



2011

Sustainability Report

TEEKAY – THE MARINE MIDSTREAM COMPANY®

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Our mission is to be the premier provider of marine services to our customers in the oil and gas industry.

TEEKAY PROVIDES COMPREHENSIVE MARINE SERVICES TO THE WORLD'S LEADING OIL AND GAS COMPANIES, HELPING THEM SEAMLESSLY LINK UPSTREAM ENERGY PRODUCTION TO THEIR DOWNSTREAM PROCESSING OPERATIONS.



Founded in 1973 by the late Torben Karlshøj, Teekay has developed from a regional shipping company into one of the world's largest marine energy transportation, floating production and storage companies.

Over the past decade, we have undergone a major transformation, which has included our expansion into the liquefied gas shipping sectors; further growth of our operations in the offshore production, storage and transportation sectors; and expansion of our conventional tanker business.

With offices in 16 countries and approximately 6,400 seagoing and shore-based employees, we provide a comprehensive set of marine services to the world's leading oil and gas companies. Our reputation for safety, quality and innovation has earned us a position with our customers as a trusted partner in the Marine Midstream sector.

Teekay at a Glance

Teekay Corporation	(NYSE: TK)
Chairman:	C. Sean Day
President & CEO:	Peter Evensen
Consolidated assets:	\$11.1 billion
Fleet:	151 vessels
Revenues:	\$ 1,953,782,000
Offices:	25 offices in 16 countries
Employees:	6,400

VISION AND VALUES

In 2010, we initiated Project Vision 2020, an extensive series of consultations with over 1,000 employees in our offices and onboard our vessels. Employees were asked what the future of Teekay should look like, and how to ensure we remain successful. The theme that captured the essence of people's energy and passion in those sessions was 'Teekay Spirit.' This theme honours our past, acknowledges the central importance of our ships and seafarers, and celebrates the spirit of our people who make Teekay truly successful. In June 2011, our new Teekay vision and the re-expression of our values were launched.

ETHICS

In support of our Vision and to reinforce the manner in which we conduct our business, Teekay has a comprehensive business conduct and policy compliance program which applies to all employees in the company. The Board of Directors annually updates and approves the Standards of Business Conduct Policy.



OUR VISION

Bringing energy to the world with Teekay SPIRIT

OUR VALUES

*S*afety and Sustainability
*P*assion
*I*ntegrity
*R*eliability
*I*nnovation
*T*eamwork

OUR BUSINESS UNITS

Our organization is divided into four key areas:

Teekay Shuttle and Offshore Services



Teekay is the world's leading operator of offshore loading shuttle tankers, offering comprehensive shuttle tanker services. We also deliver innovative methods of storing and transferring offshore oil, from floating storage systems to complete export and transportation services.

Teekay Petrojarl

Teekay Petrojarl is the largest operator of FPSO units in the North Sea and is expanding operations in Brazil. We use our FPSO units to provide production, processing and storage services to oil companies operating offshore oil field installations.

Teekay Gas Services



Teekay provides Liquefied Natural Gas (LNG) and Liquefied Petroleum Gas (LPG) transportation services to major energy and utility companies. We have one of the world's largest independently owned LNG fleets and offer solutions for floating storage and regasification units (FSRU), and compressed natural gas (CNG).

Teekay Tanker Services



Teekay provides conventional crude oil tankers and product carrier services operating one of the world's largest tanker fleets including aframax, long range (LR), medium range (MR) and suezmax vessels.

CUSTOMERS

Our customers typically include major energy and utility companies, major oil traders, large oil and LNG consumers and petroleum product producers, and government agencies. Two customers, Statoil and Petrobras, accounted for 27% of our revenues in 2011.

It's about
People, Planet
and Profits.

SUSTAINABILITY AT TEEKAY



Teekay has always taken a sustainable approach to business. For us, sustainability means ensuring we are successful in all aspects of our business, including the long-term health and success of our people, the environment we work in, and the businesses we pursue. In short, it means we focus on People, Planet and Profit.

Since sustainability is a core value in our company's vision, we recognized the need to further define sustainability, and to understand the issues most relevant to our stakeholders. In our 2011 sustainability report we identify key issues related to people and planet, and their importance to our business and stakeholders.

We also made significant headway to improve the profitability of existing assets in 2011. Our annual financial statements, available on our website (teekay.com), provide more information on how we progressed towards our goal of being the premier provider of marine services to our customers in the oil and gas industry.

	Unit	2010	2011
PEOPLE			
Total staff	Persons	6,400	6,400
> Sea staff	Persons	5,500	5,400
> Shore staff		900	1000
Total Recordable Case Frequency ¹	Per million person-hours	2.40	2.33
Total Recordable Injury Frequency ²	Per million person-hours	3.84	5.87
Lost Time Injuries	Number	17	16
Fatalities	Number	0	1
PLANET			
Greenhouse Gas Emissions	Metric tonnes CO ₂ -eq.	5,424,189	5,178,226
Sulphur Oxide emissions	Metric tonnes	57,430	52,544
Nitrogen Oxide emissions	Metric tonnes	104,508	99,129
Spill volume	Litres	283	4010
> Spills above 1 barrel (159 L)	Number	1	3
> Spills below 1 barrel (159 L)		9	12
Water discharges to sea	Cubic metres	131,314	100,273
> Produced water from FPSOs	Cubic metres	109	55
Solid waste disposal at sea per vessel ³	Cubic metres	3.4	2.8
Total vessel waste generated	Cubic metres	14,002	12,789
> Disposed to shore facilities	Cubic metres	5,454	4,773
> Incinerated onboard		3,162	3,114
> Recycled ashore		3,913	3,912
> Disposed at sea		1,473	990
PROFIT			
Total Assets	\$1000 USD	9,912,348	11,131,396
Revenues		2,095,753	1,953,782
Net income (loss)		(166,635)	(386,721)
Total Equity		3,332,008	3,293,494
Total Debt		5,170,198	6,091,420
Our Fleet	Number of vessels ⁴	151	151
> Shuttle Tanker and FSO	Number of vessels	41	42
> FPSO Segment		9	12
> Liquefied Gas Segment		26	26
> Spot Tanker Sub-Segment		35	32
> Fixed-Rate Tanker Sub-Segment		40	39

¹ Excludes Teekay Petrojarl. Sum of lost time injuries, restricted work cases, and medical treatment cases per unit of exposure hours.

² Data is for Teekay Petrojarl only, which uses a slightly different measure.

³ Category 2, 3 and 4 wastes only and excluding bulk carrier cargo residues.

⁴ As of year-end, including chartered-in vessels and new buildings on order, but excluding vessels managed for third parties.



Teekay has a reputation as an operator of high-quality ships, with high-quality crews.

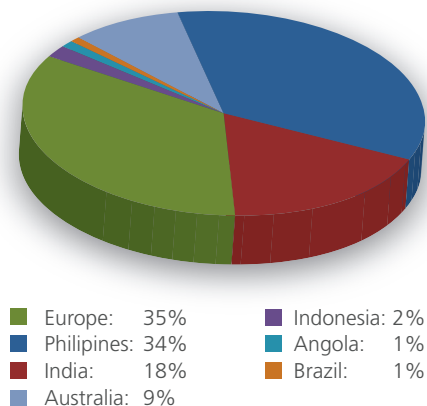
OUR KEY STRATEGY IS TO HAVE WORLD-CLASS PEOPLE ONBOARD AND ASHORE. WE FOCUS ON HAVING MOTIVATED AND SKILLED EMPLOYEES SO THAT WE CAN SUCCEED IN A COMPLEX AND COMPETITIVE INDUSTRY. THE HEALTH, SAFETY, AND WELL-BEING OF ALL OUR STAFF IS OUR HIGHEST PRIORITY.



Teekay brings energy to the world! We inspire others with our vision of delivering first-class marine services to the global oil and gas industry.

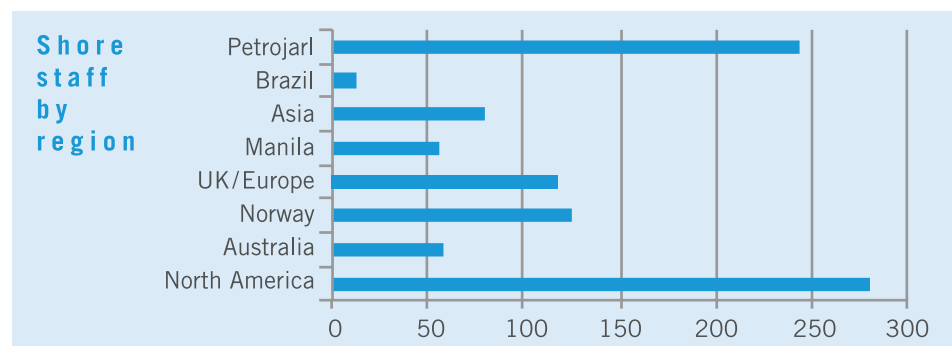
With a range of challenging and rewarding global opportunities, you can live your spirit here in remarkable ways.

All-Fleet Sea Staff Nationality Groups (end 2011)



OUR STAFF

Teekay is a 'transnational' organization, and we have a diverse workforce at sea and ashore. In 2011, Teekay had approximately 6,400 staff worldwide. This included almost 1000 shore-based employees and almost 5,400 sea staff.



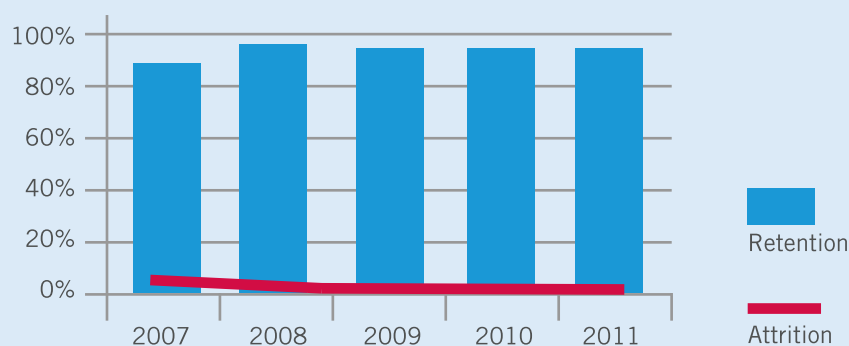
ATTRACTING AND RETAINING STAFF

The industry is facing a shortage of skilled workers. We must attract and recruit the best employees to achieve a highly competent workforce and ensure the success of our business.

We regard attracting and retaining motivated seagoing personnel as a top priority. Through our global manning organization, we offer seafarers what we believe are competitive employment packages and comprehensive benefits. We also provide opportunities for personal and career development, which supports our philosophy of promoting internally.

We have a strong focus on the retention of our staff. For the past several years, voluntary attrition of seafarers and offshore staff has met our target of 6% or less, which compares very favourably with general industry levels.

5-year "All-Fleet" Seafarer Attrition / Retention



SAFETY AT TEEKAY

The safety and health of our seafarers and staff is of utmost importance to Teekay. Our number-one priority is to ensure everyone gets home safe.

Our goal is to have zero injuries to personnel. To reduce the risk of injury to personnel, we have extensive industry leading policies and practices in place regarding safety and emergency response. These include our Operational Leadership Program, Safety Management System and Safety Observation Process.



Notable Event

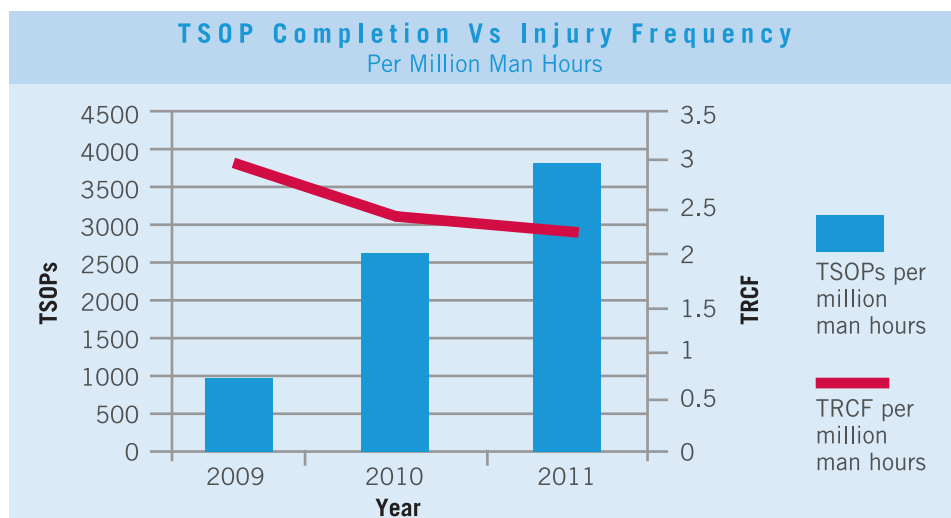
In December, we experienced a dramatic event in our history, as Petrojarl Banff and the Apollo Spirit were hit by an exceptionally severe storm. While the mooring system for the Apollo Spirit was able to withstand the exception weather and sea states, five of the ten mooring lines holding the Petrojarl Banff on station failed during the storm.

The Emergency Response Centres in Aberdeen and Trondheim were fully operational and manned on a 24 hour basis until the situation was stabilized. Thanks to the exceptional efforts put in by our offshore crew and the supportive onshore organization, no people were hurt and the environmental impact was minimal.



Teekay Safety Observation Process

Our Teekay Safety Observation Process (TSOP) focuses on the safety behaviours of our crews. This proactive process helps Teekay employees “look out for their work mates” before incidents occur. This is done through planned events that involve an employee observing a colleague at work, then discussing any identified safety aspects with them. The TSOP program has been very successful in helping us shape a culture that encourages crew members to speak up regarding safety. In 2011, we completed 88,354 TSOPs on board, which resulted in a substantial improvement in the safety record over previous years.



Operational Leadership Program

Our Operational Leadership Program (OLP) continuously strengthens our safety culture and ensures clear leadership expectations. OLP keeps employees focused on key responsibilities, including our safety commitments for all shore and sea staff.

All Teekay employees have been given extensive training in Operational Leadership, and have signed key safety commitments. OLP is also embedded through shore training programs for our Onboard Safety Officers and Shipboard Management Team. All employees are supplied with an OLP handbook, which outlines commitments such as ensuring safety and using risk management tools.



In 2011, we saw our best year ever for Lost-time Injury Frequency Rates and Total Recordable Case Frequency. However we also suffered a tragic fatality due to a fall overboard on one of our conventional tankers. Subsequently, we took further steps to embed our Operational Leadership safety commitments into our regular onboard process. Our monthly shipboard HSEQ meetings now have specific discussion points around these items to help further strengthen the onboard safety culture.

	2010	2011
Lost-time Injury Frequency*	0.61	0.56
Total Recordable Case Frequency*	2.40	2.33
Total Recordable Injury Frequency**	3.84	5.87
Lost-time Injuries	17	16
Fatalities	0	1

* Per million person-hours. Excludes Teekay Petrojarl

** Teekay Petrojarl only

PIRACY MITIGATION

Piracy continues to threaten global trade and the safety of our seafarers. Piracy areas are growing and are having a greater impact on shipping routes and operations. The security situation around Somalia is still a major focus, as pirates have made it a regular practice to use violent and aggressive actions against crews.

Although the number of overall attacks increased in 2011, the number of successfully hijacked vessels decreased.

To date, we have had zero pirate-related incidents. However, we continue to regard piracy as a significant risk, and combating piracy remains one of our top priorities. We have strict compliance with best management practices in this matter, and use armed guards when necessary.

Teekay supports "Save Our Seafarers," a campaign by several of the world's largest maritime organizations to raise awareness about the human and economic cost of piracy, and are requesting governments to eradicate piracy.



AWARDS

In 2011, Teekay received 85 Devlin Awards at the annual Ship Safety Achievement Awards. Nine vessels in the fleet received awards for having 10 or more years without a lost-time injury. The Goonyella Trader achieved the amazing milestone of 15 years LTI free, which is a testament to the safety culture onboard.

Teekay was presented with Environmental Achievement Awards for 85 vessels from the Chamber of Shipping America. More than a dozen vessels have now received the award for 10 years or more.

Talisman Energy, operator of the Varg oil field served by the Petrojarl Varg, was presented with the prestigious "Gullkronen 2011" award (Golden Crown) for achievements in the Norwegian oil and gas sector. Talisman congratulated the Varg team for their outstanding HSE and production record.

Teekay received thanks for our involvement and support of The Human Element, a guide to behavior based safety in the shipping industry. The Guide won a Safety at Sea award in 2011 and is shortlisted for the 2011 Lloyd's List Global Award

HEALTH

We have a health strategy in place so we can look after the health and well-being of our seafarers. In 2011, we implemented a number of initiatives to better care for our sea staff, including a 24-hour medical advice and help line. Previously, medical advice had been accessed via radio, and was normally limited to emergencies. Now nurses and doctors are available for advice on any health situation onboard. This has the added benefit of enabling early intervention and preventing situations that could impact ship operations.

In 2011, Teekay Petrojarl focused on risks due to noise and musculoskeletal disorders, since these factors are often represented in work related disease cases.

In previous Employee Surveys, our seafarer staff expressed the need for extended medical coverage while at home, for both them and their families. We responded and, in 2011, rolled out extended medical insurance coverage to all of our international fleets. This benefit, which has been very well received, provides medical insurance coverage to our seafarers while on leave, and their families year-round. There is no cost to seafarers or their families.



EMPLOYEE ASSISTANCE

We've taken the well-being of our seafarers a step further by introducing a program that will be piloted in the International Fleet in 2012. This confidential support program will provide advice, support and information to employees to help them work through personal issues that may be impacting their well-being, including financial issues, legal problems, family issues and depression.

TRAINING AND DEVELOPMENT

Teekay supports staff by providing them with ongoing professional development through both external and internal training programs.

Our commitment to training is fundamental to the development of the highest caliber seafarers for our marine operations. Our cadet program balances academic and at-sea training, and has relationships with training institutions in Canada, Croatia, India, Norway, Philippines, Turkey and the United Kingdom.

We have a strong focus on personal development, promotion, and career progression planning, the foundation of which is our competency management system.

The Teekay Learning Zone, a website created to give staff access to training material and online courses from anywhere in the world, has now received almost 35,000 hits.

COMMUNITY INVOLVEMENT

In 2011, Teekay employees supported many worthy causes:

- The Teekay Petrojarl Social Footprints Committee donated to support Matbussen Omsorgshuset in Trondheim, the Asha Deep Foundation in Delhi, the Football Club Karanba in Rio de Janeiro, and CARE Africa.
- Teekay staff in Vancouver cycled over 100 kilometers in support of the Mission to Seafarers.
- Our Stavanger office donated funds to the SOS Children's Villages Keila in Estonia.
- Offices in Rio and Macae gave their time and money to orphanages in their local areas.

We believe it's important to support the communities in which we work.

We have partnerships with local community organizations and charities around the world.



- Partnering with Junior Achievement, Vancouver employees mentored 24 high school students to guide these future entrepreneurs through the creation and operation of a real business.
- Manila, partnering with the Red Cross, donated a substantial amount of goods in the form of food, medicine and other necessities to people and communities devastated by Typhoon Sendong.
- Staff in Houston ran for the Cure, supporting cancer research.
- In Glasgow, Sydney, Port Hedland and Vancouver, our colleagues sprouted moustaches, raising vital funds and awareness for men's health. Together, the team generated over \$27,000 in donations.
- Vancouver employees participated in the Plywood Cup race and raised funds for Special Olympics BC and the Small Talk Society for Developmental Language Disorders. Participants built a vessel out of plywood and nails, and paddled it across False Creek.

When the Japan earthquake hit in March 2011, Teekay's staff went into action. Teekay employees around the globe demonstrated not only their generosity but also their creativity. A variety of fundraising efforts took place, including pancake breakfasts, raffles and bingo. Collectively, Teekay employees raised over \$30,000 for the people and communities affected by the earthquake in Japan.

These are just some of the many causes our employees support.

Sustainability Story

The Teekay Spirit in Action

At Teekay, safety is our number one priority, not only for our own shore and sea staff, but for people in our communities, including those at sea.



At 6:30am April 7, 2011, the crew on the Teekay tanker, Alexander Spirit, received a mayday distress call as they were travelling south to Hobart, Tasmania. The distressed fishing vessel, the CJDJ, lay six nautical miles northeast. Without hesitation, the Alexander Spirit crew immediately rerouted the tanker to attend to the emergency. They discovered the CJDJ was rapidly filling with water, so the crew quickly went into action to rescue the three fishermen from the sinking vessel.

"Water was quickly coming into the vessel, so it was a matter of positioning my ship alongside the other vessel, and using his remaining power to bring the boat alongside," said Jason D. Britton, Captain of the Alexander Spirit. "Our lads work with each other regularly, so we know our strengths and weaknesses. It was an excellent demonstration of good seamanship."

Captain Britton added that at numerous times the crew were required to attend to changing

situations. "When we first encountered the vessel, the captain was panicking so it was unclear how much trouble they were in," he explained. "We also needed to be careful to not damage our ship during the rescue. There were media helicopters buzzing around the ships and we're a tanker so we're concerned about safety. But all the crew addressed everything with safe and efficient operating practices, and we were able to transport the fishermen to Sydney."

Along with the exceptional efforts of his crew, Captain Britton praised Teekay's strong culture of safety and work ethics. "At the end of the day, it's about the culture," Captain Britton noted. "Teekay has a real focus on safety, and safety culture has become second to none."

"There's nothing better than being able to rescue somebody and save their life," noted Captain Britton. "And it was truly a team effort. I am proud to be Captain of the Alexander Spirit and my crew."

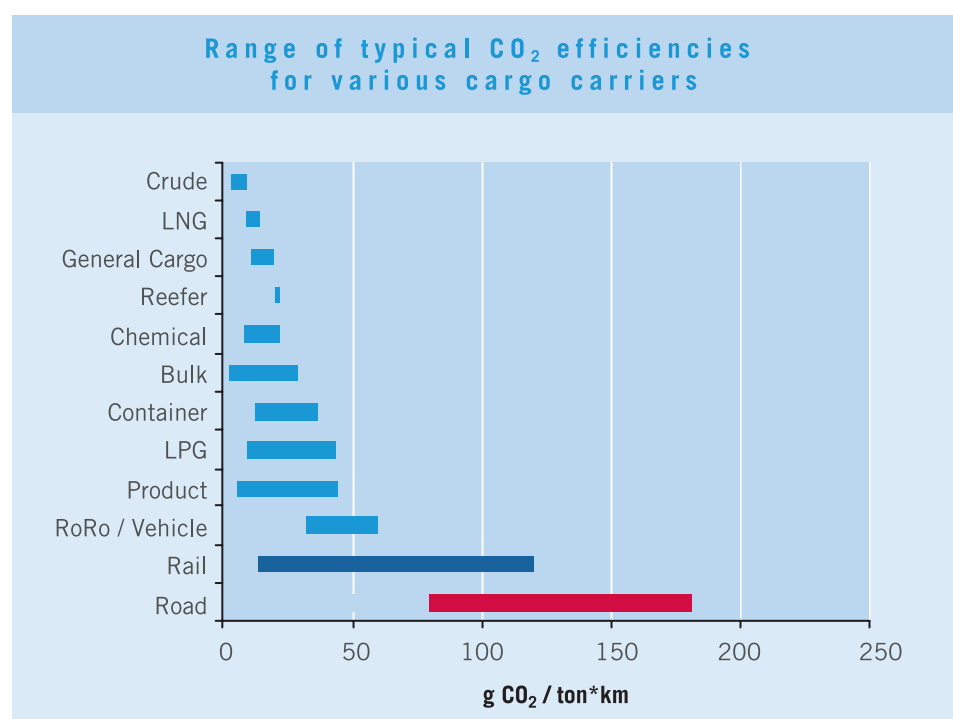


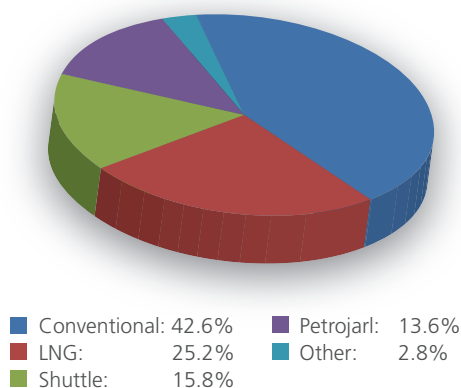
One of our most important tasks is reducing our environment footprint.

EVEN THOUGH MARINE TRANSPORT IS THE MOST ENERGY-EFFICIENT MEANS OF TRANSPORT, FUEL CONSUMPTION EMITS GREENHOUSE GASSES (GHGS) AND OTHER AIR POLLUTANTS.



We continue to develop innovative energy-efficient technologies and practices that minimize the impact of our operations on the environment. This is also important to maintaining our competitive advantage: our key stakeholders are increasingly using environmental performance as a criteria in assessing us for new business and partnerships.



Greenhouse Gas Emissions by Fleet

GREENHOUSE GAS MANAGEMENT

In 2011, our greenhouse gas emissions from global operations decreased by 4.5%. The majority of emissions were from vessel engines and boilers.

Total GHG emissions decreased in 2011 due mainly to lower fuel consumption in our conventional fleet. The lower fuel consumption was due to a slightly smaller fleet size in 2011, combined with a drop in Suezmax and Aframax market activity. Continued focus on slow steaming, where possible, and the installation of propeller boss cap fins on some vessels also contributed to improved fuel efficiency.

In 2011, the IMO adopted regulations to improve the energy efficiency of marine vessels and minimize GHG emissions. Starting in 2013, new vessels must achieve minimum energy efficiency standards, and all existing vessels must implement onboard energy efficiency management plans. Teekay has designed a vessel, One Spirit, which already meets IMO energy efficient design requirements targeted for 2025.

OTHER AIR EMISSIONS

Other air emissions from our operations are sulphur oxides (SO_x), nitrogen oxides (NO_x), volatile organic compounds (VOCs), and refrigerant gasses, each of which can contribute to smog, acid rain and ozone depletion.

Sulphur Oxides

Sulphur oxide emissions can be reduced by burning low-sulphur fuels, or by installing exhaust gas cleaning systems to “scrub” the sulphur from exhaust gasses. We will see further reductions with the introduction of the North America Emissions Control Area (ECA) in 2012, which will require low sulphur (1%) fuels to be used within 200 miles of North American coastlines.

In 2011, our sulphur oxide emissions decreased by 8.5% due to lower fuel consumption in the fleet and greater use of low sulphur fuels in emission control areas. The average sulphur content of fuels used was 2.30% which is under the regulated global limit of 3.50%.

Nitrogen Oxides

Nitrogen oxides are a by-product of high-temperature fuel combustion and can be reduced by lowering engine combustion temperatures (although this has a negative impact on engine efficiency) or by modifying engine combustion through the use of technologies such as fuel slide valves. To reduce emissions and allow better

slow-steaming performance, we have installed fuel slide valves on many vessels in our fleet and are planning further installations in 2012.

In 2011, our nitrogen oxide emissions decreased by 5%.

Volatile Organic Compounds (VOC)

Volatile organic compounds are released as gasses during the loading and transport of oil. VOC emissions are not currently measured due to a lack of recognized measurement or estimation method.

We continue to support the development of VOC reduction systems. In 2011, we conducted ongoing tests of our award-winning⁵ VOC systems installed on our four Explorer Class shuttle tankers, which confirmed the ability of these systems to achieve reduction requirements while being significantly less expensive and more reliable than alternative VOC recovery systems. The innovative VOC system combines technologies to reduce emissions by 50 to 75% during loading, and 100% during transit.

Refrigerant Gasses

While we have procedures to prevent the release of refrigerant gasses, any leaks from vessel air conditioning and refrigeration plants can contribute to ozone depletion and global warming. Newer types of refrigerant gasses (called HFCs) have no impact on the ozone layer.

In 2011, we continued changing over our European Union and Norwegian flagged vessels to HFC refrigerant types with no ozone-depleting potential. As a result, our use of ozone-depleting refrigerants have decreased.

Emission type		2010	2011
Greenhouse Gasses (metric tonnes CO ₂ -eq.)*		5,424,189*	5,178,226*
Sulphur Oxides (metric tonnes)		57,430	52,544
Nitrogen Oxides (metric tonnes)		104,508	99,219
Ozone Depleting Refrigerants	Purchases (kg)	5,814	5,351
	CFC-11 equivalent (kg)	290	268

* Total greenhouse gas emissions for 2010 have been recalculated and restated to include Teekay Petrojarl, which was not estimated or included in the 2010 report

⁵ See Teekay's 2010 Sustainability Report for further details of the NOR-Shipping Clean Air Award.

As a marine shipping company, we focus on water as a key sustainability issue.

We work to minimize harmful impacts as a result of ballast water discharges and oil spills

WATER

Ballast Water

To maintain proper trim and stability, vessels carry sea water as ballast when not carrying cargo. However, ballast water can transport non-indigenous species between regions. To reduce this risk, Teekay vessels exchange ballast water mid-voyage as required by regional regulations.

To further reduce the risks, the IMO recently developed regulations requiring the installation of systems to treat ballast water before all discharges. Using methods such as UV or electro-chlorination, these systems will kill or inactivate organisms in ballast water. Systems will be required on all vessels built after 2012 and on all existing vessels after 2016. Teekay will install and test a ballast treatment system before the end of 2013 in order to identify the most suitable and cost-effective systems to install throughout our fleet.

Spills

We strive for zero spills. Due to changes in regulations and improvements in industry practices, oil spills have been significantly reduced in the shipping industry. In 2011, there were three spill incidents greater than a barrel in our fleet. This increase in spill volume over 2010 is mostly due to two spills from FPSO units.

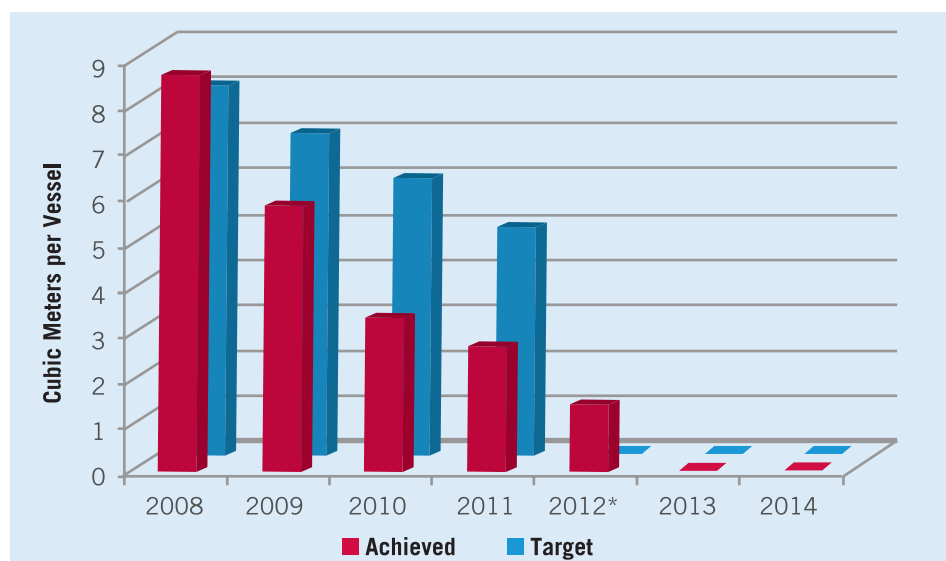
- In December 2011, the Petrojarl Banff was hit by an exceptionally severe storm that broke five of the vessel's anchor chains. Unfortunately, 1.56 metric tonnes of crude oil were also lost to sea during the incident. Due to the highly skilled staff onboard, supported by our Emergency Response Centre, thankfully no further oil was lost and no injuries occurred.
- A spill of 1600 litres of methanol occurred from an FPSO unit.
- Due to a slow leak from a controllable pitch propeller, approximately 600 litres of hydraulic oil were lost to sea before repairs could be made.
- All other spills in 2011 were small, and totaled approximately 77 litres.

Excluding FPSO units, in the last 4 years, Teekay vessels have transported more than 5 billion barrels of cargo and spilled less than 8 barrels of oil to sea.

WASTE

In 2011, Teekay vessels generated 12,789 m³ of solid waste (including food scraps), which is a reduction over previous years. Over half was sent to shore facilities for disposal or recycling. Roughly one quarter was incinerated onboard, and the remaining portion (less than 10%) was disposed at sea in accordance with MARPOL regulations.

We have had great success in reducing the amount of waste disposed at sea. Our 2012 goal is to reach zero at sea waste disposal by year-end. FPSO units and the majority of our shuttle tanker fleet already achieve zero at sea solid waste disposal.



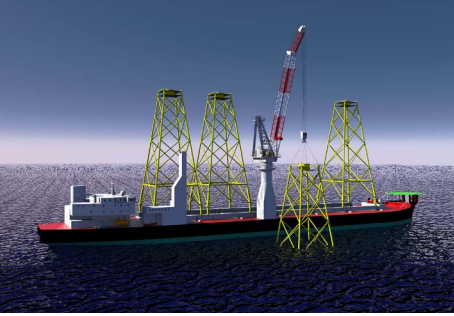
* Estimated disposal volumes in 2012 are projected for illustration only.

Innovation is a key component of Teekay's strategic plan.

INNOVATION, TECHNOLOGY AND PROJECTS

We recognize the need to stay creative and innovative to maximize both the success of our business, and the success of our sustainability efforts. Therefore, we formed the Innovation, Technology and Projects (ITP) group to maximize Teekay's potential to create and develop ideas, add value for customers and sustained profitability for the organization.

Within ITP, our innovation strategy focuses on two main areas – improving productivity and enabling growth. ITP assesses and qualifies ideas and technologies that have the potential to improve our cost structure and increase asset utilization. In addition, the ITP group helps expand revenue opportunities by looking at new markets and businesses, and developing solutions that enhance the value to our customers. In 2011, we pursued two significant initiatives: offshore wind farms and eco tankers.



Building Offshore Wind Farms

In 2011, we began developing a vessel that enables fast and efficient installation of foundations for offshore wind turbines. This revolutionary ship design utilizes our experience in operating shuttle tankers in the harsh conditions of the North Sea. With its unique design, the Teekay offshore wind farm installation vessel will enable faster development of this type of alternative energy source.

Sustainability Story

One Spirit: Designing an Eco Tanker



At Teekay, we believe in turning challenges into opportunities. That's why, when faced with upcoming emissions legislation and high fuel costs, we decided it was a great chance to build the most energy-efficient ship possible.

To do so, we took a different approach from other shipping companies and shipyards and went right back to the drawing board. "Shipyards have been building ships for many years, and the focus has always been on reducing the building cost. As a consequence ships ended up becoming very tissue-box shaped," explained Stuart Crawford, Project Manager in ITP. "They sacrificed streamlining and fuel efficiency for cargo capacity. Years ago, when fuel was cheap, that made sense. But today, fuel is so much more expensive, and emissions such a focal point that we realized something had to change, consequently we went right back to

basics and redesigned the ship, starting with the hull."

We began the process by optimizing the ship's hull form through computational and physical model tests. Propeller and engine efficiency were also key considerations, which resulted in the fitting of a larger diameter propeller, and super slow speed engine. We also intend to fit a Mewis duct to correct the inflow of water to the propeller and a propeller boss cap fin for outflow correction. Tests indicate both will benefit our design. Our streamlined hull absorbs less energy from wave impacts, delivering more savings in real life. In short, the new tanker – called One Spirit – will reduce fuel consumption by an impressive 30%.

In going through this process, our aim was to use existing and emergent technologies to minimize the fuel consumption and emission impact of our new vessels. "Importantly, we've

only worked with technology we know we can utilize," says Stuart. "There are a lot of theoretical applications out there, but some technology – fuel cell technology, for instance – is in its infancy. As these technologies mature, we will be able to retrofit, or incorporate them into future One Spirit new buildings."

"What's also important to keep in mind is that this is a phased-in approach," adds Stuart. "EEDI [Energy Efficiency Design Index] requirements will become more stringent in upcoming years, but the way we are approaching it means that we will be able to produce a ship that will be competitive against the very best in the world for the next 15 to 17 years."

Based upon test data, our One Spirit design already meets the EEDI requirements targeted for 2025. We think that's something to feel proud about.



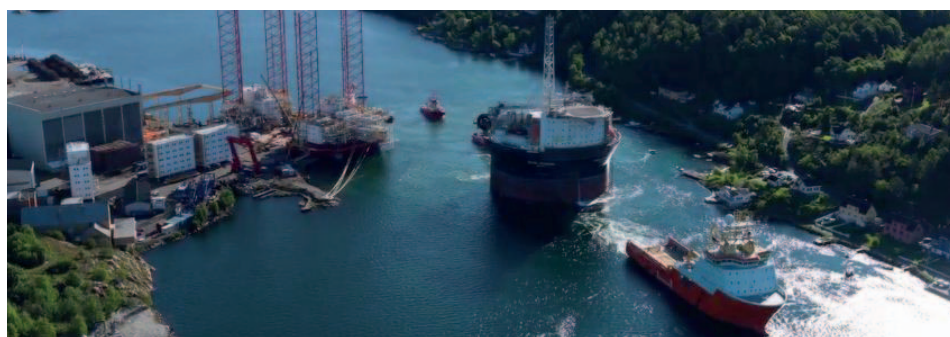
One Spirit advantage = reduced voyage costs = environmentally efficient

Optimal tanker efficiency. Designed to reduce fuel consumption by **30%**.



We are improving the profitability of our assets.

TEEKAY FOCUSES ON ACHIEVING COST LEADERSHIP, ECONOMIES OF SCALE IN OUR TECHNICAL OPERATIONS, AND ACHIEVING MARKET LEADING HEALTH, SAFETY, AND ENVIRONMENT AND QUALITY (HSEQ) PERFORMANCE.



While our services are of the highest quality, we are consistently mindful of the need to remain competitive and drive profitability.

We made significant headway in our operational initiatives to improve the profitability of existing Teekay assets in 2011. Some highlights include;

- In our offshore business, due to a combination of strong production and higher oil prices, we realized a significant increase in year-over-year revenue from the Foinaven FPSO contract. We were also successful in negotiating improved rates for the Petrojarl 1 FPSO contract commencing in 2012. One measure of our operational performance in the offshore market is process plant uptime on our FPSOs, which indicates our ability to provide reliable production to our clients. In 2011, our production utilization factor was 95.3%, exceeding our own goal of 94.5%.
- In our Shuttle Tanker fleet, we have continued to renew contracts at improved rates and have also made progress towards reducing operating expenses in this business.
- In our liquefied gas business, the robust demand for spot LNG assets in 2011 enabled us to employ the Arctic Spirit LNG carrier and re-charter the Polar Spirit LNG carrier at favorable rates.

- In our conventional tanker business, we have been able to achieve cost savings through slow steaming and other operational cost savings initiatives. We also continued to reduce our chartered-in conventional tanker fleet in 2011. In 2012, 10 time-chartered in conventional tankers currently operating in our fleet are scheduled for redelivery, which will result in further cost savings.

Our annual financial statements, available on our website (www.teekay.com), provide more information on our financial performance.

We welcome
your feedback.

**WE RECOGNIZE THAT SUSTAINABILITY REPORTS ARE A KEY
TOOL IN BUILDING TRUST WITH STAKEHOLDERS.**



This is why one of the goals of our Sustainability Plan is to implement measures to improve our sustainability reporting process, and ensure data integrity and quality.

Thank you for taking the time to learn about our Teekay sustainability journey. We welcome any feedback you may have at media@teekay.com.

REPORT BOUNDARY

We report on entities over which Teekay has direct operational control (i.e., when Teekay has the authority to implement its operating policies). This includes assets over which Teekay Corporation, Teekay LNG, Teekay Offshore or Teekay Tankers has operational control. Further information is also provided in Teekay Petrojarl's separate 2011 Sustainability Report.

We have applied the principle of materiality to decide what to include in this report. We include information that could reasonably be considered to influence the decisions of Teekay, and to affect our partners and stakeholders. To define what is material, we conducted consultations with staff across Teekay's global offices. In future years, we plan to extend our consultation to include more stakeholders.

