Brazil, providing other institutions with information on the occurrence, distribution, spawning and the monitoring of sea turtles on the Brazilian coast.



We encourage the projects to be carried out through networks such as the Reded Biomar, which is a reference in the conservation of marine biodiversity in Brazil, and generates relevant technical and scientific information on the environment of our offshore activities. Currently, the Tamar, Jubarte Whale, Coral Vivo, Golfinho Rotador, and Albatroz projects are part of the network. We held a workshop in 2017 for dissemination of the Results Report regarding 10 years of activities of the Network, which also counted with the participation of ICMBio and the Ministry of the Environment.

The Baleia Jubarte Project, implemented by the Institute with the same name, in 2017, made 177 daily departures with tour operators of whale watching. Through the work of individual photo identification of whales, essential to understanding various aspects of their biology, it was possible to identify 284 individuals in the 440 monitored groups, of which at least 22 were already whales known from previous years by the Project researchers. During the

last whale season, the project assisted around 50 animals stranded in Bahia and Espírito Santo beaches and gave assistance support to other researchers in areas outside its scope. Throughout the year, 1,701 students have been in environmental education activities, 300 different lectures were held for schools and groups, tourists and the community, and 79 professionals from the tourism area and local communities were trained.

The entire commitment of the Project over 22 years of partnership with us has contributed to an important result that is the population increase of the species in Brazilian waters, going from 1,000 individuals in the 1990s to 18,000 currently estimated. In the scope of social projects, we adopt nearby areas as a selection criterion and strategic territories for us.

We continued the Rede de Parceiros Multiplicadores de Esporte Educacional project, a partnership with the Instituto Esporte & Educação, created in 2001 by Ana

Moser, the former athlete and Olympic medalist. The project, which began in 2014, trained 770 teachers and public managers, using a developed educational sports methodology, and reached more than 40 thousand students, aged between 3 and 17 years, in 58 municipalities in seven Brazilian states.

Through a partnership with Unesco for the Conexões Éticas do Terceiro Setor project, we will provide training in management and compliance for sponsored institutions, highlighting questions about ethics, integrity and transparency of their activities.

This initiative, in addition to the benefits generated for the society, will contribute to ensure that the resources allocated to social and environmental projects comply with the strict compliance criteria we adopted and required from our suppliers. In total, professionals from 180 institutions of the third sector, which work on the projects we support, will be trained in the next three years.

ACTION WITH LOCAL COMMUNITIES

The Conectora de Oportunidades, Centro de Esporte e Educação, and Educ projects, develop actions in the municipality of Duque de Caxias, near the Duque de Caxias Refinery (Reduc), involving about 1,200 direct participants:

- **Centro de Esporte e Educação** – promotion of social inclusion of children and adolescents in situations of social and economic vulnerability through education and sports for the construction of citizenship.
- **Conectora de Oportunidades** – promotion of professional development and improvement in the management of micro and small enterprises.
- **EDUC** – Integrated actions of awareness and training of young adults and leaderships for the dissemination of social and environmental concepts and practices.

The Rede em Ação and Mão à Arte projects will work in seven municipalities around the Gabriel Passos Refinery (Regap), involving approximately 1,100 direct participants.

- **Rede em Ação** – prevention of intra-family violence and promotion of the rights of children and adolescents.
- **Mão à Arte** – consolidation of a network of entrepreneurial craft institutions, using education for work.



We have developed several social projects around our operational units, like the Reduc and Regap refineries.

In order to improve the management of the social and environmental projects portfolio, we have a Social and Environmental Investment System, revised in 2017, which defines criteria for analysis, selection, approval, monitoring and evaluation of these projects. It also sets out specific procedures for the entire life cycle of the supported initiatives.

In order to gauge the contribution of our social and environmental investments, in addition to the indicators of each project, we also follow the results of the opinion survey of the Reputation Institute. In the results of 2017, the positive contribution of the supported projects in the score of our reputation became evident.

Our subsidiaries also carry out social and environmental investments, such as the Cinturão Verde project, sponsored by Transpetro. In an area located next to the terminal, a remaining strip of the Atlantic Forest, the 70,000 m² area that makes up the Cinturão Verde (Green Belt) was acquired in 2002 by Transpetro. For the recovery of degraded areas, the company has planted about four thousand native species.

The São Francisco do Sul Terminal Green Belt has a forest garden, ecological trails, a reception house, a library with publications on environmental education and a zoobotany museum. The project maintains a program directed to Elementary and Middle School students with classes on the environment. The site also has a greenhouse for the production of seedlings destined for the Belt, the community and the visitors.

In 2017, we also highlight the following projects carried out by Transpetro: Botos da Barra and Re-refinar para Preservar.

In Bolivia and Colombia, we prioritize social investment projects agreed with the communities in the area of influence. In 2017, we carried out 29 trainings that benefited more than 1,200 people in activities such as aluminum and melamine joinery, industrial welding, industrial textiles, bakery and pastry, gastronomy and tourism, fishing, handicrafts and photography. More than 1,500 families benefited from technical agricultural or citizenship assistance, health journeys and educational actions in 34 communities.



We have also implemented environmental programs to comply with the legislation. Only in the Offshore Exploration and Production area, we invested approximately BRL 300 million in 25 projects approved by the federal environmental agency, such as: Beach Monitoring Project, Cetacean Monitoring Project, Fishing Landing Monitoring Project, Environmental Education Project, Underwater Acoustic Landscape Monitoring Project, among others.

VOLUNTEER WORK

Volunteer work is encouraged through guidelines contained in our Ethics Code, with the objective of mobilizing people and benefiting communities where we operate.

Several actions were carried out around our operations units. We highlight the Christmas campaigns carried out by the units in the Campos Basin and in Espírito Santo, in five refineries, the Shale Industrialization Unit (SIX), the Derivados and Lubrificantes do Nordeste Refinery (Lubnor), and the Rio de Janeiro Petrochemical Complex (Comperj). In Campos Basin alone, in Macaé, about 1,000 people were contemplated in 2017.

CULTURE AND SPORTS PROJECTS

The new guidelines for cultural sponsorship have been approved and began to take effect, focusing on investment in three lines of action: Audiovisual, Music, and Performing Arts. Sports sponsorship focuses on investments in motor sport and performance sports. These sponsorship lines concentrate projects of greater visibility, in alignment with our new brand positioning and the Strategic Plan and Business and Management Plan.

With a total investment of BRL 82 million in 2017, we carried out projects of great visibility, which brought us good brand return. In the movies industry, the novelty was the new Petrobras Film Prize, which included six feature films with contracts for the commercial distribution of films.

This action aimed at contributing to the strengthening of distribution, an important segment of the national audiovisual production chain. The award was offered to the winning movies in three festivals – Brasília Festival of Brazilian Cinema, Rio Festival, and São Paulo International Film Festival – which are also sponsored by us, in complete synergy with our communication objectives.

In the Performing Arts, the highlight was the celebration of the 35 years of Grupo Galpão, which promoted shows in eight cities - Rio de Janeiro, São Paulo, Belo Horizonte, Aracaju, João Pessoa, Natal, Brasília, Fortaleza – and a commemorative exhibition with five shows in Rio, Belo Horizonte, and São Paulo, with a total audience of 54,733 people in 108 presentations throughout the year.

As to music, the highlight was the Petrobras Symphony Orchestra, sponsored since 1987, which, in addition to the traditional symphonic concerts, presented innovative projects such as a concert with the musician Nando Reis, a concert with songs from the Balão Mágico TV show for children, and the Symphonic Thriller, with songs from Michael Jackson's most famous album.

In sports, we highlight a public call for marathons and water crossings and Street Racing Circuit, with selection of three projects to be sponsored in these categories.



Grupo Galpão



Independent Auditors Limited Assurance Report

To the Board of Directors, Shareholders, and
Other Stakeholders of Petróleo Brasileiro S.A. -
Petrobras Rio de Janeiro - RJ

INTRODUCTION

We were hired by Petróleo Brasileiro S.A. - Petrobras ("Petrobras" or "Company") with the purpose of applying limited assurance procedures on the sustainability information disclosed in Petrobras' 2017 Sustainability Report for the year ended December 31, 2017.

PETROBRAS MANAGEMENT'S ACCOUNTABILITY

Petrobras' management is responsible for preparing and properly presenting the sustainability information disclosed in the 2017 Sustainability Report in accordance with the GRI (Global Reporting Initiative) Sustainability Report Initiative Standards (GRI-Standards) and with the internal controls that it determined as necessary to enable the preparation of such information free of material misstatement, whether caused by fraud or error.

INDEPENDENT AUDITORS ACCOUNTABILITY

Our responsibility is to express a conclusion on the information disclosed in the 2017 Sustainability Report, based on the limited assurance work conducted in accordance with Technical Communication (CT) 07/2012, approved by the Federal Accounting Board and prepared based on the NBC TO 3000 (Non-Audit Assurance and Revision Assurance) issued by the Federal Accounting Board (CFC), which is equivalent to the international standard ISAE 3000, issued by the International Federation of Accountants, as applicable to historical non-financial information. These standards require compliance with ethical requirements, including independence requirements, and the work is performed for the purpose of obtaining limited assurance that the information disclosed in the 2017 Sustainability Report, taken as a whole, is free from material misstatement.

A limited assurance engagement conducted in accordance with NBC TO 3000 (ISAE 3000) consists primarily of inquiries to Petrobras management and other Company professionals involved in the preparation of the information contained in the 2017 Sustainability Report, as well as the application of procedures to obtain evidence to enable us to conclude in the form of limited assurance on sustainability information taken as a whole. A limited assurance work also requires the implementation of additional procedures when the independent auditor

becomes aware of matters that lead them to believe that the information disclosed in the Sustainability Report 2017 may present material misstatements as a whole. The procedures selected were based on our understanding of the aspects relating to the compilation, materiality, and presentation of the information contained in the 2017 Sustainability Report and other work circumstances, and our consideration of areas and processes associated with the material sustainability information disclosed in the 2017 Sustainability Report, where relevant misstatements could exist. The procedures comprised:

- a) work planning: consideration of the materiality of aspects of Petrobras' activities, relevance of information disclosed, volume of quantitative and qualitative information, and information on operating systems and internal controls which served as the basis for preparing the Petrobras' 2017 Sustainability Report. This analysis defined the indicators to be tested in detail;
- b) understanding and analysis of disclosed information regarding on management of material aspects;
- c) analysis of processes for preparation of the 2017 Sustainability Report and its structure and content, based on the Global Reporting Initiative Standards (GRI-Standards) and the GRI Standards' Content and Quality Principles;

**d) evaluation of non-financial indicators sampled:**

- understanding of the calculation methodology and procedures for compilation of indicators through interviews with the managers in charge of preparing the information;
- application of analytical procedures on quantitative information and inquiries about qualitative information and its correlation with indicators published in the 2017 Sustainability Report;
- analysis of evidence supporting the information disclosed.

e) comparing the financial indicators with the financial statements and/or accounting records.

We believe that the information, evidence, and results obtained in our work are sufficient and appropriate to substantiate our conclusion in a limited manner.

SCOPE AND LIMITATIONS

The procedures applied in a limited assurance engagement are substantially less extensive than those applied in a reasonable assurance work. Consequently, we are not able to obtain assurance that we are aware of all matters that would be identified in a reasonable assurance engagement, which is intended to express an opinion. If we had performed a reasonable assurance work, we could have identified other issues and possible distortions that may exist in the information contained in the 2017 Sustainability Report.

Non-financial data are subject to more inherent limitations than financial data, given the nature and diversity of the methods used to determine, calculate or estimate such data. Qualitative interpretations of materiality, relevance and accuracy of data are subject to individual assumptions and judgment. In addition, we do not perform any work on data reported for prior periods to assess the adequacy of its policies, practices and performance in sustainability, nor in relation to future projections.

CONCLUSION

Based on the procedures performed, and described in this report, nothing has come to our attention that leads us to believe that the information contained in Petrobras' 2017 Sustainability Report has not been compiled in all material respects in accordance with the Global Reporting Initiative (GRI) Sustainability Report Standards, and the records and files that served as a basis for its preparation.

São Paulo, March 14, 2018

KPMG Assessores Ltda.
CRC 2SP034262/0-4 F-SP

Eduardo V. Cipullo
Accountant CRC 1SP135597/0-6

KPMG Financial Risk & Actuarial Services Ltda.
Ricardo Algis Zibas
Managing Partner



Glossary

Rating agencies: specialized and independent risk assessment agencies that assess the degree of risk of the institutions and their respective debt instruments, in relation to the capacity to generate sufficient cash flows for the duration of the business of the institution, and for the remuneration of the debt instruments that they issue.

Big Data: bulk data sets that are too complex for analysis by traditional data processing systems. They require new forms of processing to allow for better decision making and process optimization.

SOx Certification: the process of evaluating the effectiveness of internal controls over financial reporting carried out under the responsibility of the CEO and Chief Financial Officer, executed by senior managers and supervised by the Board of Directors, in compliance with the US Sarbanes-Oxley Act (SOx Law"). This evaluation is an integral part of the annual audit of the financial statements, conducted by independent auditors. All companies that have securities traded in the US financial market, whether or not headquartered in the US, are subject to the SOx Certification.

Combined Cycle: associated gas and steam turbines in a single plant, both generating electricity from burning the same fuel. The gas turbines discharge gases heat is recovered, producing the necessary steam to drive the turbine.

Class action: a kind of collective action under the US law that allows a class of persons who have suffered the same loss, or who are harmed by the same fact and therefore with a common interest, claim together indemnification for the damages suffered.

Compliance: a system designed to prevent and detect the lack of compliance with existing and external laws and regulations in the company and business processes that may be committed by its employees and other agents.

Assignment for Consideration: regime for exploration and production of oil and natural gas specific to certain deposits located in the pre-salt polygon. Petrobras was hired directly by the Federal Government to discover and produce reserves with a maximum production limit of up to five billion barrels of oil and natural gas.

Deep Learning: a sub-area of Machine Learning. More specifically, it deals with Artificial Neural Networks, an area that seeks to simulate by computer the brain as a learning machine.

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

Ebitda-Adjusted: EBITDA sum, investments, impairment and cumulative translation adjustments - CTA and result with assets disposal and write-off.

Phytosociology: is the branch of botany that studies the characteristics, classifications, distribution and relationships of plant communities.

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

Exhaust Gases: gases resulting from the combustion process and which are released into the atmosphere through chimneys, exhaust pipes or any ducts with an exhaust function.

Greenhouse Gas Protocol (GHG Protocol): an international tool used to understand, quantify and manage greenhouse gas emissions (GHG), originally developed in the United States, by the World Resources Institute (WRI), currently used by companies and governments to conduct GHG inventories.

Liquefied Petroleum Gas (LPG): It is one of the lighter fractions of the oil and its burning is very clean, with very low emission of

pollutants. Because of these characteristics, it is used indoors, such as in the kitchen of residences, or in industrial applications sensitive to pollutants, such as in the manufacture of glass, ceramics and food. Under normal atmospheric conditions, it is found in gaseous form. However, from the production process to the potting in the steel canisters, it is kept in liquid form under pressure.

High Performance Computing (HPC): is the use of technology to solve problems that require large capacity of computational resources.

Initial Public Offering (IPO): when the company opens its capital and is listed on the Stock Exchange.

Act No. 12305/2010: provides for the National Solid Waste Policy.

Act No. 13303/2016: provides for the legal status of government company, mixed-capital company, and their subsidiaries, within the Federal, State, Federal District, and Municipality levels.

Lifting cost: indicator of the cost of oil and natural gas extraction, which considers the expenses incurred in the period.

Machine Learning: an area of artificial intelligence that aims to give computers the ability to learn without being explicitly programmed, exploiting algorithms that can extract knowledge and make predictions from data.

NBR 10004: standard of the Brazilian Association of Technical Norms that classifies solid waste, providing subsidies for its management.

Reverse Osmosis: separation process in which a solvent (water, for example) is separated from a solute by a semi-permeable membrane, i.e., solvent permeable and solute impermeable. In that process, the solvent flows from the more concentrated to the less concentrated medium, thus following the reverse direction to what would naturally occur during the osmosis, where the solvent would flow from the less concentrated to the more concentrated medium. This is only possible



by applying, in the more concentrated medium, a pressure higher than the natural osmotic pressure. This process can be used, for example, for the desalination of water.

Peer Group: group of comparable companies belonging to the same segment.

Lignocellulosic Waste: fibrous materials, which form complex matrices made of cellulose, a rigid polymer of glucose, hemicelluloses, pectins, and other gums.

Roadshows: meetings with a number of analysts and investors for institutional presentations.

SA 8000: Social Accountability International standard that establishes the requirements to be met by organizations, including the improvement of workers' rights, work conditions, and an effective management system. Social Fuel Seal: granted by the Ministry of Agrarian Development to the biodiesel producer who, among other requirements, acquires raw material from family agriculture, this being a condition for participation in the auctions held exclusively for producers with that seal, whose sales concentrate 80% of the total volume of biodiesel acquired by distributors.

UPGN: Unidade de Processamento de Gás Natural (Natural Gas Processing Unit).

For information on our management,
please see the Annual Report.

General Information

General Coordination, Production and Editing

Social Responsibility

Investor Relations

Strategy and Organization

Accounting and Taxes

Communication and Brands

Graphic Design and Layout

Flávia da Matta Design

Photos

André de Oliveira Claudino (Page 55), Andre Motta de Souza (Cover, Page 7, 16, 18, 19, 62, 63, 70, e 85), Andre Ribeiro (Page 13, 78), Dimas Gianuca Neto (Page 53), Ehder de Souza (Page 38), Flavio Emanuel (Page 3, 36, 52), Francisco de Souza (Page 75), Geraldo Falcão (Page 26 e 65), Henrique Filgueiras (Page 86), Tais Peyneau (Page 30, 40, 74).

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For more information, please contact:

Social Responsibility Executive Management

Social Responsibility Practices and Assessment Management

rs2017@petrobras.com.br

Av. República do Chile, 65 – sala 903

Centro – Rio de Janeiro – RJ | CEP 20031-912

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