

Parameters for the report

**PETROBRAS’
SUSTAINABILITY
REPORT REACHES
THE A+ LEVEL OF
APPLICATION**

PETROBRAS APPLIES THE GUIDELINES SET out in the third generation of Global Reporting Initiative’s Sustainability Reporting Framework (GRI G3) to draft its report. Headquartered in Amsterdam, the Netherlands, the initiative brings together representatives of governments, companies, NGOs, and experts in order to set parameters and indicators for the preparation of sustainability reports. This reporting model is the one that is currently most widely used by world-class companies operating in several industries worldwide.

We present our sustainability report to our stakeholders every year, disclosing our economic, social and environmental performance and focusing primarily on integrating the three pillars of our corporate strategy:

growth, profitability, and social responsibility. The information provided in the document covers the period ranging from January 1 to December 31, 2010. The latest report was released last year and concerned the activities carried out in 2009. We also report on our compliance with the ten principles of the UN Global Compact, of which we are signatories.

Since it presents information on all GRI guidelines essential performance indicators, Petrobras’ sustainability report is in accordance with application level A+. We use a materiality matrix to define and prioritize content, and the issues considered most relevant both by Petrobras’ stakeholders and by the company are addressed in the printed version of the document. Additional

information is available in the online version of this report, which is posted on Petrobras’ website. The contents of the report were submitted to an external audit conducted by KPMG Auditores Independentes (check the statement out on page 102).

The Subcommittee for Social Responsibility Report Preparation and Assessment conducts the process of developing the company’s sustainability report. Comprising representatives of 24 Petrobras System areas and subsidiaries, the subcommittee consolidates information compiled and obtained by a network of about 300 collaborators. It also assess the information published in the report to then undertake actions aiming to improve company management.

Transporte S.A. (Transpetro), Liquigás, and the Alberto Pasqualini Refinery (Refap). The criteria used to select these companies and subsidiaries were their role in management and control and the organization’s representativeness in the Petrobras System.

When the data considered for the performance indicator differs from the scope set for the report, this information is presented in sections highlighted within the text itself, in footnotes or in the notes to the graphs and schedules.

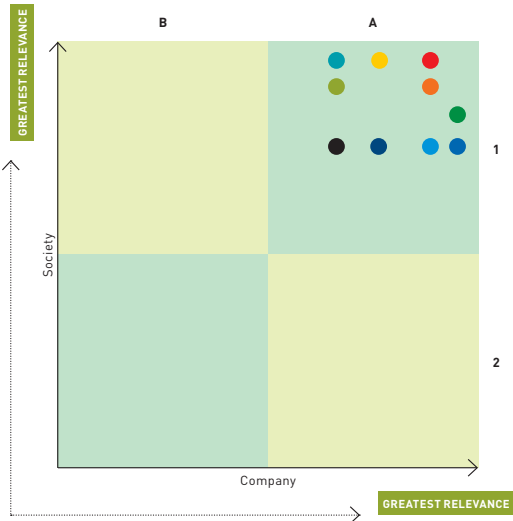
Some information from previous years on performance indicators, stated in historical series, have been reviewed and, therefore, these figures differ from those published in previous editions of the report. In such cases, explanations about data updates or on possible indicator calculation methodology changes are reported together with the reviewed information in order to facilitate understanding. The same is true concerning the techniques used to calculate a given indicator - if necessary, an explanation comes along with the indicator.

In 2010, no significant change was made to the scope or coverage compared to the company’s previous report.

MATERIALITY MATRIX

The materiality matrix provides the themes that are priority for the company, which are determined based on the crossing of the perceptions of key stakeholders – employees, investors, suppliers, communities, experts and public authorities, among others. Get to know the ten issues considered most strategic for Petrobras activities. Additional information about the materiality process can be found in the online version of the Report.

	1. Risk management
	2. Alternative and renewable energy
	3. Emissions reductions and management
	4. Accident prevention
	5. Contribution to local development
	6. Impact on local communities
	7. Accountability and transparency
	8. Pre-Salt management, policy and feasibility
	9. Research and development / technological innovation
	10. Engagement and dialogue with stakeholders



LIMIT OF THE REPORT

In preparing the content for the 2010 Sustainability Report, the activities of Petrobras’ in Brazil and in 29 other countries where it has activities were considered - except for the thermoelectric plants controlled indirectly by the company -, as were those of Petrobras Distribuidora, Petrobras Química S.A. (Petroquisa), Petrobras Biocombustível, Petrobras

REPORT CAPTIONS

There are a few graphic figures in the report that were designed to help the reader find content, to associate content to indicators, to identify the relevance in the materiality matrix, and to find more information about a particular topic. These graphic figures are as follows:

- » **More information on the topic** : available on Petrobras’ website (www.petrobras.com.br) or in the online version of the Sustainability Report (www.petrobras.com.br/rs2010).
- » **Some additional information can be found on the investor relations website:** www.petrobras.com.br/ri.
- » **Global Compact Icon**: appears next to the chapter corresponding to Petrobras’ actions related to a certain principle of the Global Compact.
- » **Material topic** : the indication appears next to items considered material by the main stakeholders at the materiality matrix process.
- » **GRI indicators**: in the GRI table of contents, the table shows, next to the indicator, the description of the topic, the guidelines degree of adherence, and the page where the information is presented.

CONTACT US

E-mail comments, questions, suggestions and criticism regarding Petrobras’ Sustainability Report to rs2010@petrobras.com.br. This feedback helps us increasingly adjust the content to the readers’ demands and needs.



CORPORATE PERFORMANCE


PROFILE

A global company of Brazilian origin

PETROBRAS IS THE THIRD LARGEST energy company in the world, with an average daily output of 2.6 million barrels of oil equivalent. Established in 1953 and with a presence in 30 countries on all continents, the company is a state-run, publicly traded company controlled by the Brazilian government by means of the Ministry of Mines and Energy.

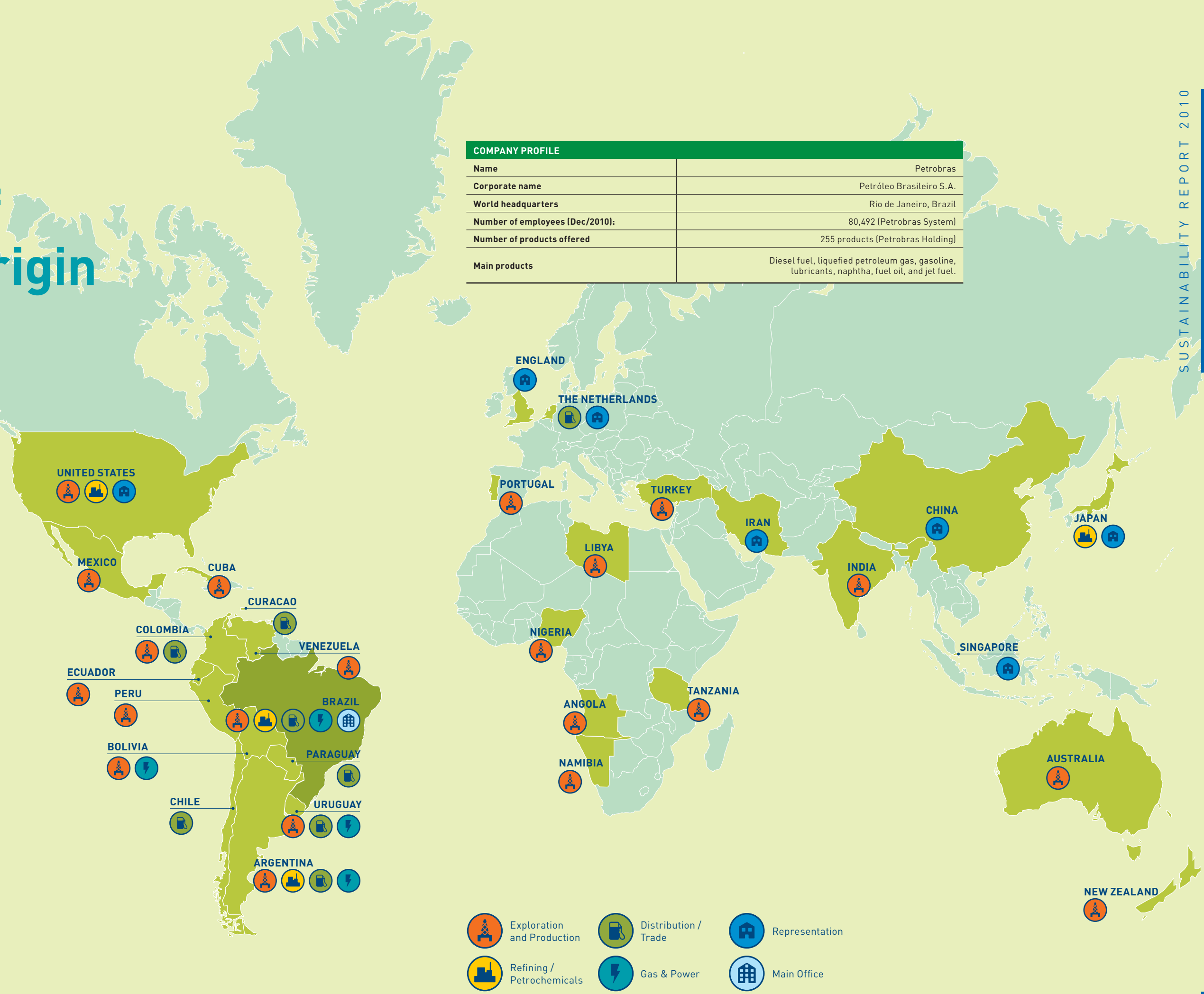
The oil and gas industry leader in Brazil, Petrobras has integrated operations in exploration and production, refining, oil and natural gas trade and transportation, petrochemicals, oil product distribution, electricity, biofuels, and in other sources of renewable energy.

Products made by the Petrobras System – formed by the Company, its subsidiaries, jointly controlled and associated companies –, are present in virtually all areas of modern life, ranging from the fuel that moves cars and propels aircraft to the liquefied petroleum gas (LPG) used in the kitchens of homes and businesses. Diesel fuel, gasoline, lubricants, naphtha, biodiesel, ethanol, fuel oil and jet fuel, among others, complement the company’s portfolio.

 **Learn more about our operations at Petrobras’ website**

Petrobras’ main customers include, in addition to end consumers, businesses operating in logistic transportation, agricultural, industrial, air, maritime, and rail markets and in the thermoelectric segment.

COMPANY PROFILE	
Name	Petrobras
Corporate name	Petróleo Brasileiro S.A.
World headquarters	Rio de Janeiro, Brazil
Number of employees (Dec/2010):	80,492 (Petrobras System)
Number of products offered	255 products (Petrobras Holding)
Main products	Diesel fuel, liquefied petroleum gas, gasoline, lubricants, naphtha, fuel oil, and jet fuel.



PROFILE



PERFORMANCE ON THE BRAZILIAN MARKET

Petrobras has a daily output of 2.338 million barrels of oil equivalent of oil and natural gas. The average total daily production, adding Brazil and abroad, is 2.583 million.

Petrobras Distribuidora operates nationwide in the Service Station and Consumer markets - the latter including the sale of large amounts of fuel, lubricants, special products, asphalt, emulsions, and energy.

The LPG market, served by Liquigás, is broken down into two business areas: Bottled and Bulk. The bulk area is characterized by direct sales to corporations, while the bottled one is geared to small corporate clients and individuals, mostly through its reseller network.

Petroquisa has ownership interests in companies operating in the petrochemical and chemical segments and has national (Northeastern, Southeastern, and Southern Brazil) and international coverage.

Transpetro, in turn, operates nationwide, with facilities in 19 states and in the Federal District. Such facilities include water and land transportation terminals, pipelines, and vessels that transport and store oil, oil products, gas, petrochemicals, and biofuels for all types of customers, such as fuel and gas distributors, among others.

The market for biodiesel, Petrobras Bio-combustível's flagship product, is regulated by federal law. In order to meet the demand for the biodiesel that is needed to compose the B5 blend (5% biodiesel in diesel), the National Petroleum Agency (ANP) organizes auctions covering the entire Brazilian territory.

To become a Petrobras customer and purchase gasoline or diesel, the company must be registered as a distributor by the ANP, and such record must be published in Official Register.

GLOBAL OPERATIONS


Petrobras has operations in 29 countries, besides Brazil, and projects on five continents. In addition to its representation offices and production units, the company has cooperation agreements with other countries to develop knowledge and business that can make both technology and energy projects feasible. A total of R\$4.8 billion was invested in the international businesses, 12% of which earmarked for refining, petrochemicals, distribution, and gas and energy, while 88% to exploration and production, of which 60% were allocated to develop production.

PETROBRAS AND ITS BUSINESS AREAS

The company's large array of activities, products and customers demand efficiency and organizational capacity. Therefore, Petrobras' businesses are divided into four areas:

- » **Exploration & Production** – This area encompasses oil, natural gas liquids (NGL), and natural gas exploration, production development, and production in Brazil. It aims, primarily, to supply the Brazilian refineries and to trade, on the domestic and foreign markets, both excess oil and the products produced at its natural gas processing plants;
- » **Downstream** – This area undertakes oil and oil product refining, logistics, transportation, and trade activities, ethanol exports, and shale extraction and processing. Additionally, it holds interests in businesses operating in the petrochemical industry in Brazil. It aims to produce high-quality oil products, ensuring the supply of products that are essential for the entire population's daily life;
- » **Gas & Power** – This area's activities include transporting and trading natural gas produced in Brazil or imported; liquefied natural gas (LNG) transportation and marketing; electric energy production and sales; and equity interests in natural gas transporters and distributors and in thermal power plants in Brazil. It is also responsible for the fertilizer business;
- » **International** – This area works with oil and gas exploration and production, supply, and gas, power and distribution operations carried out abroad, in several countries of the Americas, Africa, Europe, Asia, and Oceania.

Petrobras also has the Corporate Finance and Services areas. Each of these areas is controlled by a director, except the Corporate area, which is connected directly to the CEO.

 Learn, in the online version of the Report, the main changes made to the organizational structure in 2010

PETROBRAS SYSTEM'S MAIN COMPANIES*

- » Petróleo Brasileiro S.A. (Petrobras)
- » Petrobras Distribuidora S.A.
- » Petrobras Transporte S.A. (Transpetro)
- » Petrobras Química S.A. (Petroquisa)
- » Petrobras Biocombustível S.A.
- » Liquigás Distribuidora S.A.
- » Refinaria Alberto Pasqualini S.A. (Refap)
- » Petrobras Gás S.A. (Gaspetro)

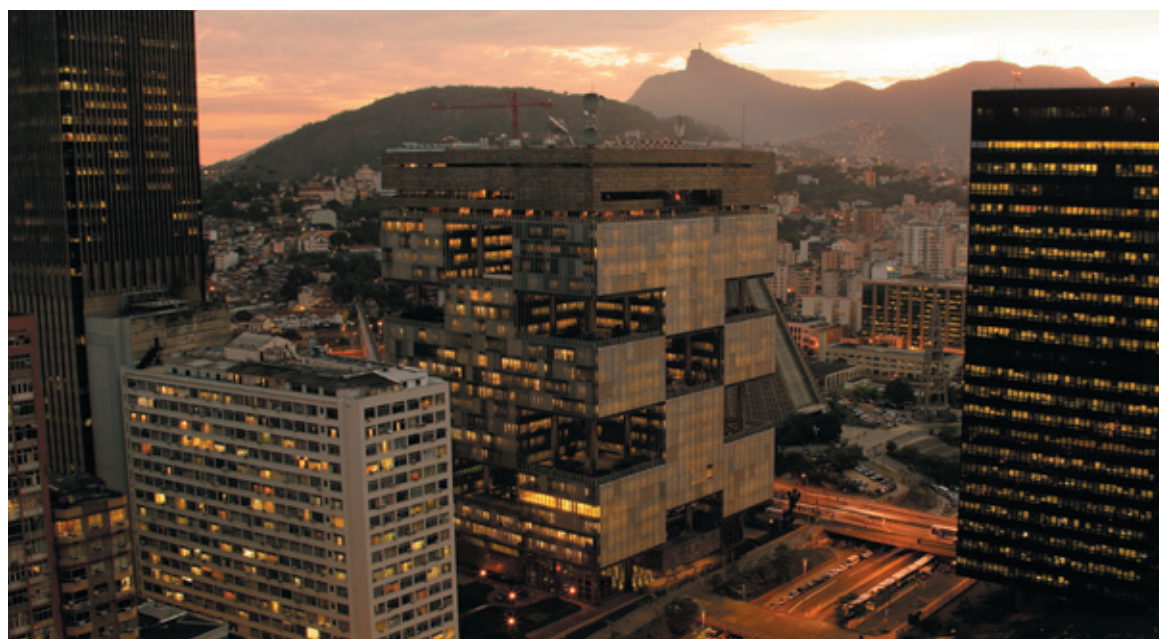
*The companies above are controlled by Petrobras or by one of its subsidiaries.

ONE MILLION SHAREHOLDERS

Petrobras has 396,975 shareholders at BM&FBovespa, which, added to the shareholders of funds that invest in Petrobras shares (365,899), to FGTS fund investors (86,562), and to holders of ADRs (180,000 approximately), increase the company's total number of investors to close to a million shareholders.



The path towards transparency



PETROBRAS ADOPTS THE BEST CORPORATE governance practices and the most advanced management tools, according to international standards. As a publicly-held company, it is subject to the rules set forth by the Securities and Exchange Commission (CVM) and by BM&FBovespa. Abroad, it meets the Securities and Exchange Commission (SEC) and the NYSE rules, in the United States; the rules set forth by the Latibex, of the Madrid Stock Exchange, in Spain; as well as those of the Buenos Aires Stock Exchange and of the Comisión Nacional de Valores (CNV), in Argentina.

To meet these standards, the company relies on instruments such as its bylaws and the Corporations Law (Act 6404, of 1976), based on which it is managed. It also adopts other business drivers, such as codes of Ethics and Good Practices, the Code of Conduct of the High Federal Administration, the Code of Competitive Conduct, and the Corporate Governance Guidelines.

Petrobras also meets the standards set forth under the Sarbanes-Oxley Act (SOX), enacted in

2002 by the U.S. Congress aiming to protect investors by improving the accuracy and reliability of the information disclosed by companies.

BUSINESS DRIVERS

Over the years, Petrobras has developed policies, codes and procedures that reflect the company's commitment to issues such as sustainability, business ethics and valuing its employees, among others.

One such instrument is Petrobras' Social Responsibility Policy, which, aligned to UN Global Compact principles, establishes eight guidelines focused on corporate activities, integrated management, sustainable development, human rights, diversity, working principles, sustainable social investments, and workforce commitment.

To Petrobras, social responsibility is the integrated, ethical, and transparent management of its business and activities and of its relationships with all of its stakeholders, promoting human rights and citizenship, respecting human and cultural diversity,

fighting against discrimination, degrading work, child and slave labor, aiming to contribute to sustainable development and to reduce social inequality.

The company's activities are guided by codes and policies such as the Code of Ethics, the Code of Good Practices, the Code of Competitive Conduct, and by policies on HSE, Human Resources, Social Responsibility, Corporate Performance, New Business Development, Capital Discipline, Communications, Tax Management, and Principles of Corporate Security.

GLOBAL COMPACT

Petrobras has been a signatory of the United Nations Global Compact since 2003, an initiative through which businesses commit, voluntarily, to fulfill and report their performance

regarding ten principles related to Labor, Human Rights, the Environment, and Transparency.

The company has been a member of the Brazilian Committee of the Global Compact since its inception, and has been represented by its CEO on the Global Compact's International Board since 2006, when it became the only Latin American and oil and gas industry company to be on the Board.

TRANSPARENCY HIGHLIGHTS

For the fifth consecutive year, Petrobras is part of the Dow Jones Sustainability Index (DJSI), the most important global index in this category, which brings together over 300 companies from 57 industry sectors. The company distinguished itself in the Transparency criterion, in which it again got the highest score in the industry.

More information can be found in the online version of the Report

In the online version of the Report, learn more about other commitments Petrobras has taken-on and initiatives and forums in which it takes part

THE TEN PRINCIPLES OF THE GLOBAL COMPACT



1 RESPECT
and support internationally proclaimed human rights in its area of influence



2 MAKE SURE
the company is not complicit with human rights abuses



3 UPHOLD
the freedom of association and recognize the right to collective bargaining



4 ELIMINATE
all forms of forced or compulsory labor



5 EFFECTIVELY
eradicate all forms of child labor from its productive chain



6 ELIMINATE
discrimination in respect of employment and occupation



7 SUPPORT
a precautionary, responsible, and proactive approach to environmental challenges



8 UNDERTAKE
initiatives and practices to promote and disseminate environmental responsibility



9 ENCOURAGE
the development and dissemination of environmentally friendly technologies



10 WORK AGAINST
corruption in all its forms, including extortion and bribery

PETROBRAS AND ABNT LAUNCHED ISO 26000 IN BRAZIL

In December 2010, Petrobras, in partnership with the Brazilian Association of Technical Standards (ABNT), promoted the release of the International Standard ISO 26000: Guidance on Social Responsibility in Brazil. The company was the industry representative of the Brazilian delegation on the international working group responsible for building the standard. In 2011, the company will sponsor, together with ABNT, a nationwide series of seminars promoting the ISO 26000 standard in which the free distribution of the printed standard is provided.

Petrobras' internal actions to implement the ISO 26000 guidelines include qualifying workforce through specific training courses on the issues covered by the standard to be held at Petrobras University, and providing training in social responsibility to suppliers. The standard establishes the definition, principles, and core themes of social responsibility and was drafted on a multi-stakeholder process encompassing representatives of the industry, government, labor, consumers, NGOs, academia and services, research and consulting organizations.