



*data / fecha*                    **24 / 02 / 2006**  
*country/país*                    USA / EEUU  
*published by*                    OIL&GAS JOURNAL Online  
*publicado en*

---

WORLD'S MOST SUSTAINABLE AND ETHICAL OIL COMPANIES 2006

A new report by Management & Excellence S.A., the prestigious research and rating company in the areas of ethics, sustainability, corporate governance, transparency and corporate social responsibility, is now available from the Oil & Gas Journal Online Research Center.

This report makes an in-depth comparison of the business practices of 15 of the major worldwide oil companies. This is the third in-depth study measuring oil companies' compliance with over 280 key areas of sustainability, corporate governance, ethics, social responsibility and transparency by the Madrid-based ethics research and rating company Management & Excellence S.A.

The study uses the M&E Facts Only method consisting of a list of 280 internationally recognized standards in sustainability, corporate governance, social responsibility and ethics, customized for the oil industry. M&E surveyed all companies included and researched public information services to determine actual point-by point compliance with these standards. All percentages in the report refer to the number of points with which a company complies out of a total of over 280.

The report provides a true comparison for evaluating the business practices of these major oil companies. THIS REPORT PROVIDES THE LATEST INFORMATION ABOUT THE TRENDS AND MOVEMENTS OF COMPANIES IN THE OIL INDUSTRY, IN FIVE (5) AREAS ANALYZED; SUSTAINABILITY, CORPORATE GOVERNANCE, ETHICS, SOCIAL RESPONSIBILITY, AND TRANSPARENCY.

This report is a must for evaluating the future for these companies and the industry.

-----  
Product No. M&E2006 Price: \$6,000 US (5000 Euros) \*

To Order:

Phone: 1.800.752.9764 or 1.918.831.9421

E-mail: sales@pennwell.com For More Information:

E-mail: orcinfo@pennwell.com

Phone 1.918.831.9488

ONLINE ORDER FORM

(opens in new window)

\*Contact OGJ Online Research Center for Customized Reports  
-----

Following is a summary of the results of this study -

A press release issued by Management & Excellence, S.A.

PRESS RELEASE

Shell Again Most Sustainable Oil Company in 2006

Brazil's Petrobras Moves to 2nd; Exxon Drops to 9th Place; Four of Top-5 Are European

Madrid, 22 February 2006: Shell tops the list of the worlds most sustainable and ethical oil companies for the third year running. In the 2006 study Shell achieves the highest score of any oil company ever, achieving 89.01%. This is the result of the third in-depth study measuring oil companies' compliance with over 280 key areas of sustainability, corporate governance, ethics, social responsibility and transparency by the Madrid-based ethics research and rating company Management & Excellence S.A.

Shell was able to substantially improve its already strong 2005 performance of 82% even though this year's study covered roughly twice as many areas as the 2005 study, thus adapting to higher benchmarks in sustainability in the oil business. Shell subscribes to no fewer than 12 codes of human rights and its board met a record 29 times in 2004. By comparison, top-rated BP's board only met 8 times. The company offers grievance channels for its personnel in over 50 countries and is implementing 120 biodiversity projects worldwide. No oil company studied was as transparent as Shell: the company publishes 13 separate reports on topics ranging from environmental impact assessment to animal testing.

Ranking		
1	Shell	89,01%
2	BP	83,52%
	Petrobras	83,52%
4	Statoil	83,15%
5	Total	76,19%
6	Norsk-Hydro	73,26%
	Repsol	73,26%
8	Chevron	72,53%
9	ExxonMobil	68,13%
10	Conoco	66,30%
11	Pemex	62,64%
12	ENI	62,27%
13	Lukoil	58,61%
14	Gazprom	35,90%
15	Petronas	20,15%

Other major movements in the M&E league table, which scores the actual compliance by oil companies to established standards in sustainability and related fields, includes Brazil's Petrobras, which moves up this year from 7th in 2005 to 2nd position. While Exxon scored 80% in 2005, it only achieved a score of 68,1% this year, owing to gaps in reporting and thus dropping it from 2nd to 9th place in 2006. For a company its size, Exxon gives little information on its employee performance measurement systems, supplier management, and is not listed in the FTSE4Good or Dow Jones Sustainability indices.

On the other hand, companies are generally improving their transparency. Russia's Lukoil manages to raise its total score by 23 percentage points from 35% to 58.61%, or a jump of 67%. In September 2005 Lukoil brought out its first sustainability report discussing its achievements in environment, employee benefits and community support, which more than doubled its transparency score from 29% in M&E's 2005 ranking to 62% in 2006. Lukoil is known to be the internationally most widely traded Russian equity, listed in London as an ADR.

#### Environment Still First Priority:

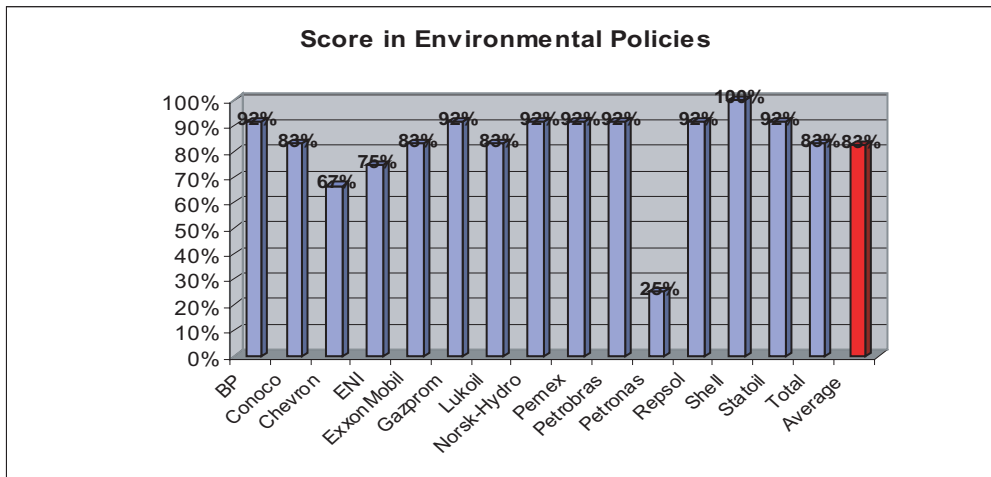
Being in an environmentally risky business, oil companies still consider environment a top priority. Investments by European and U.S. companies in "environment" outpace health and safety expenses. Italy's Eni spent about €670m (about \$800m) on the environment while health & safety was only a third of this figure. Among companies in first world countries, recultivating polluted or effected land makes up the lion's share of environmental expenditures. ENI allocates over 30% of its environmental budget to this area and spends an additional 6.4% on environmental restoration, compared with 2.3% for R&D and 0.5% for environmental training.

Fourteen of the 15 companies ranked here publish annual environmental reports. Even Russian gas giant Gazprom has been publishing ecological reports since 1995. While plant modernizations are the focus of companies with older facilities such as Lukoil, Gazprom, Petrobras and Pemex, European and US companies are concentrating on reducing emissions and energy use. BP consumed 200 GJ less in energy in 2004 over 2003 and instituted a five-year \$350m internal innovation program to reduce energy consumption throughout the company. Besides improving sustainability and profitability, this means lower emissions generated by producing oil products. BP claims to have generated 400.000 tons of greenhouse gases due to this program alone. BP also saved electricity by using cogeneration processes in which it generates electricity from heat waste in its own production facilities, saving 6 million tons of CO2 gases and an undisclosed sum of money.

Known for its environmental scandals, Rio de Janeiro-based Petrobras completed an about-face a few years ago when it launched an R\$ 40m, 30 project environmental investment program. The program immediately paid off as equipment was modernized and oil spillages abated. In a recent public survey in Brazilian cities by Omni, the public now considers Petrobras to be the most environmentally and socially responsible company in Brazil. The good public image did not come without concerted effort. It invested a total of R\$ 18 m in sponsorship programs alone. And it reached out to the people with everything it could, including organizing surf competitions in Buzios, a famous resort near Rio. For 2006 Petrobras advertises its sponsorship program and requesting applications for sponsorship.

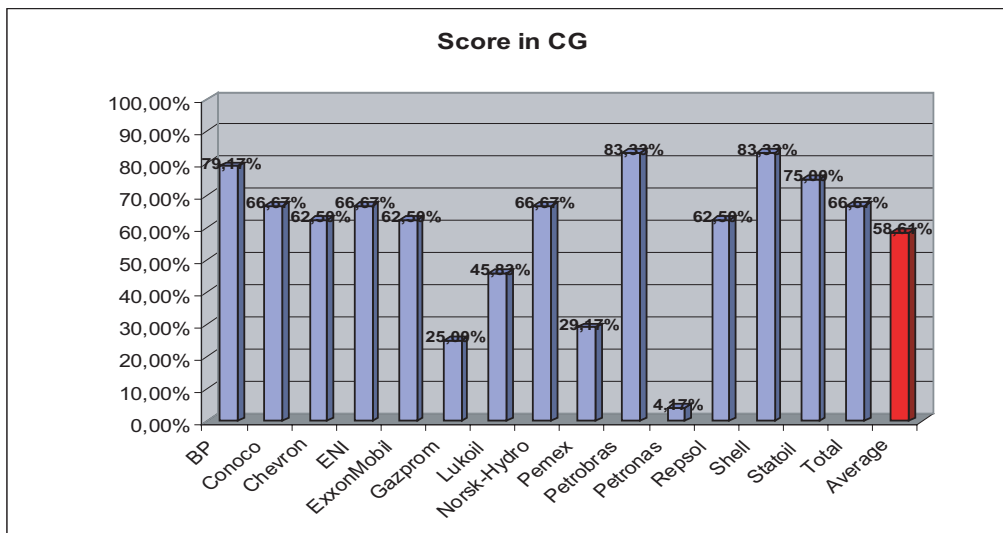
#### Low Priority Given to Alternative Energies:

While most companies were proud of reducing water and energy use and reducing emissions, many appear at best ambivalent on new and renewable energy sources. Under "New Energy" Statoil merely describes its energy conservation efforts. In its detailed outlook for energy consumption, Exxon claims that energy derived from solar and wind will grow by 11% annually but still might only constitute 1% of the energy market. Yet others are taking alternative energies seriously as business opportunities, notably Norsk Hydro and BP. Norsk operates its own water power and alternative energy division Hydro, which owns rights for large scale water power through 2051. BP operates BP Solar, a globally growing solar panel company. Both companies are involved in wind power as well. The "clean fuel" hydrogen, which burns at a rate of 90% is being pushed by Hydro, BP and Statoil, which aims at becoming a major hydrogen producer. Being a gas company, Gazprom is pushing to expand the use of gases as an automotive fuel throughout Russia.



### Corporate Governance Still Weak

Of the five overall areas studied (sustainability, corporate governance, corporate social responsibility, ethics and transparency), companies do worst in corporate governance, averaging only 58.61%. The differences between the companies is the greatest in this area with Shell and Petrobras both achieving 83.3% and Petronas only getting 4.1%. State companies such as Gazprom and Pemex generally did worst, lacking a management structure controlled by independently staffed board committees. Surprisingly, the three U.S. companies barely made it over the 60% mark despite Sarbanes-Oxley, NYSE laws and the like.



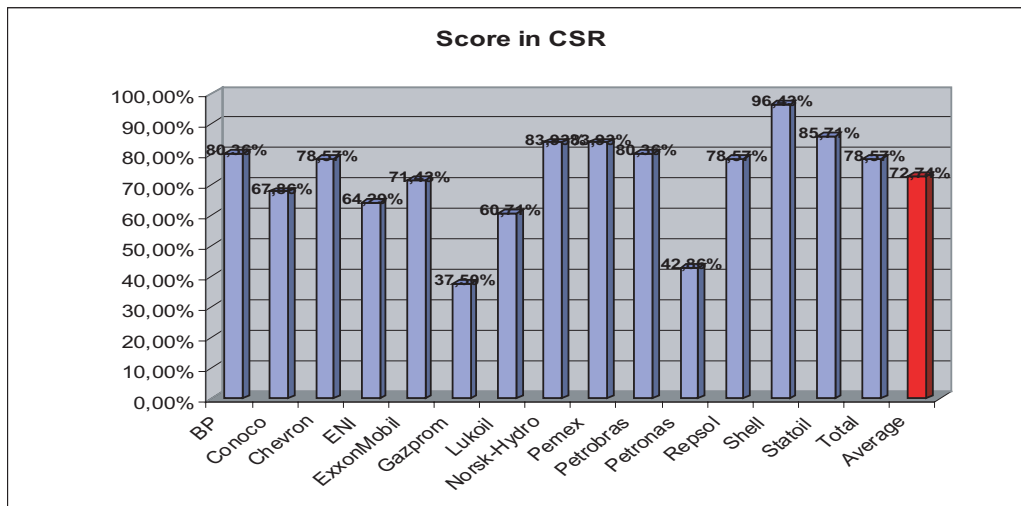
### Sponsorships Help Image and Productivity

Sponsorships have a long tradition in the oil business and all other businesses having a potentially negative impact on peoples' health or well-being. Last year Exxon spent over \$106m on community-related sponsorships. Sponsoring sports, especially motor sports, is typical in oil, as exemplified in the Petronas-Sauber formula 1 team.

Getting people involved in voluntary work is also a popular approach for accruing image points and making friends with employees and local communities. Mexico's Pemex runs a telethon involving volunteers which raised \$135.000 in 2005, supporting nearly 200 handicapped children. Exxon met \$26m its volunteers gathered with a grant of nearly \$21m. BP spends \$500m every three years in education, enterprise development and access to energy in countries where it operates.

Most companies invest heavily in human resource development and training, such as France's Total which spends €160m on training (\$192m) annually. Training entails higher productivity but also fewer expensive accidents in what is a fairly dangerous business. To this end, Statoil trained 23.500 employees and contractors in 100 safety seminars. Most companies are proud of a continuous drop in injuries and absenteeism among employees and even suppliers. At Total, injuries among employees and contractors dropped from 46 in 2002 to 20 in 2004.

The strong link between employee satisfaction and productivity has prompted an increasing number of companies to carry out annual employee satisfaction surveys. Chevron claims that 89% of its employs thought it behaves "responsibly in relation to the environment" and 80% think Chevron cares about the health and well-being of its employees.



#### Europeans Ahead of Americans in Transparency:

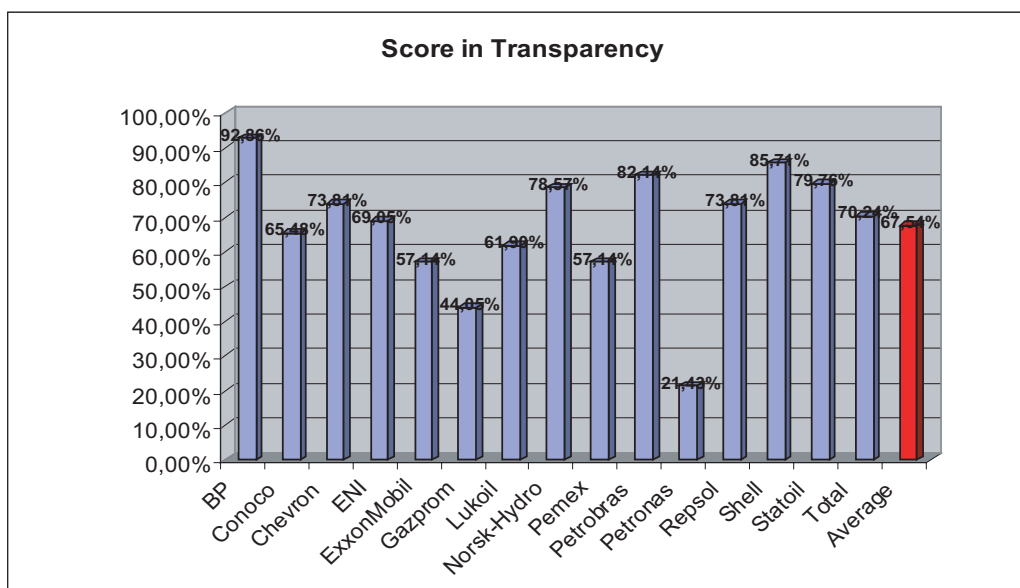
Two years ago Shell made headlines for misreporting its reserves and in 2005 Repsol downgraded its reserves. Both cases cast doubt on the transparency of oil companies. In fact, accurately reporting oil reserves is a complicated matter, often depending on unpredictable factors such as drilling arrangements with partner companies. To counter the impression that it wasn't telling the whole truth, Shell now publishes a 40-page document explaining how it determines and monitors actual reserves and how this process complies with SEC guidelines.

Yet oil companies have been among the most transparent businesses around, using sustainability, social responsibility and ethics as good promotion topics. And thus they continue to upgrade their transparency, which has helped raise the average performance of all companies in M&E study from 62% in 2005 to a current 67.5%, despite the first time inclusion of Petronas' very weak numbers. European oil companies have proven more transparent than their American counterparts. The average overall transparency score for the six European companies is nearly 80% while the three Americans only attained 65.5%. Industry-leader ExxonMobil scores only 57%, which is the same as Mexican state-owned Pemex and lower than Russia's Lukoil.

Oil companies have been regularly improving their websites as the world goes online. The key topics are corporate governance and environmental issues, followed in recent years by reports on social and employee projects. Alexey Miller, CEO of Gazprom, even addresses the company's new website as the main topic of his welcoming statement.

Under corporate governance Shell and BP, for example, publish how often each board member attended board meetings. In 2003 Lukoil created three board committees for auditing, compensation and strategy to comply with international governance standards. Proxy statements are normally revealed by all public companies. BP offers direct links to 76 national BP websites in their respective languages.

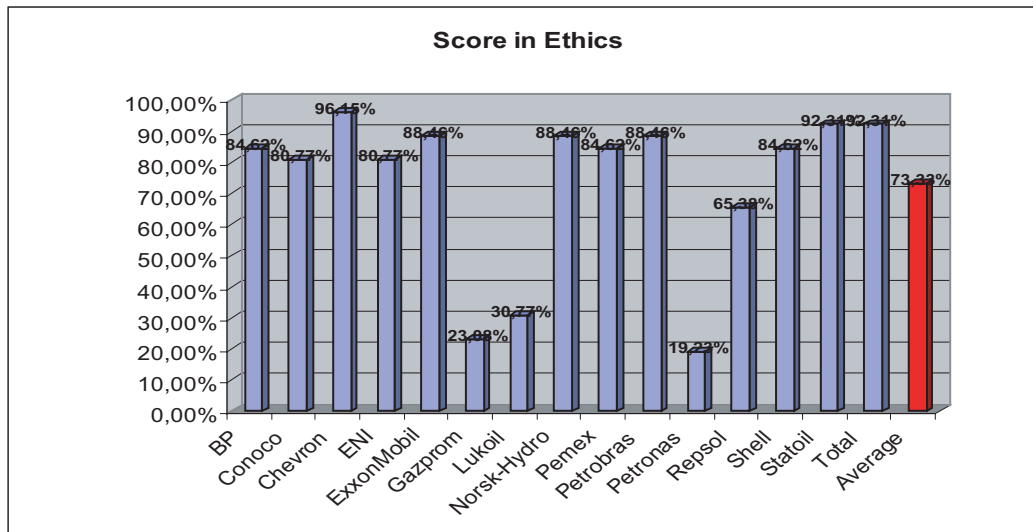
Another trend is to publish detailed and colorful sustainability, environmental and social reports. BP publishes the full report in English, German, Spanish and Russian and Petrobras has published a social responsibility report annually since 2001 while others are doing it for the second or third (e.g. Total) year. Petrobras is even increasing the pace by already having its 2005 data ready for release by mid-February of 2006. Gazprom, by comparison, has not gotten beyond publishing its 2002 data.



---

## Most On Top in Ethics

On the average, companies scored highest under "ethics" with an average of 73.3%. Ethics in essence means having and promoting a detailed code of conduct and staying out of trouble. Companies with low scores, such as Gazprom and Petronas, largely failed to communicate and implement a code of conduct and ethics, although this is among the least expensive ways of gaining points. Top performers, such as Chevron, Statoil and Total, implemented codes explaining how employees should deal with difficult cases of bribery and conflicts of interest. Statoil's general code of ethics is 31 pages long. In addition, the company publishes codes for its financial management and suppliers, which were last updated as recently as December 2005.



Management & Excellence (M&E) was one of the first companies to research and rate companies in sustainability and ethical areas, starting in 2001. It specializes in the oil business and Latin America where it is partnered with SR Rating, one of Latin America's largest credit rating agencies. M&E markets its oil study jointly with Oil & Gas Journal Online Research Center.

The current study "World's Most Sustainable and Ethical Oil Companies" uses the M&E Facts Only™ method which consists of a list of over 280 internationally recognized standards in sustainability, corporate governance, social responsibility (CSR) and ethics customized to the oil industry. M&E surveyed all companies and researched public information services to determine actual point-by-point compliance with these standards. All percentages refer to the number of points with which a company complies out of a total of over 280. The entire study is available for sale.

For more information contact:

Oil & Gas Journal Online Research Center

Robert Beck  
Manager, OGJ Online Research Center

Tel: 1-918-831-9488  
Fax: 1-918-832-9521

E-mail: [orcinfo@pennwell.com](mailto:orcinfo@pennwell.com) or [bobb@pennwell.com](mailto:bobb@pennwell.com)

Web Site: [www.ogjresearch.com](http://www.ogjresearch.com)