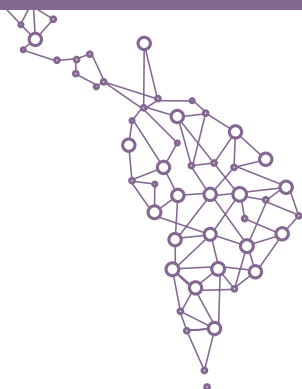


# Analysis of the status of sustainability reporting of ARPEL member companies

May 2018

ARPEL PUBLICATION N° EJ01-2018



EXECUTIVE REPORTS

## Contents

<b>1. Executive Summary</b>	3
<b>2. Introduction</b>	4
<b>3. Background</b>	5
<b>4. Objective</b>	5
<b>5. Work Methodology</b>	5
<b>6. Analysis Considerations</b>	7
<b>7. Scope</b>	7
<b>8. Results</b>	7
8.1. How many member companies report to their stakeholders in relation to sustainability?	8
8.2. The companies that published reports, when did they publish them?	9
8.3. What methodology did they use?	9
8.4. Comparison with the issues included in the indicators recommended by IPIECA/API/IOGP	10
8.4.1. Percentage of IPIECA/API/IOGP indicators considered by companies	10
8.5. Position of companies in relation to coverage of IPIECA/API/IOGP indicators	11
8.6. What do companies report on?	12
<b>9. Companies that show a high level of reporting</b>	14
<b>10. Conclusions</b>	15

## 1. Executive Summary

This document has been developed with the aim of establishing a path of collaboration with member companies in strengthening the dialog with their different stakeholders. Its purpose is to analyze the level of development of the information provided by companies on their web sites, particularly in their reports, in relation to the issue of sustainability. The analysis was based firstly on determining whether there was information relating to this issue and, secondly, on comparing the information found with the indicators suggested by IPIECA/API/IOGP in its Guidance on Voluntary Sustainability Reporting for the Oil and Gas Industry endorsed by ARPEL. In those cases in which there were no reports, the

information contained in the web sites or in the annual or management reports included in those sites was taken into account.

Although all member companies were considered, special emphasis was placed on the operating companies which are the ones that have the greatest impacts and challenges in communicating their sustainability approach.

The results of the study show that sustainability reporting and communication initiatives in terms of sustainability are widespread practices in the industry, and already 30 per cent of operating companies maintain a high level of reporting.

<sup>1</sup> IPIECA (The Global Oil and Gas Industry Association for Environmental and Social Issues)/American Petroleum Institute/International Association of Oil & Gas Producers.

<sup>2</sup> Oil and gas industry guidance on voluntary sustainability reporting - 3rd Edition, 2015

<sup>3</sup> Operating company: a company that has accountability and authority for sustainability policies, systems and performance (health, safety, environmental, social and/or economic) associated with the facility.

## 2. Introduction

It is not new that today understanding of the industry with society as a whole, and with its stakeholders in particular, is increasingly necessary through a frank and ongoing dialogue to visualize both the challenges of the former and the expectations of the latter.

Oil and gas companies, especially operating companies, have the double challenge of supplying energy in a safe and affordable manner for the development of a comfortable and increasingly energy-demanding life, and achieving this with the least possible environmental impact in its production; in turn, in a scenario of joint responsibility, contributing as far as possible to the sustainable development of the communities in which they are located.

The implementation of production activities in an environmentally friendly way is today an ethical issue that cannot be ignored or minimized by any organization, and should be a fundamental part of its strategy.

In addition, the development of projects that contribute to the quality of life of people should not also be taken as a matter of philanthropy, but become a part of the business because it contributes to the growth of the social capital and, therefore, of society as a whole and of the economy that sustains it. In this regard, companies develop many projects and take many actions, in addition to the investment of significant material and financial resources; however, most of the time this goes unnoticed, and remains within the organizations without making it known to the different stakeholders so that they can contribute and interact

with companies generating a collective synergy. Considering the value of the relationship with stakeholders, sustainability reports have three very advantageous aspects for organizations.

- On the one hand, they are a valuable tool to support this communication and foster dialogue, contributing to transparency and a continuous exchange with various stakeholders.
- In addition, as they are public, they establish a symbolic commitment to sustainability by those who make them known, generating a virtuous circle of continuous search for ways of improvement that show their growth as responsible organizations.
- A third aspect to be considered is their contribution to manage the impacts of the company. By incorporating indicators that measure different aspects of management in terms of sustainability, companies may develop action plans to strengthen those areas that show weaknesses or opportunities for improvement.

In this context, ARPEL, as an organization that represents the oil and gas industry in Latin America and the Caribbean, has defined supporting its members in strengthening their relations with communities and therefore their reputation as a strategic line.

Considering that the information they provide in relation to their socially responsible performance is essential, an analysis that can provide a baseline to promote this issue constitutes a substantial contribution in this regard.

### 3. Background

ARPEL maintains a strong line of work with regard to sustainability and management of the impacts of operations of the industry.

In this regard, member companies report annually and on a voluntary basis their safety performance indicators since 1997 and their environmental performance indicators since 2008 in order to develop benchmarking to identify gaps and establish improvement actions. In turn, the Strategic Plan of ARPEL for 2015-2018 established the issue of Transparency and Reputation as a strategic line in order to support companies to reach levels of excellence that allow a better dialogue with their stakeholders. Thus, the sustainability report becomes a suitable means of communication.

On the other hand, in 2015, ARPEL endorsed the guidance prepared by IPIECA/API/IOGP for the development of voluntary sustainability reports for the oil and gas industry, considering that this tool addresses the most significant concerns for the industry, since it allows the identification of aspects that should be reported in a practical and user-friendly manner.

Considering the need for a joint view and having an efficient tool for this purpose, it was decided to develop an analysis to obtain information to start delineating possible lines of work and collaboration.

### 4. Objective

This document has been developed with the aim of becoming a baseline as a contribution to member companies so that, in collaboration and through the exchange of best practices, dialogue with stakeholders can grow, in this way contributing to strengthen the management of socio-environmental impacts of the activities of the industry in the region.

The contents of this report are not intended to be completed in this instance, but to encourage member companies to report their achievements and also their challenges as part of a transparent and reliable policy within the framework of a strategic sustainability plan.

### 5. Work Methodology

The development of this document was based on the information published by member companies on their web sites in 2017.

The actions taken were as follows:

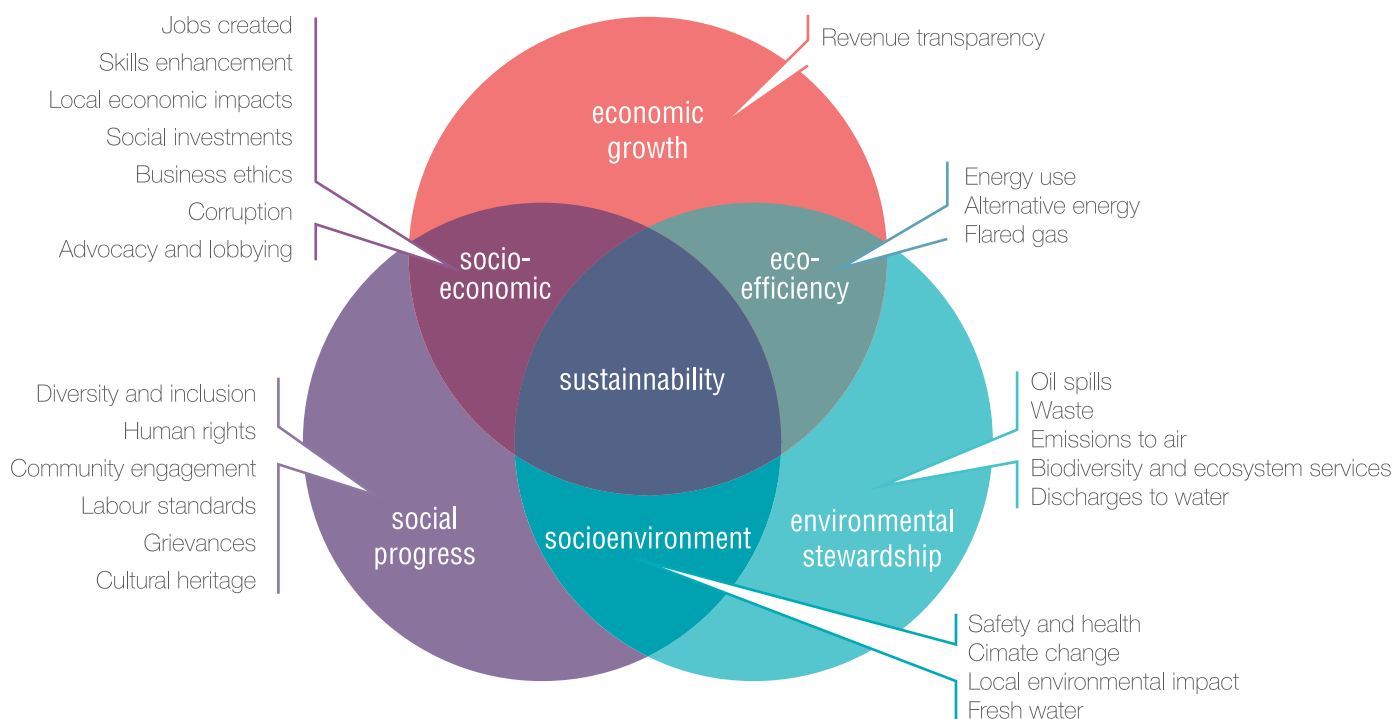
**1. Review of the information on the issue of sustainability published on their web sites:**

- a. If there is a report, review of its contents.
- b. If there is no report, review of contents of the pages of the web site.

**2. Analysis of reports:**

- a. Determination of the methodology used to prepare the report.
- b. Mapping of information contained in the report with the indicators proposed by IPIECA/API/IOGP.

The social, economic and environmental dimensions, and the most important sustainability issues commonly associated with the oil and gas industry recommended to be considered for inclusion in a sustainability report according to IPIECA/API/IOGP were taken into account for mapping:



These issues are considered in eighteen indicators that IPIECA/API/IOGP combine in three areas:

ENVIRONMENTAL ISSUES	SOCIAL AND ECONOMIC ISSUES
<b>E1:</b> Greenhouse gas emissions	<b>SE1:</b> Local community impacts and engagement
<b>E2:</b> Energy use	<b>SE2:</b> Indigenous peoples
<b>E3:</b> Alternative energy sources	<b>SE3:</b> Involuntary resettlement
<b>E4:</b> Flared gas	<b>SE4:</b> Social investment
<b>E5:</b> Biodiversity and ecosystem services	<b>SE5:</b> Local content practices
<b>E6:</b> Fresh water	<b>SE6:</b> Local hiring practices and performance
<b>E7:</b> Discharges to water	<b>SE7:</b> Local procurement and supplier development
<b>E8:</b> Other air emissions	<b>SE8:</b> Human rights due diligence
<b>E9:</b> Spills to the environment	<b>SE9:</b> Human rights and suppliers
<b>E10:</b> Waste	<b>SE10:</b> Security and human rights
<b>E11:</b> Decommissioning	<b>SE11:</b> Preventing corruption
<b>HEALTH AND SAFETY ISSUES</b>	<b>SE12:</b> Preventing corruption involving business partners
<b>HS1:</b> Workforce participation	<b>SE13:</b> Transparency of payments to host governments
<b>HS2:</b> Workforce health	<b>SE14:</b> Public advocacy and lobbying
<b>HS3:</b> Occupational injury and illness incidents	<b>SE15:</b> Workforce diversity and inclusion
<b>HS4:</b> Product stewardship	<b>SE16:</b> Workforce engagement
<b>HS5:</b> Process safety	<b>SE17:</b> Workforce training and development
	<b>SE18:</b> Non-retaliation and grievance system

## 6. Analysis Considerations

- The information extracted only corresponds to what has been published on web sites by 12/31/2017. Therefore, any further information or changes to the web site have not been considered in this report.
  - The report contains the information specifically published; i.e., there may be organizations that have made their reports but that have not published them on their web sites, for which reason these have not been considered.
  - The analysis does not consider the quality of the information, but only that the issues proposed by the indicators in the IPIECA/API/IOGP Guidance are addressed in some way.
- 

## 7. Scope

The study includes all ARPEL member companies, and consists of two parts.

- In the first part related to general information, all member companies are considered.
- In the second part, a comparison is made of indicators with the IPIECA/API/IOGP Guidance endorsed by ARPEL, especially for those that are operating companies given the most significant impact these have on the community.

## 8. Results

As a way to protect anonymity, each company has been assigned a code that will be communicated to it so it may analyze the information regarding its position more precisely, without the possibility of identification of individual data by any other company at any time.

The information has been grouped around the following items:

- How many companies provide some information on sustainability
- Whether the information is updated
- The methodology used
- The information they have reported in relation to the indicators suggested by IPIECA/API/IOGP
- What position they are in according to the number of indicators informed
- If their reports have been audited by third parties



## 8.1. How many member companies report to their stakeholders in relation to sustainability?

	Total member companies	Only operating companies
<b>COMPANIES WITH INFORMATION ON THEIR WEB SITES:</b>	<b>73%</b>	<b>78%</b>
With sustainability report	64%	67%
Without sustainability report but they provide information in annual or management reports	9%	11%
<b>COMPANIES WITHOUT INFORMATION ON THEIR WEB SITES:</b>	<b>27%</b>	<b>22%</b>

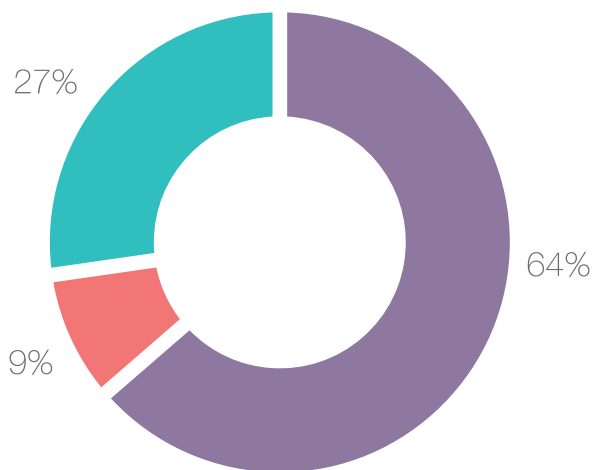
• Most member companies mention sustainability issues in their web sites.

- 73% of companies have some kind of sustainability report on their web sites. The percentage rises to 78% considering only the universe of operating companies.

- 9% of companies report their sustainability actions in their annual or management reports.

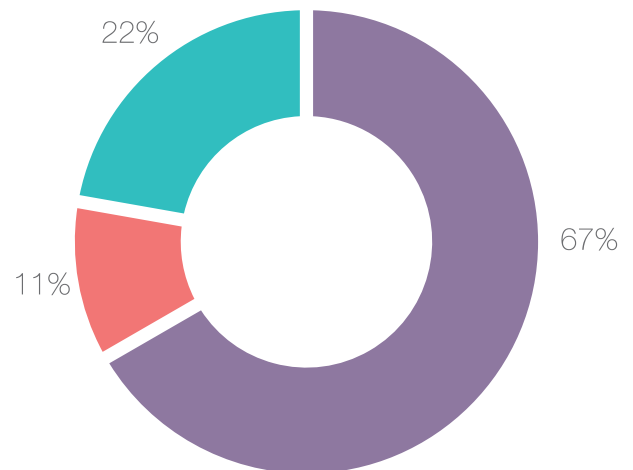
• In turn, 27% of member companies do not publish information on their performance in sustainability on their web sites or include general statements on the company's approach in this regard. In the case of operating companies, the percentage drops to 22%.

TOTAL MEMBER COMPANIES



- Companies providing sustainability reports on their web sites
- Companies reporting on annual or management reports without sustainability report
- Companies without information on their web sites

OPERATING COMPANIES

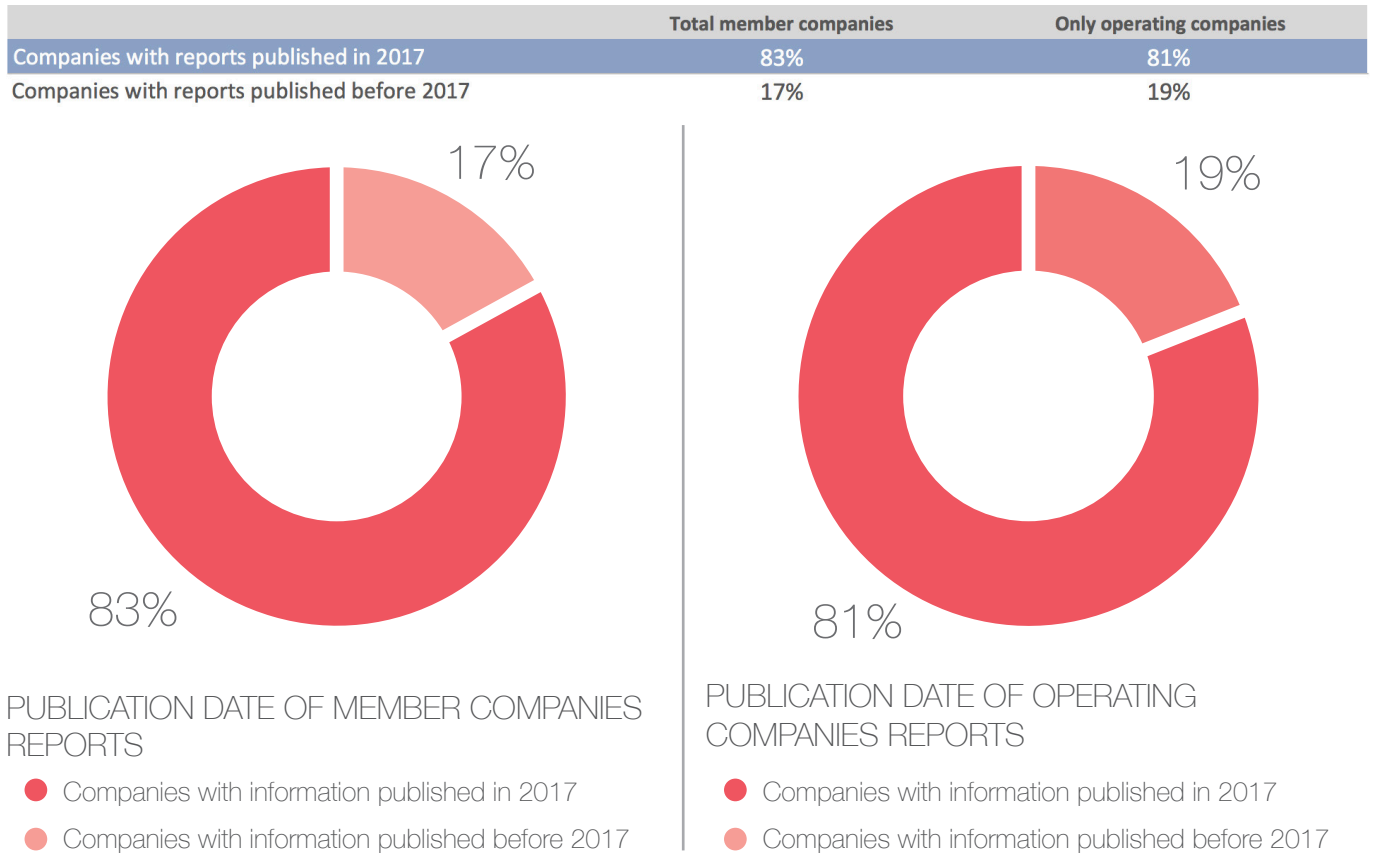


- Companies providing sustainability reports on their web sites
- Companies reporting on annual or management reports without sustainability report
- Companies without information on their web sites



### 8.2. The companies that published reports, when did they publish them?

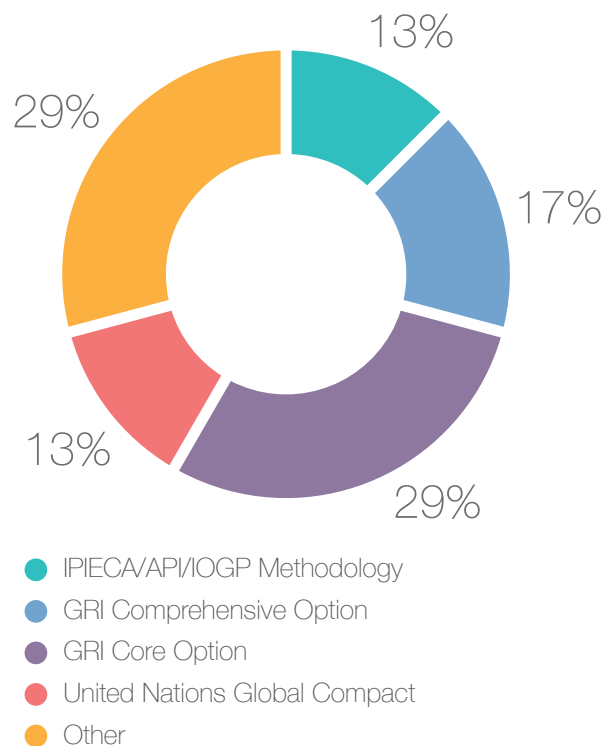
The vast majority of the companies that share their reports through the web have published them during 2017, with information relating to the immediately preceding year (2016). In turn, the publication of this information is on an annual basis.



### 8.3. What methodology did they use?

The methodology chosen varies among member companies that reported information on sustainability:

<b>IPIECA/API/IOGP Methodology</b>	13%
<b>GRI Comprehensive Option</b>	17%
<b>GRI Core Option</b>	29%
<b>United Nations Global Compact</b>	13%
<b>Other</b>	29%



An in-depth analysis of the methodologies used shows some additional data:

- 29% of companies used exclusively the methodology proposed by IPIECA/API/IOGP in their Guidance on Voluntary Sustainability Reporting endorsed by ARPEL.
- Of the companies that used the methodology of the Global Reporting Initiative G4 in its Comprehensive Option, two supplemented their information with the GRI Oil and Gas Sector Supplement, three verified principles of the United Nations Global Compact, three the Sustainable Development Goals (SDGs) and one the contents of ISO 26000 Guidance.
- The companies that opted for the Essential option of Global Reporting Initiative G4, five supplemented its information with the GRI Oil and Gas Sector Supplement, three verified principles of the Global Compact, one to the Sustainable Development Goals (SDGs) and three the contents of ISO 26000 Guidance.

#### 8.4. Comparison with the issues included in the indicators recommended by IPIECA/API/IOGP

Only the operating companies that publish information on sustainability stated in documents (reports) or on their web sites have been considered here.

Although there are some service providers that also report, they have not been included this time due to the characteristics of their business. The companies included here, listed in alphabetical order, are:

ANCAP	ECOPETROL	PDVSA	PETROPERÚ	TECPETROL
AXION	ENAP	PEMEX	PETROTRIN	YPF
CENIT	EQUION	PETROAMAZONAS	PLUSPETROL	YPFB
CHEVRON	OCENSA	PETROBRAS	RECOPE	
COGA	OLDELVAL	PETROECUADOR	REPSOL	
CUPET	PCJ	PETROPAR	STAATSOLIE	

##### 8.4.1. Percentage of IPIECA/API/IOGP indicators considered by companies

According to the comments in the Methodology section, a comparison was made that used, as a guide, the issues included in the indicators suggested by IPIECA/API/IOGP for reporting companies and those that these companies actually reported. This comparison was made through different methods:

- For companies that used the indicators suggested by IPIECA/API/IOGP, compliance as stated in their reports was observed directly.
- In the case of those companies that used the Global Reporting Initiative methodology, the table used was the one included in IPIECA/API/IOGP Guidance that correlates GRI indicators and the statements by companies in the section designed to specify the coverage of indicators.
- When none of the previous methodologies was used, the existence of information related to each indicator was checked.

On the basis of the information obtained, companies were positioned in accordance with the following categories:

Position	Level of coverage of IPIECA/API/IOGP Indicators
1	Report more than 90 percent of indicators
2	Report between 81 and 90 percent of indicators
3	Report between 71 and 80 percent of indicators
4	Report between 61 and 70 percent of indicators
5	Report between 51 and 60 per cent of indicators
6	Report between 41 and 50 percent of indicators
7	Report between 31 and 40 percent of indicators
8	Report between 21 and 30 percent of indicators
9	Report between 11 and 20 percent of indicators
10	Report between 0 and 10 percent of indicators

## 8.5. Position of companies in relation to coverage of IPIECA/API/IOGP indicators

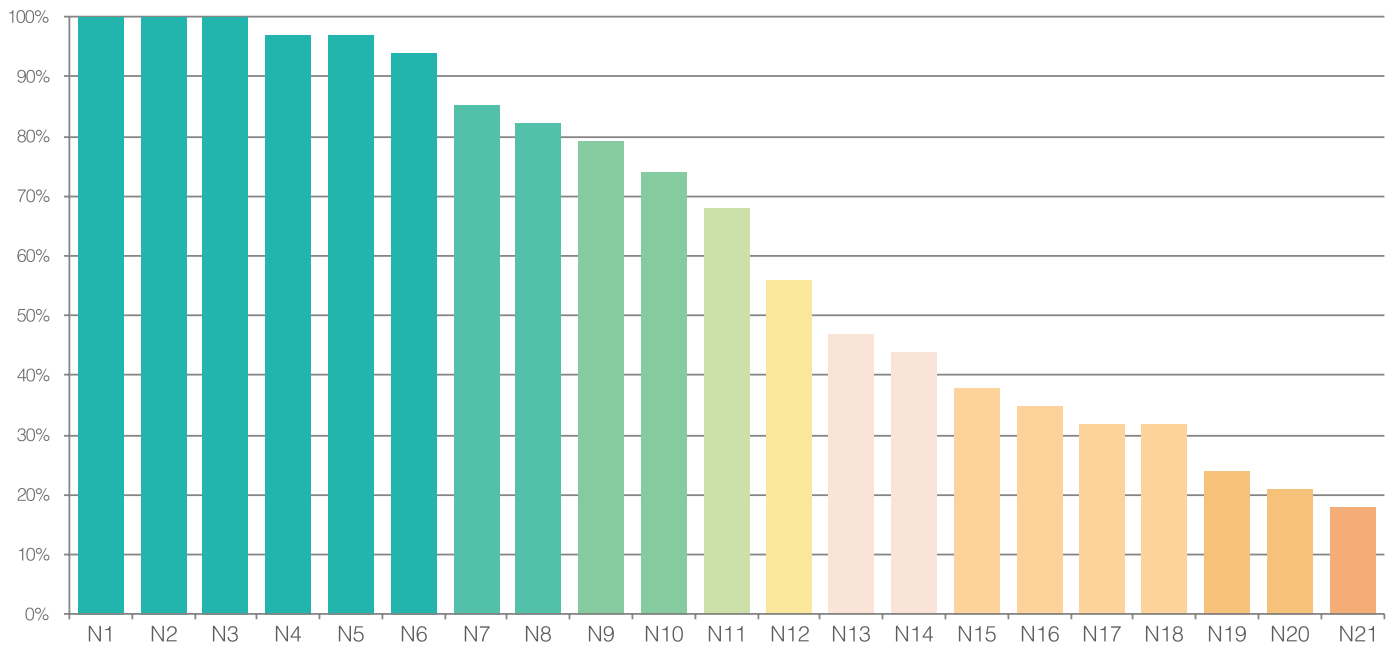
Considering the coverage of indicators of the total number of operating companies, we can establish the following position:

Relative position	Company code	% IPIECA/API/IOGP indicators considered	Percentage by scale
<b>1</b>	<b>N1</b>	<b>100%</b>	<b>22,20%</b>
	<b>N2</b>	<b>100%</b>	
	<b>N3</b>	<b>100%</b>	
	<b>N4</b>	<b>97%</b>	
	<b>N5</b>	<b>97%</b>	
	<b>N6</b>	<b>94%</b>	
<b>2</b>	<b>N7</b>	<b>85%</b>	7,40%
	<b>N8</b>	<b>82%</b>	
<b>3</b>	<b>N9</b>	<b>79%</b>	7,40%
	<b>N10</b>	<b>74%</b>	
<b>4</b>	<b>N11</b>	<b>68%</b>	<b>3,70%</b>
<b>5</b>	<b>N12</b>	<b>56%</b>	<b>3,70%</b>
<b>6</b>	<b>N13</b>	<b>47%</b>	7,40%
	<b>N14</b>	<b>44%</b>	
<b>7</b>	<b>N15</b>	<b>38%</b>	<b>14,80%</b>
	<b>N16</b>	<b>35%</b>	
	<b>N17</b>	<b>32%</b>	
	<b>N18</b>	<b>32%</b>	
<b>8</b>	<b>N19</b>	<b>24%</b>	7,40%
	<b>N20</b>	<b>21%</b>	
<b>9</b>	<b>N21</b>	<b>18%</b>	<b>3,70%</b>
<b>10</b>	N22	0	<b>22,20%</b>
	N23	0	
	N24	0	
	N25	0	
	N26	0	
	N27	0	

That is:

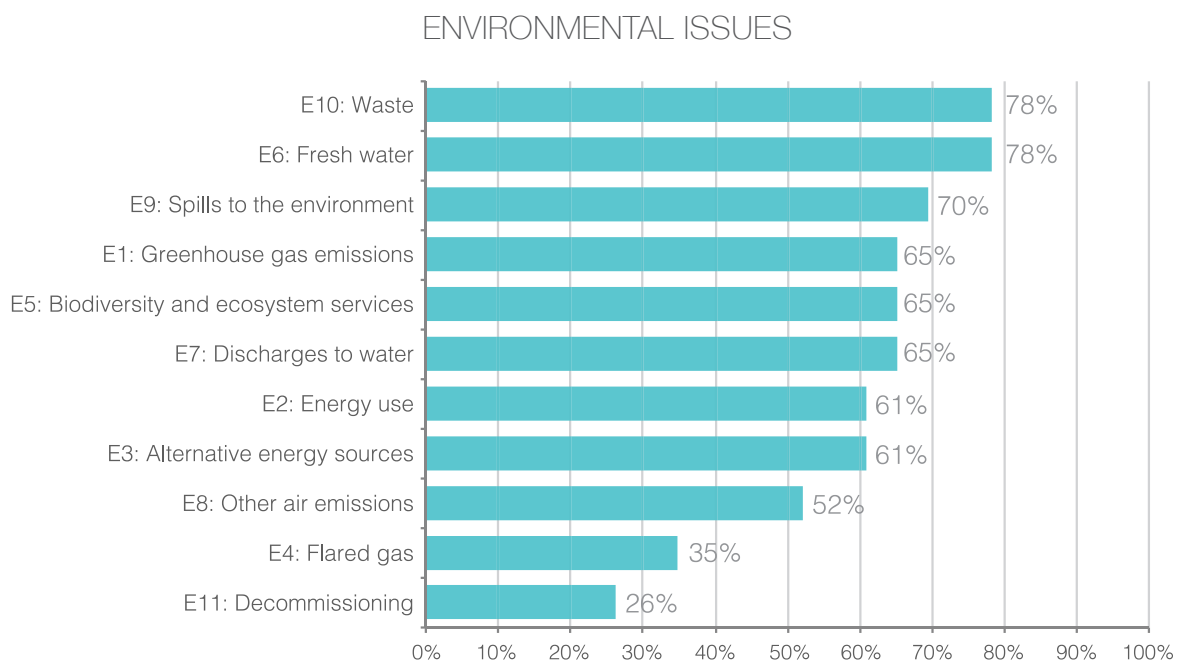
Coverage of IPIECA/API/IOGP indicators		
Report above 90% of IPIECA/API/IOGP issues	<b>22.2%</b>	<b>37%</b>
Report between 81 and 90% of IPIECA/API/IOGP issues	<b>7.4%</b>	
Report between 71 and 80% of IPIECA/API/IOGP issues	<b>7.4%</b>	
Report between 61 and 70% of IPIECA/API/IOGP issues	<b>3.7%</b>	<b>7.4%</b>
Report between 51 and 60% of IPIECA/API/IOGP issues	<b>3.7%</b>	
Report between 41 and 50% of IPIECA/API/IOGP issues	<b>7.4%</b>	<b>33.3%</b>
Report between 31 and 40% of IPIECA/API/IOGP issues	<b>14.8%</b>	
Report between 21 and 30% of IPIECA/API/IOGP issues	<b>7.4%</b>	
Report between 11 and 20% of IPIECA/API/IOGP issues	<b>3.7%</b>	
Do not report or only show generic information	<b>22.2%</b>	<b>22.2%</b>

37% of companies reported above 70% of the indicators suggested by IPIECA/API/IOGP. 7.4% between 50 and 70%, 33.3% below 50% and 22.2% do not publish information in this regard.

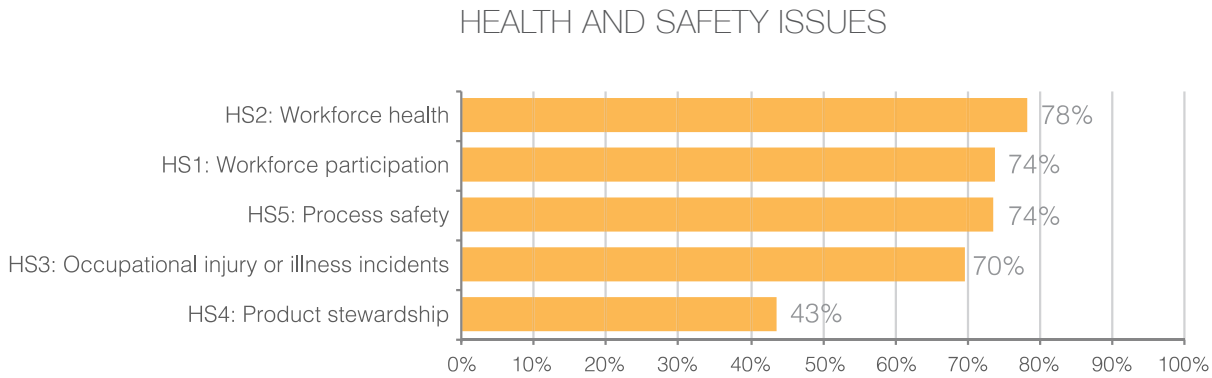


### 8.6. What do companies report on?

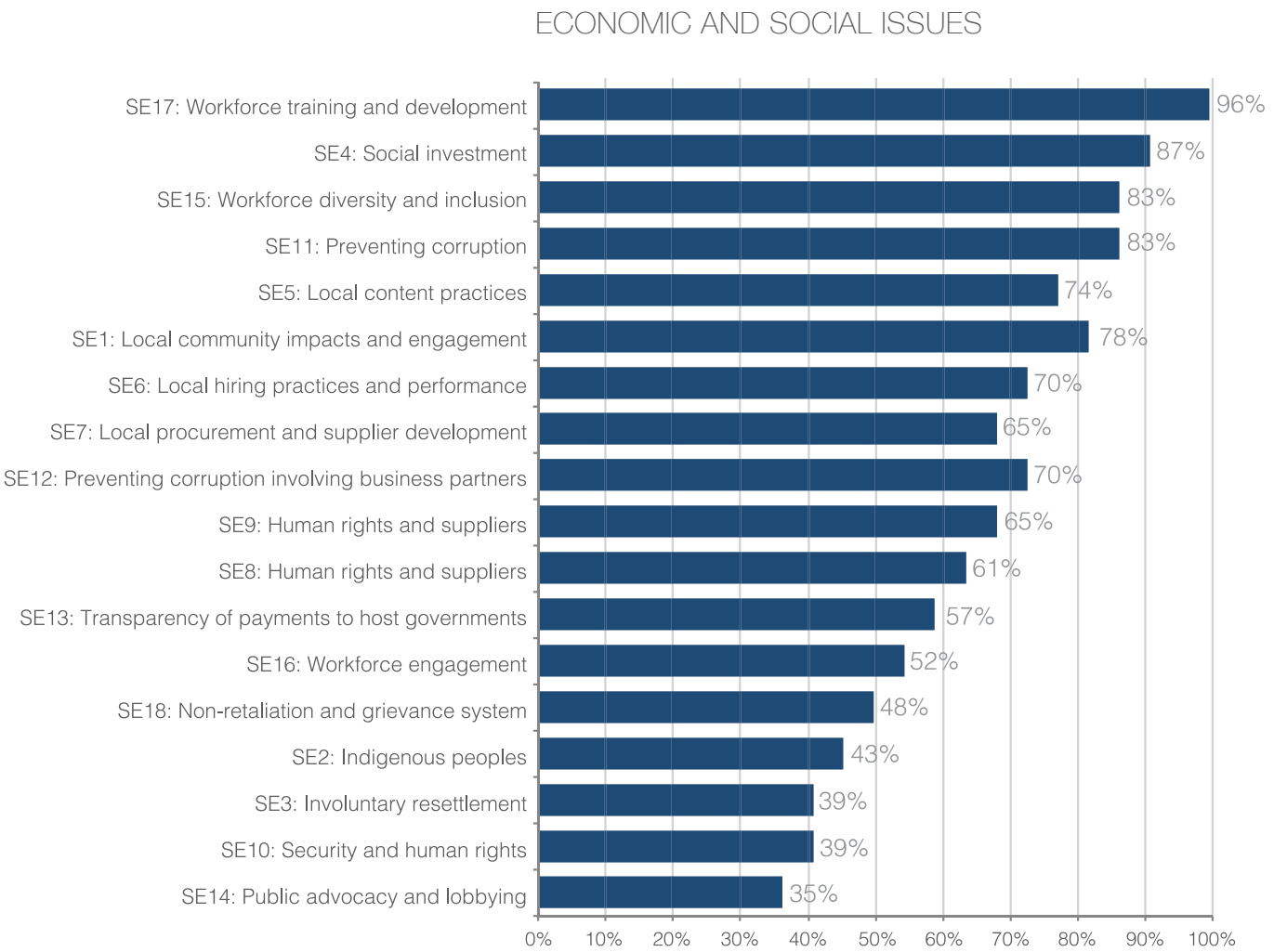
On environmental aspects, the issues considered to be most important by companies are waste and water management, followed by oil spills, greenhouse gas emissions and biodiversity.



With regard to health and safety, the most important indicators refer to the aspects of health and participation, followed by process safety, and occupational injury and illness incidents.



Thirdly, the most important economic and social issues are workforce development and social investment, followed by diversity and inclusion, and anti-corruption.



## 9. Companies that show a high level of reporting

A key aspect in the development of collaborative works aimed at continuous improvement is precisely the identification of champions that are positioned as leaders in the issue and therefore allow the dissemination of existing knowledge.

In this regard, the purpose was also to identify those companies that, due to the quality of their sustainability reports, may be considered as having a high level of reporting with regard to the material aspects of the industry. For the purposes of this study, for a company to be considered as having a high level of reporting, it must comply satisfactorily with the following four criteria:

### I. Coverage

- The report contains at least 70% of the issues proposed by IPIECA/API/IOGP indicators.

### II. Methodology

- The sustainability report was prepared in accordance with some internationally accepted methodology, such as GRI or IPIECA/API/IOGP, which implies, among other things:
  - i. a public commitment to sustainability
  - ii. a critical analysis of the materiality of its operations
  - iii. the presentation and follow-up of relevant indicators and standards

### III. Update

- The information published corresponds to the previous year.

### IV. Validation

- The report was audited by a third party.

The analysis from the perspective of these criteria allowed the identification of some contributions in relation to the quality of reporting by companies:

- Eight member companies with a high level of reporting, which represents 30% of the total number of operating companies considered.
- Two companies that present a high level of coverage of material aspects of the industry and presented the update of the information and/or audit by third parties as an opportunity for improvement to increase the level of confidence.
- One company that presented a sound methodology and could strengthen the information relating to some of the material aspects of the industry as an opportunity for improvement.
- Ten companies that have in their reports a deeper focus on the material aspects of the industry and the use of standardized methodologies that facilitate the follow-up of their management as opportunities for improvement.

	Company ID
<b>High level of reporting</b>	N1
	N2
	N3
	N4
	N5
	N6
	N9
	N10
<b>High level of coverage of material aspects</b>	N7
	N8
<b>Methodological strength</b>	N11
<b>They present opportunities for improvement in material aspects of the industry and methodology</b>	N12
	N13
	N14
	N15
	N16
	N17
	N18
	N19
	N20
	N21

## 10. Conclusions

- More than 70% of member companies publish information on sustainability on their web sites and 64% of the total number of companies develop some type of sustainability report. In turn, the vast majority are up-to-date and constitute a systematized annual practice. In the case of operating companies, these percentages increase, as 78% publish information on sustainability on their web sites and a 67% issue sustainability reports.
- There is heterogeneity in terms of the reporting methodologies, although 59% of the total number of companies do so under internationally recognized and standardized guidelines (GRI, IPIECA/API/IOGP).
- In terms of the level of alignment of the operating companies regarding the issues proposed by the indicators of the IPIECA/API/IOGP Guidance, 37% of companies report above 70% of the indicators suggested by IPIECA/API/IOGP, and the remainder present opportunities for strengthening the aspects to be reported.
- The issues more often considered are waste and fresh water in the environmental dimension, health of the labor force and participation in the health and safety dimension; and workforce development and social investment in the economic and social dimension.
- 30% of the total number of operating companies can be considered as having a high level of reporting, because they use an internationally recognized methodology, cover more than 70% of the issues proposed by the indicators in the IPIECA/API/IOGP Guidance, their reports are audited by a third party and are updated.

---

### Sources of Information

- IPIECA/API/IOGP (2015): Oil and gas industry guidance on voluntary sustainability reporting - 3rd Edition, 2015
- Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines
- Web sites of ARPEL member companies consulted by December 2017:  
ANCAP, AXION ENERGY, CENIT TRANSPORTE, CHEVRON, COGA, CUPET, ECOPETROL, ENAP, EP PETROECUADOR, EQUION, HONEYWELL UOP, IHS MARKIT, OCENSA, OLDELVAL, PCJ, PDVSA, PEMEX, PETROAMAZONAS EP, PETROBRAS, PETROPAR, PETROPERU, PETROTRIN, PLUSPETROL, RECOPE, REPSOL, SCHLUMBERGER, SPECTRUM, STAATSOLIE, TECPETROL, TEMA, WEATHERFORD, YPF, YPFB.





EXECUTIVE REPORTS

# Analysis of the status of sustainability reporting of ARPEL member companies



REGIONAL ASSOCIATION OF  
OIL, GAS AND BIOFUELS SECTOR COMPANIES  
IN LATIN AMERICA AND THE CARIBBEAN

ARPEL is a non-profit association gathering oil, gas and biofuels sector companies and institutions in Latin America and the Caribbean. Founded in 1965 as a vehicle of cooperation and reciprocal assistance among sector companies, its main purpose is to actively contribute to industry integration and competitive growth, and to sustainable energy development in the region. Its membership currently represents over 90% of the upstream and downstream activities in the region and includes national, international and independent operating companies, providers of technology, goods and services for the value chain, and national and international sector institutions.



## Regional Headquarters:

Javier de Viana 1018. CP 11200, Montevideo, Uruguay  
Ph.: +(598) 2410 6993 | [info@arpel.org.uy](mailto:info@arpel.org.uy)

[www.arpel.org](http://www.arpel.org)