



2010

**SUSTAINABILITY
REPORT**



TEEKAY PETROJARL

KEY FIGURES

	2008	2009	2010
People			
Total recordable injury frequency	6.8	4.0	3.84
Lost time injuries	2	3	2
High potential incident frequency	10.5	7.4	3.84
Sick leave (%)	4.4	4.28	3.42
Fatalities	0	0	0
HSE ideas	988	1,116	865
Transfer of experience reports	5,802	6,687	6,740
<i>Organisation</i>			
Union membership (per cent of workforce) ¹	68.2	60	66
Proportion of female employees (%)	11	11	11
<i>Human Resources</i>			
Employee satisfaction % (on- / offshore) ²	89/79	87/79	93/87
Planet			
Total GHG (Green House Gases) emissions (CO ₂ equivalents, thousand tons)	708.5	709.8	680.9
Flaring (MSm ³)	50.9	43.3	46.4
Accidental discharges (number of) ³	8	4	3
Oil discharged with produced water (tons)	82.1	90.3	89.7
Total amount of waste produced from Teekay Petrojarl FPSOs and tankers (tons)	553	573	581
Waste reuse / recycling, offshore (%)	80	63	70
Profit			
Combined oil production (million barrels)	27.35	27.3	25.78
Production utilization factor, PUF (vol % of system capacity)	94.9	94.6	94.8
<i>Finance (numbers in thousand US dollars) ⁴</i>			
Revenues	US GAAP 387,484	US GAAP 400,406	US GAAP 418,201
Operating income (loss)	(2,208)	44,677	108,833
Net income (loss)	(380,522)	17,594	79,501
EBITDA	42,863	74,263	156,925
Total assets	1,448,414	1,369,996	1,341,514
Cash and cash equivalents	30,714	64,662	64,696
Net interest bearing external debt	770,209	262,709	90,750

¹ Exact numbers not available. Excluding Brazilian employees

² From Employee Survey.

³ Authority reported oil and chemical spills





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ABOUT THIS REPORT

Welcome to Teekay Petrojarl's fourth annual sustainability report, developed from our Environmental and HSE Reports. This report aims to examine our targets, performance and initiatives within the area of sustainability in 2010. Emphasis is on the areas of health, safety and the environment, human resources and corporate social responsibility. Our report covers Teekay Petrojarl's activities in 2010 based on information gathered from our FPSOs and our two tankers unless otherwise indicated; this is mainly relevant for the Safety and Environmental data. The remaining content of the report is based upon the entire organization both on- and offshore, including project activities.

Incorporating sustainability into our daily operations means taking a responsible approach to business, with long-term strategies that benefit the triple bottom line; people, planet and profit.

The content of this report is guided by the triple bottom line thinking and our core values. Our reporting has gradually evolved from environmental reporting, via HSE reporting through to the current sustainability reporting, allowing us to embed a wider range of parameters ensuring transparent communication of our sustainability performance. Our first Environmental Report was issued in 1998.

As a stakeholder, you have an interest in our company. This Report is meant for you, whether you are a current or future employee, an existing or potential customer or simply someone with a keen interest in what we do. We welcome your comments or input and if you would like to share any thoughts, please get in touch on: trd.reception@teekay.com, marking the e-mail "Sustainability Report 2010".

We aim for continuous self-improvement, also in the area of sustainability reporting. We aspire in 2011 to continue to strengthen the process of determining our material sustainability issues and to create a reporting regime which allows us to monitor our performance on these issues.

TRIPLE BOTTOM LINE IN TEEKAY PETROJARL

PEOPLE

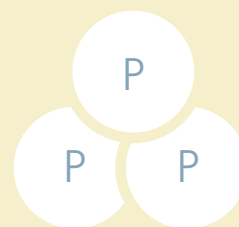
- › Our people
- › Safety
- › Health & working environment
- › Corporate Social responsibility
- › Suppliers, ethics and anti-corruption

PLANET

- › Environment
- › Emissions to air
- › Discharges to sea
- › Waste Management

PROFIT

- › Facts and history
- › International development
- › Research and development
- › Financial highlights



OUR CORE VALUES

- › Quality through professionalism, reliability and integrity
- › Responsible safety and environmental practices
- › Responsiveness and creativity towards customers' needs
- › Loyalty to employees
- › Competitive and entrepreneurial spirit
- › Continuous self-improvement





PRESIDENT'S INTRODUCTION



Teekay Petrojarl has 26 years' experience as a company in constant development. Our achievements are based on delivering FPSO and tanker services to some of the best known and most well-reputed oil

companies in the world. We focus on providing quality service and deliverables to our customers. We aim to be a responsible company, planning for long term benefits for current and future customers, the environment, local communities and our work force. This report indicates how we work towards achieving these goals.

In 2010 our industry was shaken by the BP Macondo incident in the Gulf of Mexico, serving as a stark reminder as to why we invest so much time and effort into safety and preventing incidents that might harm people or the environment. It is an incident that the industry undoubtedly will draw many lessons from.

As a company operating in harsh environments we have rigorous systems in place and a strong safety culture which is critical in running safe operations. In essence: Safety is top priority – always. I am happy to say our safety statistics are good, with only a few serious incidents and injuries to personnel in the recent years.

However, regretfully there was one serious incident in our fleet in 2010; a fall in the engine room resulting in a serious personal injury. This kind of incident affects the whole organization, as well as the injured person, and emphasizes that we can never become complacent. I am happy to say the person involved is now recovered and back at work.

The future for Teekay Petrojarl looks exciting; in March 2010 we signed a contract for new operations in Brazil and initiated future projects on both the Norwegian and UK sectors. Our aim to grow and expand is on track and we are very much looking forward to adding to our current operations. Our

existing FPSO in Brazil also had a new contract and will be moved to the Aruana field off the east coast of Brazil. With the signing of these two contracts our presence in Brazil is becoming stronger.

Several milestones were passed in 2010: In addition to initiating new projects, our two tankers, Petronordic and Petroatlantic, continued their excellent safety results celebrating seven and eight years without LTIs. Our sick leave numbers were very low and our turnover the same.

A stable workforce is important to any company and in 2010 I am happy to note that our turnover rate onshore was zero percent and the offshore rate 3.5 percent. This might link in with the fact that our annual Employee Survey showed an increase in Employee Satisfaction in comparison with 2009. Both these are excellent results for us, as our employees are the backbone of everything we achieve.

We aim to listen to signals given and provide effective channels for feedback from employees. We introduced the BERT (Business Efficiency Review Team)-project in 2010, a way for all employees to suggest improvements in any chosen area. It was introduced as: Business Efficiency Review, or All the Thoughts You ever Wanted to Share with the Boss at the Christmas Party. From this process we raised some interesting ideas which have been evaluated and followed up on. Already now we see encouraging results from this important exercise.

Our aim is to be better every year. Our corporate goals are focused on improvement and setting new benchmarks for results within health safety and environment, as well as in corporate social responsibility and employee satisfaction.

A handwritten signature in blue ink, appearing to read 'Peter Lytzen'.

Best regards,
Peter Lytzen, President Teekay Petrojarl

PEOPLE

In Teekay Petrojarl we have more than 500 offshore and around 140 onshore employees located in different parts of the world, with offices in Norway, Scotland and Brazil as well as project offices in India, Singapore and South Korea. We operate in the North Sea, both in the UK and Norwegian sectors, and in Brazil.

In this chapter we look at the people aspect of our organization; how we work to ensure maintaining people's health and safety, welfare for employees and on how we give something back to the communities in which we have set up offices or operate FPSOs. This is a natural starting point as without our quality employees and everyone's' contributions we would not be able to show results.

OUR PEOPLE

A main focus area for Teekay Petrojarl has been to expand our operations and win new contracts. This growth strategy has paid off, and with the developments that came in 2010 the year was one of many interesting opportunities in Teekay Petrojarl. New projects were materializing, requiring input from most parts of the organization as well as cooperation between departments and across country borders. Existing employees as well as new ones were given the chance to work in new locations on new exciting ventures, as projects were being manned in different parts of the world.



Project Recruitment

Recruiting for projects represents both challenges and opportunities for the organization. Ensuring competency and mobility are both important elements when manning a project organization. Internal and external recruitment campaigns paid off, as well as looking at current employees and their career plans, as mapped out in connection with annual appraisals. Internal flexibility has contributed towards getting teams up and running quickly and allowing for experience transfer. We now have complete project organizations up and running in Brazil, India, Singapore and South Korea. Global cooperation with Teekay Corporation helped the process, adding an additional pool of resources and contacts around the world, plus a great deal of experience in international shipping and yard work.

Training

When operating in different sectors with different legislation, training providers and requirements, producing coherent and up-to-date training matrixes has required some effort in 2010. Ensuring competency is paramount for a safe and smooth running operation, and this was tackled by a massive push. Technical authorities reviewed and quality assured training matrixes for implementation, whilst a specialized analysis tool highlighted potential gaps. A number of training providers were integrated into our human resources system. This has made the matter of role specific training more manageable.

Retaining Satisfied Employees

One of Teekay Petrojarl's best results in 2010 was the zero percent onshore turnover rate. Not one person in a permanent position resigned onshore during the year. Offshore the rate was 3,5 percent, which is also low.

At the same time, our annual Employee Survey showed an increase in employee satisfaction overall. Some factors that may have contributed towards this were:



- New projects
- New opportunities for career development
- Improved flow of communication within the organization
- Employee benefits
- Extra funds allocated to education and training

Also, the overall sick leave in 2010 was considerably reduced compared with 2009. For more information on this, see the section on Health and Working Environment.

People Opportunities and Experience Transfer

In 2010 we had 14 trainees offshore, learning the ropes from our experienced personnel. Teekay Petrojarl is a Certified Apprenticeship Training Company and invests in taking on a new generation of offshore personnel and sea farers to pass on knowledge and experience.

Diversity

The offshore industry is in many ways traditionally male dominated, but we are seeing, especially in our newer operations in Brazil, that women are starting to make a stronger presence on our FPSOs. In 2010 we had 3.3% female employees offshore and 35% in the offices.

A conscious effort is made to ensure opportunities for work are given to employees who either need an adapted work place, or who have fallen outside the employment market for different reasons. In the offices three positions were filled through this emphasis in 2010. This is something we will continue to make

arrangements for in the future, for the mutual benefit of both organization and employees.

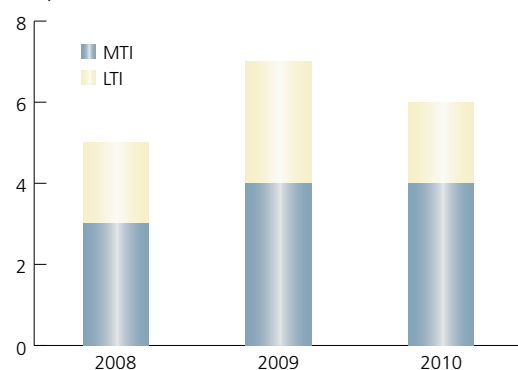
SAFETY

The safety of our people on FPSOs, shuttle tankers and in offices around the world is naturally a top priority as founded in our HSE Policy. Extensive systems and procedures, as well as training and annual activities such as development of HSE Programmes and gathering of Safety Representatives, are in place as a foundation for our HSE performance and building of a strong HSE culture.

The biggest challenges in terms of safety are complacency, taking short cuts and failing to follow procedures. We take learning from our investigations into incidents, both those of high potential and the less critical incidents. Most of our incidents in 2010 were not serious events, the most severe a personal injury to a man working on board our FPSO in Brazil, who suffered a fall in an engine room and sustained serious, but not life threatening injuries. He has now recovered. It is in order to prevent such incidents that we continue to develop and improve our methods for sustaining a strong HSE culture.

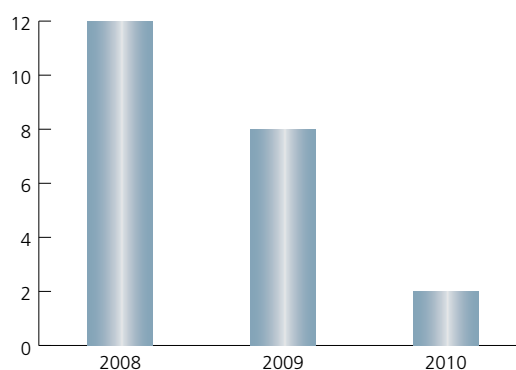
We see stable results in our safety statistics and have to date mainly minor occurrences on board our vessels and FPSOs. Our aim is no damage to personnel, environment or equipment, and this is the zero tolerance target we are working towards. This is why we have rigorous systems for follow-up of undesired events and a system for experience transfer in the fleet.

Graph MTI/LTI (number of)



Graph showing the trend in number of MTI and LTI incidents in our fleet.

HiPos (number of)



Graph showing the trend in number og HiPOS (high potential incidents) in our fleet. 2008 figure includes quality HiPOS.



Building a Reporting Culture

Reporting is actively encouraged in Teekay Petrojarl and forms the basis of learning, and improvements aiming to prevent incidents from developing or occurring. From the moment anyone is travelling offshore our HSE induction process covers the importance of reporting conditions and events. Improving our tools and guidelines for reporting was pushed in 2010, initiating improved use of existing tools as well as guidelines on how to best use them. Pro-active reporting and reporting of ideas for improvement are systematically registered and followed up.

Campaigning for Awareness

At Teekay Petrojarl we believe that campaigning is a key element in working proactively with safety. The 24/7 safety culture is what we work towards and this is reflected in our annual campaign work, where we address trends from the industry and our own vessels, as well as issues concerning the home sphere. We promote "Safety at home, at work - and to and from". Over the years these campaigns have touched upon resuscitation, fire safety and visibility in the dark as well as prevention of dropped objects and promotion of hand safety.

In 2010 the main campaign was on the subject of prevention of dropped objects, serving as a follow-up of the 2009 awareness campaign on the same topic. A Computer Based Training Course (CBT) was produced for all offshore employees working outside of accommodation to complete.

SUCSESSES IN TERMS OF YEARS WITHOUT LTIS:

Our shuttle tankers Petronordic and Petroatlantic saw eight and seven years without LTIs (lost-time incidents) while our FPSO Petrojarl Banff achieved three LTI free years in 2010.

HEALTH AND WORKING ENVIRONMENT

In an industry of shift work, night work, extensive travels and exposure to chemicals and ergonomic challenges there are several issues that fall within the area of Health and Working Environment. In 2010 we chose to pay special attention to sleep and shift work, stress handling and noise, though at the same time working continuously with the other areas potentially having an effect on our employees' health and well-being.

Health and Working environment as well as Safety and Environment is covered in its own section of the individual vessels' HSE programmes. In this process the vessels set targets within all areas of HSE to be achieved in the year to come. It allows for adapted focus areas, so that the individual needs are met as well.

Health and Lifestyle

In 2009 a health and lifestyle campaign was launched based on three main topics; exercise, healthy eating and stress handling. An annual Company Health Day was introduced during the campaign, and a company Stress Policy developed. After its original end date it was decided to continue the campaign and to carry on promoting registering time exercised onto a dedicated web-site where you can win prizes and see you own progress. One of the aims of this campaign was to contribute positively towards reducing sick leave.

Annual Company Health Day

As part of our regular activities an annual Company Health Day is carried out in Teekay Petrojarl. The focus in 2010 was on stress and stress management and the aim was to promote the Company Stress Management Policy and to encourage leaders and employees to take preventive actions concerning work related stress.

Noise

Noise being a constant challenge in the industry, Teekay Petrojarl ventured on a trial project with a world leading company in communication headsets with built in noise



protection to provide a specialized and advanced version of hearing protection for the fleet. It is currently being tested and an EX proof version is being developed. The aim is to reduce noise induced hearing problems amongst our offshore employees by supplying the best available protection, tried and tested, and at the same time allowing for efficient communication.

Coping with Shift Work and Sleep

Shift workers need to be active when the body naturally prepares for sleep, and sleep when the body is normally set to be active. Individual adaptation and tolerance affects how well you cope with shift work and some might struggle with sleep problems. Working at night also affects the level of concentration, which increases the risk of making mistakes. Research from the UK offshore industry shows that working during the night leaves you more vulnerable to being involved in accidents than if you work day time shifts.

In 2010 Teekay Petrojarl launched a campaign to aid shift work sleep and health. Our aim is that the guide will give our offshore employees greater insight into coping with shift work, especially working through the night, and also preventing sleeping problems at home. Also, offshore, the focus is to always keep the number of people working night shifts at a minimum.

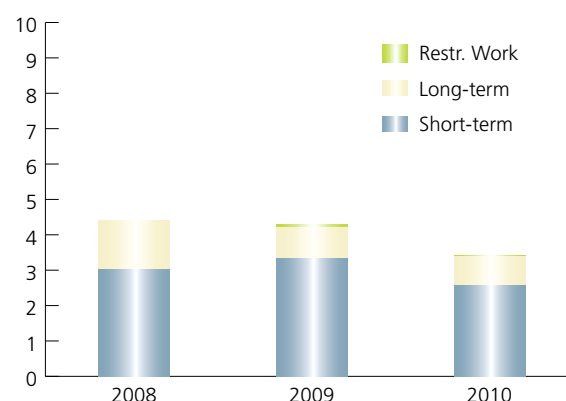
Sick leave

In 2010 we saw a reduction in overall sick leave and believe that our systematic approach to HSE challenges contributed towards our sick leave performance. For 2010 a corporate goal and key performance indicator was to reduce the fleet's short term sick leave by 10% compared with the previous year. We achieved a reduction of 19% for total sick leave and short term sick leave reduced as much as 23 % from 2009 to 2010.

A number of factors could have made a difference in contributing towards this result. The work to reduce sick leave is approached systematically through three main measures; wpro-active, active and re-active. In these three categories we have done the following:

- Made reduction of sick leave a key performance indicator
- Ran a companywide health and lifestyle campaign, move!
- Arranged joint Health Day, with focus on stress management
- Offered health profile tests offshore
- Offered flu vaccinations
- Performed risk assessments on Norwegian sector
- Distributed advise on sleep issues
- Closer follow-up of employees on sick leave

Sick leave in Teekay Petrojarl from 2008 to 2010



CORPORATE SOCIAL RESPONSIBILITY (CSR)

We acknowledge that our business doesn't exist in isolation, nor is it simply a way of making money. We operate in different parts of the world where our employees, our customers, suppliers and the local community will be affected by our operations and activities and depend on us being a responsible, long term thinking company.

Corporate Social Responsibility (CSR) is about understanding our business' impact on the wider world and considering how we make sure we use this impact in a positive way.

It means taking a responsible attitude, going beyond the minimum legal requirements and following straightforward principles that apply whatever the size of our business.



Suppliers, Ethics and Anti-Corruption

In our industry we tend to work with a wide range of suppliers, of everything ranging from different chemicals, to catering services and valves. In order to ensure our suppliers meet our criteria in terms of being responsible and ethical companies we use various tools. Initially the Achilles database offers a good starting point, and is frequently used, followed up with further investigations and clauses in the contracts including specifications of our demands in terms of subject such as HSE requirements, child labor, bribes, working hours and minority rights. Operations in countries less regulated by law than for instance the Northern European countries can require rigorous processes for ensuring our suppliers operate by the same ethical principles as we do. There is no tolerance for child labor, bribery or exploitation of workers in Teekay Petrojarl and we demand the same of our suppliers.

Community Investments

Community investment focuses on how we manage our activities in the community and create a positive impact for both the community and the business where we operate. Being part of a community gives options and possibilities to invest locally, in employees, in goods, training, and to take part in community programs. This is something Teekay Petrojarl has integrated into our daily business.

We strive to use local suppliers and have a conscious approach toward hiring local employees. At the same time we use

existing personnel from our fleet and offices in order to ensure valuable experience transfer. In all regions, additional funds were allocated towards training in 2010 as part of our focus on career development and push to improve the process of training and training matrixes.

Campaign Awards and Local Donations

In 2010 campaign awards were donated to children's wings at two hospitals, winnings from offshore raffles were donated and salary deductions made to support local initiatives in Brazil. It has been made possible through our finance department to deduct money directly from your wages and in Brazil a number of employees have chosen to do this.

Each year arrangements are also made for "spinning for charity", where employees take turn to take part in 24 back-to-back sessions on exercise bikes, assistance to local nurseries and other initiatives which support good causes.

Donations and Community Programmes

A designated committee gets together annually to delegate donations to local as well as national and international charities, sports teams and initiatives. In general the donations are split into smaller sums for local recipients and larger for the main recipients. All donations are made based on suggestions from employees and everyone is encouraged to come forward with their "charities of choice" to the Social Footprints Fund.

One of the recipients of funding was the Broughty Ferry Lifeboat Station, Scotland, and they are putting the money at good use, as we see in this article taken from the Dundee Courier:

"Members of Broughty Ferry lifeboat station were presented with a cheque for over £1000 yesterday thanks to a Eric Gourlay, who applied to the Teekay Petrojarl charity fund, and was successful in his application.

Eric's son Scott (left) has been an RNLI crew member for 10 years and said, 'The RNLI lifeboat station was very grateful for the money and I've been told the amount will be put into the general funds pot.'"





In Brazil, the Macaé charity receiving donations is a school called Escola Sentrinho Macaé, which is devoted to the special needs of children and young adults who are mentally or physically challenged – or both. The school was founded in 1997 by Petrobras and is well maintained and kept functioning by volunteers who devote much of their free time to looking after almost 200 youngsters on a daily basis. Although the school is funded for 3/4 of the year by the Macaé Council, the other three months of the year, the school is left to fend for itself and relies heavily on donations made by companies or individuals within the Macaé community. As 2010 was a particularly hard year for the fundraisers as they have experienced a number of floods, resulting in damage to equipment and to the property, they are in dire need of additional funding.

The other charity which the Committee supported in 2010 is based in Trondheim and is a Football Club called Hveita United, which was founded by the Salvation Army in Trondheim with the goal of supporting and rehabilitating alcoholics and/or drug abusers, either current or former. Hveita United has currently from 8 to 10 boys and 5 to 6 girls on the team. The well-known local and national footballers, Bjørn Hansen and Per Ciljan Skjelbreid are involved in and support the club in various ways. The club has a good cooperation with Furulund

Bo og Treningssenter, Trondheim Korps, Hveita Dagsenter, Fretex, Stavne Gård, Trondheim Kommune, Helse og overdoseteamet and Rosenborg Ballklubb. In April 2007, the club arranged Norway's first Championship in street football, with five teams from all over Norway. Their big goal now is to find a way to get to compete with their team in Rio de Janeiro. Hopefully, the Teekay Petrojarl Social Footprints funds will help them to reach their goal.

Cultural initiatives or events

There has been an ambition in the company to get involved with and support cultural arrangements and in 2010 Teekay Petrojarl entered into a "Partner Agreement" with Olavsfestdagene (OFD) for 2010. In addition to contributing financial support to one of the main cultural pillars of the Norwegian Trondheim region and local community, Teekay Petrojarl employees were invited to take part in a partnership arrangement during the festival.



PLANET

For a company dealing with oil production and transport of oil the “planet” aspect of the triple bottom line is undoubtedly one of the most challenging. Through our operating companies we produce energy for consumption and work to meet the increasing energy demand of the world market. At the same time, the aim is to continuously improve our environmental performance, to minimize spills, emissions and waste, to maximize recycling and become increasingly more energy efficient in our activities. This chapter looks at how we did in 2010.

ENVIRONMENT

Environmental accountability is in many ways the most complex challenge that we face today. Our commitment to environmental responsibility and preservation is integrated in our systems and procedures. All of our vessels and offices are ISO14001 certified, and in fact, the first operation was ISO 14001 certified already in 1998. Our Environmental Management System, HSE Policy and annual environmental review has top management involvement and is one arena where actions for improvements are set. In all our activities we aim to operate in such a way that our negative impact on the environment is minimized.

Some of the main achievements in 2010 were the substantial increase in energy efficiency and our continued improvement

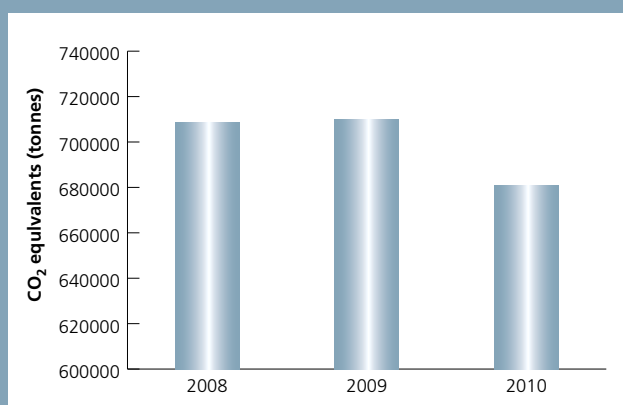
in waste segregation. We have also established Green Teams on all our vessels in 2010. The Green Teams are vessel based focus group for encouraging good environmental practices and initiatives.

Emissions to air

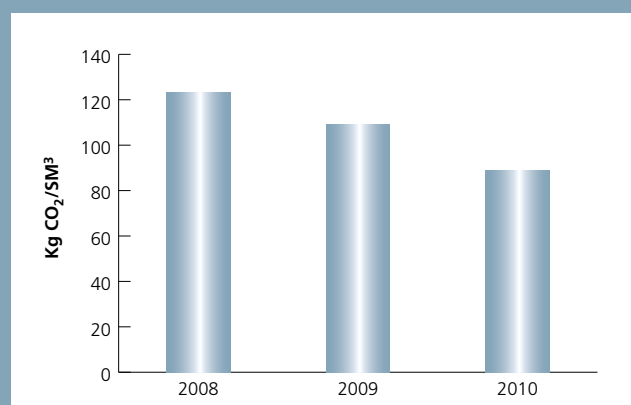
Emissions to air are a main focus area in Teekay Petrojarl. During 2010 flaring policies were developed for all FPSOs, aiming to create a higher level of awareness on flaring and how we can keep flaring to a lowest possible level. In 2010 the extent of flaring on our FPSOs was increased by 7 percent compared to 2009. All our operations reduced the extent of flaring except our Brazilian operations. Their increased flaring in 2010 was mainly due to less gas being produced to run the engine generators and boilers onboard, meaning more gas had to be flared.

Overall emission of greenhouse gases (GHG/CO₂ equivalent emissions) from Teekay Petrojarl's total operations was reduced from 2009 to 2010 with 4 percent. A main reason to the decrease was related to less fuel gas consumed on Petrojarl 1, mainly due to less gas in the produced hydrocarbon stream from the Glitne field. The Teekay Petrojarl GHG trend is illustrated in the graph below.

GHG Emissions from TKPJ vessels



CO₂-equivalents per liquids treated





Specific GHG emission (CO₂ equivalents per liquid treated) is a measure for how energy efficiently we run our operations. As Teekay Petrojarl operates in mature fields we are faced with increasing amounts of produced water. "Liquid treated" includes both oil equivalents produced and produced water handled. The decrease from 2009 (18.6 percent) indicates that the energy efficiency was higher in 2010 than in 2009. This is illustrated in the graph on the previous page ("CO₂ equivalents per liquids treated").

The specific GHG emission reduction is a positive trend for us and the aim is to continue this trend and to be able to handle increasing volumes of liquids through the process plants without increasing the specific GHG emission.

In general we are satisfied with the increased focus and awareness throughout our fleet with regard to operating in a manner that influences the environment as little as possible. Parallel to this we see challenges related to operating in even more mature fields requiring even higher focus and at some point inevitably of necessity leading to a decrease in our environmental results.



Discharges to sea

Planned discharges to sea

The amounts of produced water are stable from 2009 to 2010 (decreased one percent). The oil discharges with produced water were similarly stable (also a one percent decrease) in the reporting period. Further, there is a small increase (3 percent) in the average oil content in produced water from 2009 to 2010.

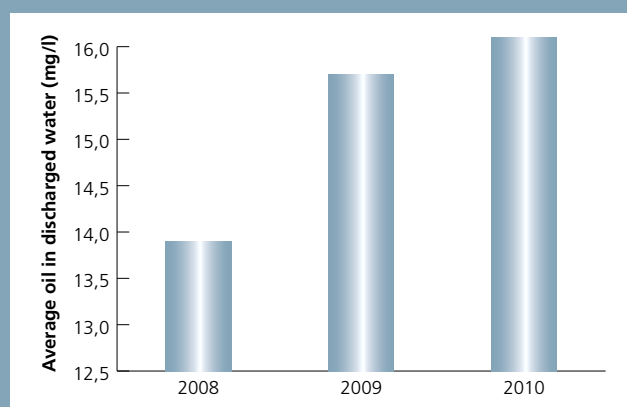
Accidental discharges to sea

In 2010 Teekay Petrojarl has reported 3 minor accidental spills to the authorities, of which 2 were oil-containing (diesel and crude oil, totally about 40 liters).

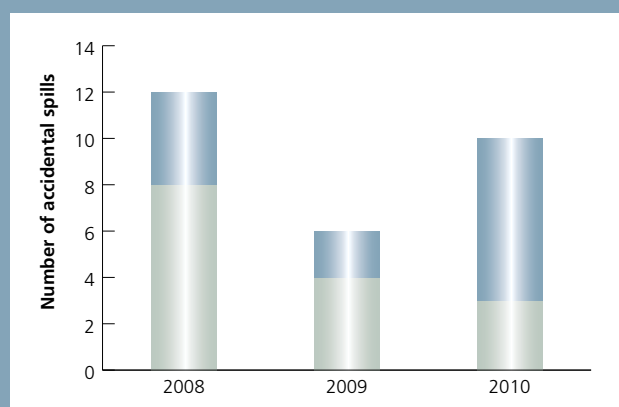
The last spill was a minor (10 liter) discharge of a non-hazardous substance (a "green" water injection treatment chemical).

Teekay Petrojarl is working hard to control its operations and avoid uncontrolled situations. In line with this we have internal routines across the company covering reporting of all unintended spills (also spills non-reportable to authorities). From 2010 we have decided to include spills non-reportable to authorities in our KPI, which will mean that in some sectors we may report beyond that which we are legally obliged to do.

Produced water oil content

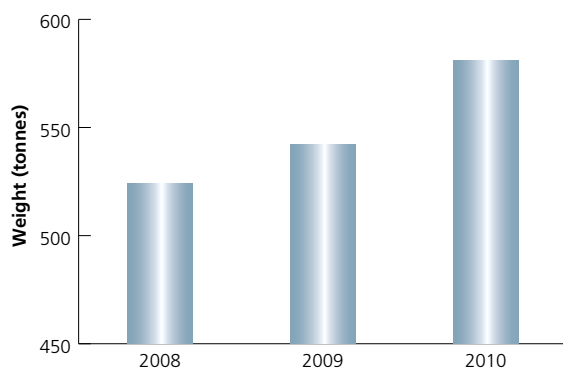


Accidental spills



■ Accidental spills to sea (total, incl both authority reported and not authority reported)
■ Authority reported accidental spills

Waste generation from TKPJ



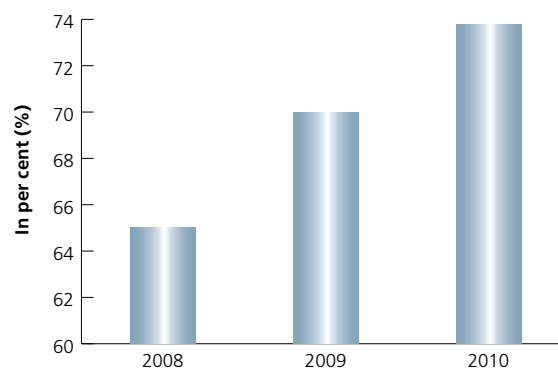
Waste management

In 2010 581 tons of waste was produced on our FPSOs. This is an increase of 7,2 percent compared with 2009. Waste trends are shown in the figure below.

73,8 percent of all general waste produced from Teekay Petrojarl's FPSO operations was segregated in 2010. The below figure indicates how this continued focus over time leads to improvements.

It is worth mentioning that both PJV and PJI reached a waste segregation rate above 94 % for 2010, which puts them amongst the installations with best segregation results in the Norwegian Continental Shelf.

Waste segregation rates

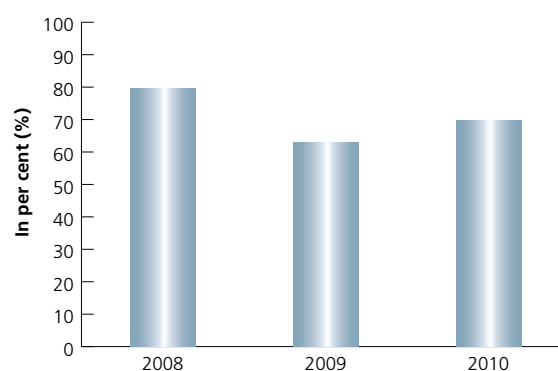


In addition, a total of 69,7 percent of the waste generated offshore was reused or recycled in 2010. The decrease from 2008 to 2009 was mainly related to low waste reuse / recycling statistics from a new FPSO (started operations in Brazilian waters in 2008). Efforts have been made with regards to waste management onboard, a work that is showing positive signs when it comes to minimizing waste and optimizing waste segregation and recycling.

Initiatives are taken towards our waste contractors to see more waste fractions recycled / reused. One example is empty Tetrapak milk / juice packaging where our UK waste contractor implemented a system for recycling such in 2010.



Reuse & recycling rates



PETROJARL VARG RECEIVED 2010 HSE AWARD FROM TALISMAN

In 2010 Petrojarl Varg received an award for having achieved a segregation rate of almost 100%.

On December 14, during the fourth quarter's HSE meeting on board Petrojarl Varg, Talisman Energy's John Vemmestad took the opportunity of presenting the FPSO with the Environment Performance Award for outstanding waste segregation.

The target for Petrojarl Varg for 2010 was segregation better than 83%.

The prize was received by OIM on Petrojarl Varg, Svein Carlsen, on behalf of the Petrojarl Varg crew.

An excellent performance by all on board!

– Graham Griffiths, OIM, Petrojarl Varg



OIM on Petrojarl Varg, Svein Carlsen (right), proudly accepts Talisman's HSE Award 2010 for outstanding waste segregation on board the FPSO.

PROFIT

Profit is an aspect shared by all trading companies, conscientious or not. Arguably, from the perspective of sustainability, profit is the most critical part of the triple bottom line. If a strong focus is not maintained on the value proposition for the product or service for sale, profits will be affected and consequently a business' ability to have any impact through its purpose (people and planet) will be eroded. So, in essence, without profit, we are not able to leave a positive mark on society, people or the environment.

In this chapter we take a closer look at the company structure, international development and financial highlights.

FACTS AND HISTORY

Teekay Petrojarl is the largest operator of Floating Production, Storage and Offloading (FPSO) vessels in the North Sea. With a combined production capability of 350,000 barrels of oil per

day and a crude storage capacity of more than one million barrels, we have a long, proven track record in safely operating FPSO vessels in one of the harshest marine environments in the world.

We have been an FPSO contractor since 1986 and have operated on 15 different fields. Teekay Petrojarl owns and operates five FPSOs – two on each of the Norwegian and UK Continental shelves and one on the Siri Field off the south-eastern coast of Brazil. Our operating fleet also includes two shuttle tankers and a 40 per cent ownership in the FPSO Ikdam, operating offshore Tunisia.

Our head office is in Trondheim, Norway, and we have operations offices in Macaé, Brazil and Aberdeen, Scotland and currently have one FPSO under construction for the Tiro & Sidon field in Brazil.

Around 650 employees are divided between our vessel and offices with 150 in the onshore organization and our aim is to grow further as we pursue new opportunities within our fields of expertise.

The Fleet

Our FPSO fleet is one of the most advanced in the world.

Teekay Corporation

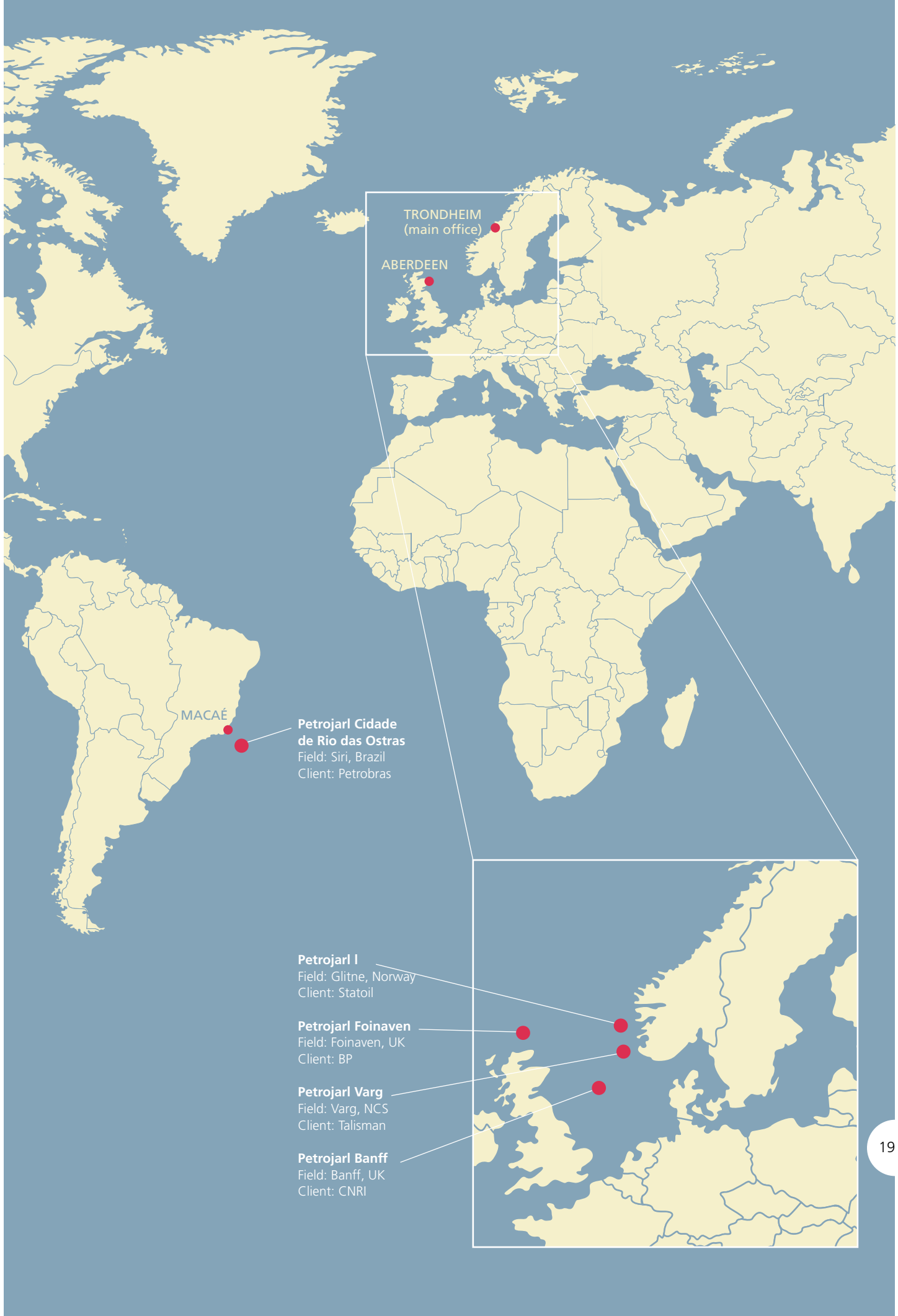
Teekay Petrojarl is part of Teekay Corporation. Teekay Corporation transports approximately ten percent of the world's seaborne oil, has built a significant presence in the liquefied natural gas shipping sector through its publicly listed subsidiary, Teekay LNG Partners L.P. (NYSE: TGP), and is further growing its operations in the offshore production, storage and transportation sector through its publicly listed subsidiary, Teekay Offshore Partners L.P. (NYSE: TOO), and continues to expand its conventional tanker business through its publicly listed subsidiary, Teekay Tankers Ltd. (NYSE: TNK).



WHAT IS AN FPSO?

FPSOs are designed for oil processing and include facilities for gas lift and gas/water injection into the reservoir.

The process area is located aft of the turret, behind firewalls. The FPSO's process facilities separate the well stream into crude oil, gas and produced water. The crude oil is transferred to storage tanks on board or directly offloaded to a nearby storage tanker. Thereafter, the oil is transported to shore by a shuttle tanker. Produced water is purified before most of it is re-injected into the reservoir. The FPSOs can, in most cases, be maneuvered in the same way as normal tankers.





With a fleet of over 150 vessels, offices in 16 countries and approximately 6,100 seagoing and shore-based employees, Teekay provides a comprehensive set of marine services to the world's leading oil and gas companies, helping them link their upstream energy production to their downstream processing operations.

Teekay's common stock is listed on the New York Stock Exchange where it trades under the symbol "TK".

INTERNATIONAL DEVELOPMENT

Teekay Petrojarl's strategy in the last few years has been to expand our operations as well as to improve existing contracts in order to strengthen our already good position in the FPSO market. In 2010 we started to reap the rewards of that labor.

Two major contracts were signed; an extension for our existing FPSO in Brazil, Petrojarl Cidade de Rio das Ostras and a contract for a new FPSO, also to operate in Brazil, on the Tiro & Sidon field for Petrobras. In addition to these, further projects, both on Norwegian and UK sectors, are in the pipeline and project teams have been established, the process being started in 2010.

The nine year contract for Petrojarl Cidade de Itajai, operating on Tiro & Sidon, begins in 2012, with possible extension of six further years. The operation contract for the FPSO Petrojarl Foinaven was also extended, with the two associated shuttle tankers, Petronordic and Petroatlantic, until the end of 2017.

Thus, Teekay Petrojarl's international presence is increasing, with project offices in India, Singapore and South Korea as well as expanding operations in Brazil. This global approach offers exiting opportunities for us whilst we are aware that our international growth also means that we need to take on new challenges. HSE culture, anti-corruption, labor rights, various legislations and contributing to local content in our purchasing and employee practices are all factors that need to be taken in to consideration when moving into new territory.

RESEARCH AND DEVELOPMENT (R&D)

In the recent years more emphasis has been made on partaking in research and development projects, both within the industry and in cooperation with universities and research centers. With main offices in a university city this opens up for innovative opportunities. Teekay Petrojarl spent a total of seven MNOK on R&D activities in 2010.

Turret Design

In the last couple of years Teekay Petrojarl has developed a turret design concept in cooperation with Framo. Teekay Petrojarl is experienced with production in challenging weather conditions, with operations in the North Sea. The design team developed the turret to allow for the 100 year storm West of Shetland, with 33,5 meters max wave height, 40 m/s winds and 2 m/s current. This positions us for production in the harshest environments in the world. Having our own turret design also puts us in a stronger position when bidding for new projects and extending our fleet with the very best in technology and solutions.

Operational Excellence Project

Streamlining and organizing implementations of systems and new technology can save a company time and resources and give better results and optimization of use. Teekay Petrojarl ended in 2010 a three and a half years R&D project within the Petromaks programme, funded by The Research Council of Norway. The project consisted of three main parts; Work Processes, Tools and Methods and Implementation. The outcome of this project has been implemented into our existing toolbox e.g. an analytic tool for carrying out RAM (reliability, availability and maintainability) analyses.

In terms of asset management our vessels are staying longer on the different fields and the Operational Excellence Project has been used in connection with our Vessel Lifetime Plan, with spare part analysis and live RAM model continually updated.



Integrated Operations

A huge improvement in terms of cost and efficiency has been the implementation of Integrated Operations (IO). Using leading competency from the industry and research institutions as well as mapping our own needs, a project was launched in order to achieve the most benefits from the IO Process.

It has allowed for improved collaboration independent of locations, improved shared situational awareness, reduced travel and made sharing information and decision-making more efficiently.

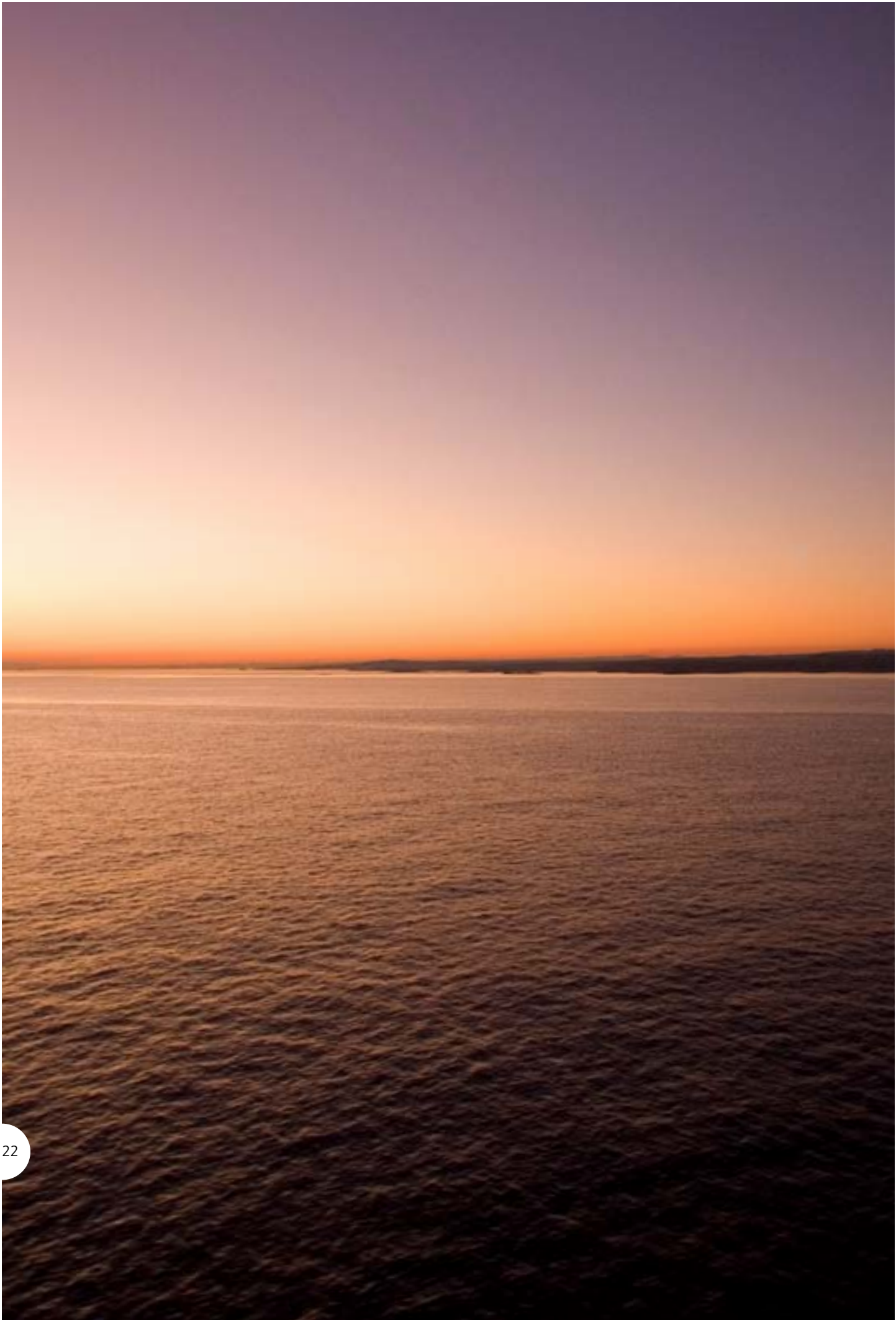


SIGNIFICANT DEVELOPMENTS AND FINANCIAL HIGHLIGHTS

Our operations throughout 2010 bear witness to the solidity and stability of our company. With an uptime of 94,8 percent, we exceeded our goal for a key performance indicator of 94,5 percent. Many excellent efforts have been and continue to be made to secure contracts and establish new projects in 2011 further strengthening our financial situation.

We have seen an improvement in revenues, income and EBITDA from 2009 to 2010. An overview of our key financial results for 2010 can be found under "Key figures" on page 2 of this report.





ACTIONS AND RESULTS

Area		Planned actions 2010	Results 2010	Planned actions 2011
Climate	■	Establish flaring policy for all installations.	Flaring policy for all installations established.	Increased environmental competence onboard to reduce emissions
Discharges to sea	■	Reduce number of accidental spills.	The number of authority reported accidental spills was reduced from four in 2009 to three in 2010.	Introduce environmental training for both managers and personnel to increase awareness and reduce discharges to air, sea and land.
Safety	■	Reduce number of HiPos and personal injuries. Improve use of HSE management tool, Synergi.	HiPos were reduced, and there was a reduction in personal injuries. Improvements have been made. Training has been carried out and procedure under way.	Implement a fleet wide campaign on barrier thinking.
Society	■	Becoming involved in local cultural initiatives. Carry on with and further develop our work on supporting charities.	Teekay Petrojarl became one of the sponsors for a culture festival. The Committee for donations carried their work on in 2010 and donated to a number of charities and organizations.	Carry on with and further develop our work on supporting charities and cultural initiatives.
Human Resources	■	Career development. Departments to choose relevant focus area and establish action plan.	Career development plan was introduced and several promotions made. We saw a 9% improvement for this area on the Employee Survey. Focus areas identified and action plans made.	Chosen focus areas from employee survey: <ul style="list-style-type: none"> ➤ Supportive environment ➤ Noise ➤ Harassment
Health	■	Addressing sleep issues connected with shift work.	Folders on sleep issues produced and distributed.	Improve handling and control of chemicals in the company by implementing common systems.

- Target achieved and planned 2010 actions complete.
- Target not achieved or planned actions not complete.
- Target not achieved and planned actions not complete.

ABBREVIATIONS AND GRI

ABBREVIATIONS

BERT	Business Efficiency Review Team
CO₂	Carbon dioxide
CO₂ equivalents	Unit for GWP (Global Warming Potential)
CSR	Corporate Social Responsibility
EBITDA	Earnings before interest, taxes, depreciation and amortization
FPSO	Floating Production Storage and Offloading vessel
GHG	Greenhouse gases
GRI	Global Reporting Initiative, a global framework for sustainability reporting
HiPo	Incident with high potential for personal or environmental accident
HSE	Health, Safety and Environment
LTI	Lost-time incident

MTI	Medical treatment incident
mg/l	Milligrams per liter
o.e.	Oil equivalents (1 o.e. = 1 Sm ³ crude oil. 1 o.e. = 1000 Sm ³ gas)
OIW	Oil in water. Used about oil contaminated produced water
OPPC	Oil Pollution Prevention and Control Regulations (UK legislation)
Sm³	Standard cubic meter
Te	Tonne equivalents
TRIF	Total Recordable Incident Frequency (Lost Time Injuries plus medical treatment injuries pr. Million manhours worked)



GRI

We use the Global Reporting Initiative (G3) Sustainability Reporting Guidelines as a basis for our report, reporting on a self-declared C-level.

CONTACT US

We would appreciate your comments, feedback or queries on this report. Please get in touch at trd.reception@teekay.com

Visit our website at www.teekay.com





GRI DISCLOSURE TABLE

Company Profile			
G3	Description	Extent of reporting	Cross-reference or direct answer
1	Strategy and Analysis		
1,1	Statement from the most senior decision-maker about the relevance of sustainability to the organisation and its strategy.	●	President's introduction - pg 7
2	Organizational Profile		
2,1	Name of organisation.	●	Front page and facts and history - pg 18
2,2	Primary brands, products, and/or services	●	Facts and history - pg 18
2,3	Operational structure of the organisation, including main division, operating companies, subsidiaries and joint ventures.	●	Facts and history - pg 18
2,4	Location of organisation's headquarters.	●	Facts and history - pg 18
2,5	Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	●	Facts and history - pg 18
2,6	Nature of ownership and legal form.	●	Facts and history - pg 18
2,7	Markets served (including geographic breakdown, sectors served, and types for customers/beneficiaries).	●	Facts and history - pg 18
2,8	Scale of the reporting organisation.	●	Facts and history - pg 18
2,9	Significant changes during the reporting period regarding size, structure or ownership.	●	None
2,10	Awards received in the reporting period.	●	Environment - pg 17
3	Report Parameters		
3,1	Reporting period (e.g. fiscal/calendar year) for information provided.	●	About this report - pg 4
3,2	Date of most recent previous report.	●	About this report - pg 4
3,3	Reporting cycle (annual, biennial, etc).	●	About this report - pg 4
3,4	Contact point for questions regarding the report or its contents.	●	About this report - pg 4
3,5	Process for defining report content.	●	About this report - pg 4
3,6	Boundary of the report (eg, countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	●	About this report - pg 4
3,7	State any specific limitations on the scope or boundary of the report.	●	About this report - pg 4
3,8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities that can significantly affect comparability from period to period and/or between organizations.	●	About this report - pg 4
3,10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement.	●	No significant re-statements of information in this report.
3,11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	●	No significant changes in scope or boundary in 2010.
3,12	Table identifying the location of the standard disclosures in the report.	●	This table - pg 26
4	Governance, Commitments, and Engagement		
4,1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	●	Teekay Petrojarl is a part of Teekay Corporation. The Board of Directors of Teekay Corporation consists of nine members. There are seven Directors, one member serving as Director and Chair of the Board, and one member serving as Director and Chair Emeritus. The Board of Directors has three committees: Audit Committee, Compensation and Human Resources Committee, and Nominating and Governance committee. Each of the committees is currently comprised of independent members and operates under a written charter adopted by the Board. All of the committee charters are available under "Corporate Governance" in the Investor Centre of our website at www.teekay.com

The table indicates where you find our response to the various disclosures and performance indicators requested by the Global Reporting Initiative guidelines for sustainability reporting.

● = full reporting ◐ = partial reporting

4,2	Indicate whether the chair of the highest governance body is also an executive officer (and, if so, their function within the organization's management and the reasons for this arrangement).	●	No
4,3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	●	The Board of Directors consists of nine members. Eight members are independent, and one member is Teekay's Chief Executive Officer (CEO)
4,4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	●	Teekay offers a Business Conduct Hotline that allows staff to anonymously report violations of our Standards of Business Conduct Policy. The Hotline is overseen by the Vice President, Risk Management and Internal Audit who reports directly to the Audit Committee of the Board of Directors. Other mechanisms are annual employee surveys and customer surveys.
4,8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	●	We have developed several internal statements and principles. Whereas some are common with Teekay Corporation (e.g. our values and Code of Conduct), Teekay Petrojarl also have own governing documentation (e.g. environmental management manuals for FPSOs) and mission statements (e.g. HSE policy and programs).
4,12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	●	Teekay Petrojarl Production AS is certified according to ISO9001 and ISO14001. We also report our GHG emissions and strategies through the CDP.
4,13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations.	●	Norwegian Shipowner's Association, Intertanko
4,14	List of stakeholder groups engaged by the organization.	●	Does not exist yet. Stakeholder management is part of the target to strengthen our materiality process in 2011.
4,15	Basis for identification and selection of stakeholders with whom to engage.	●	Does not exist yet. Stakeholder management is part of the target to strengthen our materiality process in 2011.

G3 Performance Indicators

	Economy		
G3	Description		Cross-reference or direct answer
EC4	Significant financial assistance received from government.	●	We do not receive financial assistance from any government.
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	●	Corporate social responsibility - pg 11
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	●	President's Introduction (pg 7) and Corporate social responsibility (pg 11)
	Environment		
G3	Description		Cross-reference or direct answer
EN16	Total direct and indirect greenhouse gas emissions by weight.	●	Environment (pg 14). In addition, indirect emissions from electricity use in our Trondheim office (39,5 MT CO ₂ eq) is reported through our CDP reporting 2011.
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved.	●	Environment (pg 14) and Actions and results (pg 23)
EN20	NOX, SOX, and other significant air emissions by type and weight	●	Significant air emissions (in addition to GHG figure) from Teekay Petrojarl vessels: 5808 tonnes NOX, 730 tonnes SO _x .
EN21	Total water discharge by quality and destination.	●	Environment (pg 15) and Key figures (pg 2)
EN22	Total weight of waste by type and disposal method.	●	Environment (pg 16) and Key figures (pg 2)
EN23	Total number and volume of significant spills.	●	Environment (pg 15) and Key figures (pg 2)
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	●	No fines or sanctions recorded in 2010.
	Social - Labour Practises		
G3	Description		Cross-reference or direct answer
LA1	Total workforce by employment type, employment contract and region.	●	Facts and history - pg 18
LA2	Total number and rate of employee turnover by age group, gender and region.	●	Health and working environment - pg 10. Only total turnover figures are reported.
LA4	Percentage of employees covered by collective bargaining agreements.	●	Key figures - pg 2
LA7	Rates of injuries, occupational diseases, lost days, and absenteeism, and number of work related fatalities by region.	●	Safety - pg 9. Only total figures reported (not per region), and occupational diseases not included in our safety statistics.



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