



TEEKAY OFFSHORE PRODUCTION

2018

SUSTAINABILITY REPORT



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You will find the report online at
teekay.com/sustainability

PRESIDENT'S INTRODUCTION

BY PRESIDENT CHRIS BRETT

Welcome to Teekay Offshore Production's 2018 Sustainability Report. At Teekay Offshore Production (TOP) we believe that our long-term operational and commercial success is directly linked to our ability to deliver safe and sustainable operations and manage risk and opportunities. Our goal is to be industry leaders in the areas which we operate and to deliver operational excellence.

May 2018 marked a milestone for us, as we successfully achieved first oil with the Petrojarl I on the Atlanta field in Brazil and dedicated crew ensured that we had a safe commissioning. For the Petrojarl I this is the 11th field of operations, after starting as a pioneer in the FPSO industry over 30 years ago in the cold North Sea waters on the Oseberg field in 1986 – and now operating in tropical waters off Brazil. This is sustainability in practice and when we think of the mammoth scale and environmental impact of old infrastructure decommissioning facing the oil and gas industry globally, we must continue to look for ways to extend and reuse

our existing facilities where ever possible.

Safety is always our top priority and we aim for zero harm. Teekay Offshore Production works continuously to achieve our goal together with dedicated people at all levels. Notwithstanding our persistent work, we unfortunately experienced two serious gas leaks on the Petrojarl Foinaven in 2018 and we have investigated these incidents thoroughly to find the root causes. Teekay Offshore Production is transparent about our lessons learned so we produced a film which we shared within the oil and gas industry to prevent similar incidents happening again.

We are also on a digital journey like many



«WE WANT TO BE INDUSTRY SHAPERS AND MARKET LEADERS, **BEING THE CUSTOMER CHOICE** AND CONTINUE BUILDING AN EVEN STRONGER TEAM TO MEET THE NEXT WAVE OF GROWTH IN THE FPSO INDUSTRY.»

in our industry and our digitalization strategy is an integrated part of our overall business strategy. Making the operations data more transparent and easily available for the entire organization improves experience transfer across the fleet. We are currently improving the remote access to our FPSOs and project sites and this will enable instant support and response, increased efficiency in troubleshooting and the lowering of our environmental footprint.

Teekay Offshore Production is in the process of identifying and incorporating the United Nation's Sustainable Development Goals (UN SDGs) to our business strategy and value creation model. We will contribute to the SDGs through improvement, innovation and high corporate ethics in all aspects of our value chain. We recognize that our business has a negative impact on climate change, so we have already identified Climate Action as one of the SDGs that we will focus upon. We strongly believe that all in society have a role to play as we transition to more sustainable and alternative forms of energy, including oil

services businesses such as ours, and we are committed to play our part in this critical initiative for humanity.

Teekay Offshore Production is the largest FPSO lease and contract provider in the North Sea. We have a strong presence in Brazil, where we also operate through a local joint venture. Teekay Offshore Production will continue to hold and strengthen our presence in these regions that we define as our core markets. We want to be industry shapers and market leaders, being the customer choice and continue building an even stronger team to meet the next wave of growth in the FPSO industry.

Teekay Offshore Production – a pioneering FPSO solutions provider.



CHRIS BRETT
President



support a fair business environment which in turn will make us an attractive business partner and employer. We recognize that climate change is strongly connected with the human impact on our planet. We strive to operate with high energy efficiency and find new ways to improve our environmental footprint through lower emissions and discharges.

Our management systems are certified in accordance with the International Safety Management Code, ISO 9001, ISO 14001 and OSHAS 18001. Our management systems are committed to continual improvement, responsible safety and environmental practices, as well as an innovative approach to the use of technology and the development of projects.

In 2019, Teekay Offshore Production will start the process of incorporating the UN SDGs into our strategy and value creation model. We recognize that our business impacts the environment. We work to maximize the positive impact and reduce any negative impact on the SDGs.

Sustainability is about managing risk and opportunities, taking into account all relevant aspects of the triple bottom line; People - Planet - Profit

SUSTAINABILITY IN TEEKAY

Sustainability is about the continued growth and success of Teekay Offshore Production and encompasses all aspects of People, Planet and Profit. This means that sustainability is at the core of how we do business.

Sustainability is a widely used term reflecting the global challenges and opportunities we all are facing today. For Teekay Offshore Production, sustainability translates to the long-term growth and success of our company by the responsible management of People, Planet and Profit. Teekay Offshore Production promotes ethical behavior, transparency and accountability in order to create trust and

SUSTAINABILITY IN TEEKAY OFFSHORE PRODUCTION



PEOPLE

- Attract, retain and develop talent
- Health and Safety
- Human and Labor rights
- Diversity
- Corporate Social Responsibility



PLANET

- Discharge to sea
- Emissions to air
- Climate change
- Waste management



PROFIT

- Business growth
- Operation excellence
- Supply chain efficiency
- Transparency
- Ethical codes of conduct

MATERIALITY AND SCOPE

This report focuses on the sustainability issues that significantly affect business performance and matter most to our key stakeholders. Teekay Offshore Production has previously completed the process of identifying sustainability issues material for our business success, and the success of our stakeholders. Teekay Offshore Production will update our materiality map in 2020.

In this report we have included reporting for all assets that are fully operated by Teekay Offshore Production, hence the FPSOs operated by the joint venture company TK Ocyan in Brazil are not a part of the report. Furthermore, data from the Hummingbird FPSO in the period from 2016 to 2017 is not in this report, as it was operated on our behalf by WoodGroup in that period. This report focuses on activities from 2016 - 2018, both onshore and offshore and includes many examples of how the company works with sustainability as a guideline throughout the entire organization.

REPORTING BASIS

This report contains Standard Disclosures from the Global Reporting Initiative, GRI Standards Sustainability Reporting Guidelines. The GRI Standards guidelines are the most commonly used and recognizes guidelines for sustainability reporting.

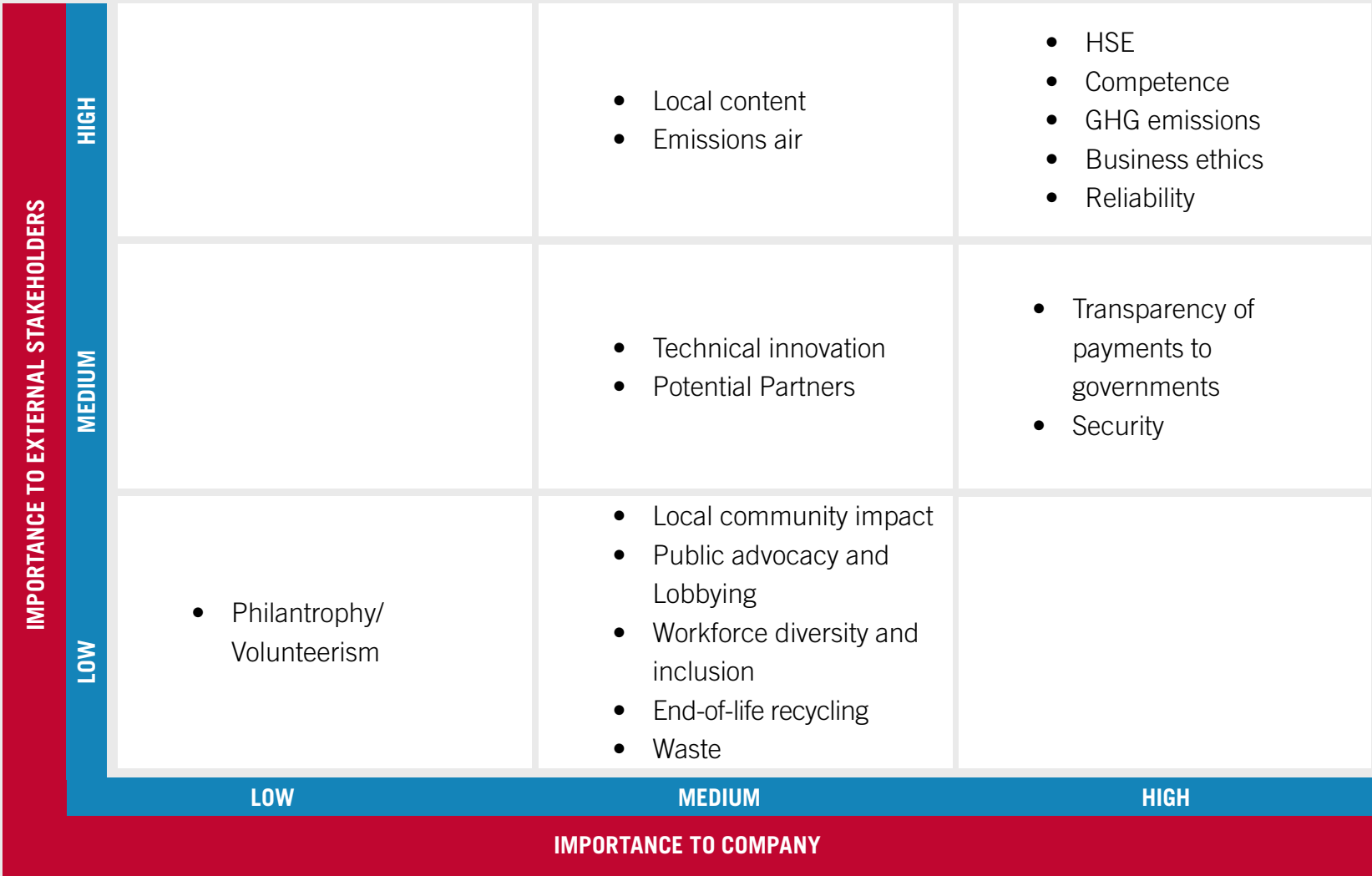
CONTACT US

We would appreciate your comments, feedback or queries on this report. Please get in touch at **top.sustainability@teekay.com** Remember to mark the email “Sustainability Report 2018”.

Visit our website at **www.teekay.com**

MATERIALITY MAP

The materiality map provides an overview of the sustainability issues identified, and their significance to Teekay Offshore Production and our key stakeholders. All identified issues on the materiality map are relevant to and managed by Teekay Offshore Production. However the report focuses primarily on the issues material to the success of our company, our people and our key stakeholders



The figure is a map of the North Atlantic region, showing the UK Continental Shelf and the Brazilian Continental Shelf. It highlights the locations of 11 Floating Production, Storage and Offloading (FPSO) vessels operated by Teekay Offshore Production. The vessels are connected to their respective locations by red dashed lines. The locations are marked with blue dots for the UK and red dots for Brazil. The vessels are shown in two groups: the UK group (top) and the Brazil group (bottom). Each vessel is shown in a small inset image with its name and operator below it.

UK Continental Shelf:

- ABERDEEN
- TRONDHEIM
- PETROJARL FOINAVEN BP
- PETROJARL KNARR SHELL
- PETROJARL VARG LAY-UP IN SKIPAVIKA
- VOYAGEUR SPIRIT PREMIER OIL
- PETROJARL BANFF CNR INTERNATIONAL
- HUMMINGBIRD FPSO SPIRIT ENERGY

Brazilian Continental Shelf:

- ARACAJU
- MACAÉ
- RIO DE JANEIRO
- ITAJAÍ
- PIRANEMA SPIRIT PETROBRAS
- PETROJARL CIDADE DE RIO DAS OSTRAS PETROBRAS
- CIDADE DE ITAJAI PETROBRAS (JOINT VENTURE TK OCYAN)
- PETROJARL I ENAUTA

Teekay Offshore Production is the largest operator of Floating Production, Storage and Offloading (FPSO) vessels in the North Sea. With a combined production capacity of 500 000 barrels of oil per day and a crude storage capacity of close to 3 million barrels, we have a long, proven track record in safely operating FPSO vessels in one of the harshest marine environments in the world. Teekay Offshore Production is a business unit of Teekay Offshore (TOO) which is listed on the New York Stock Exchange where it trades under the ticker TOO.

Teekay Offshore Production operates 11 FPSOs. One on the Norwegian Continental Shelf, four on the UK Continental Shelf and five in Brazil, two of which are jointly owned with Ocyan. The eleventh, Petrojarl Varg, is currently in lay-up in Skipavika, outside of Bergen, Norway.

All FPSOs are owned by Teekay Offshore, except Petrojarl Foinaven, Petrojarl Banff and Hummingbird FPSO, which are owned by Teekay Corporation.

Teekay Offshore Production has operations offices in Norway, Scotland and Brazil and the company's hub is located in Trondheim, Norway. Our 1077 employees offshore and onshore are dedicated professionals with a unique blend of operational, management, engineering and project expertise.

Our Vision

Bringing Energy To The World

Our Values

TOGETHER WITH TEEKAY

SPIRIT

Safety & Sustainability

Passion

Integrity

Reliability

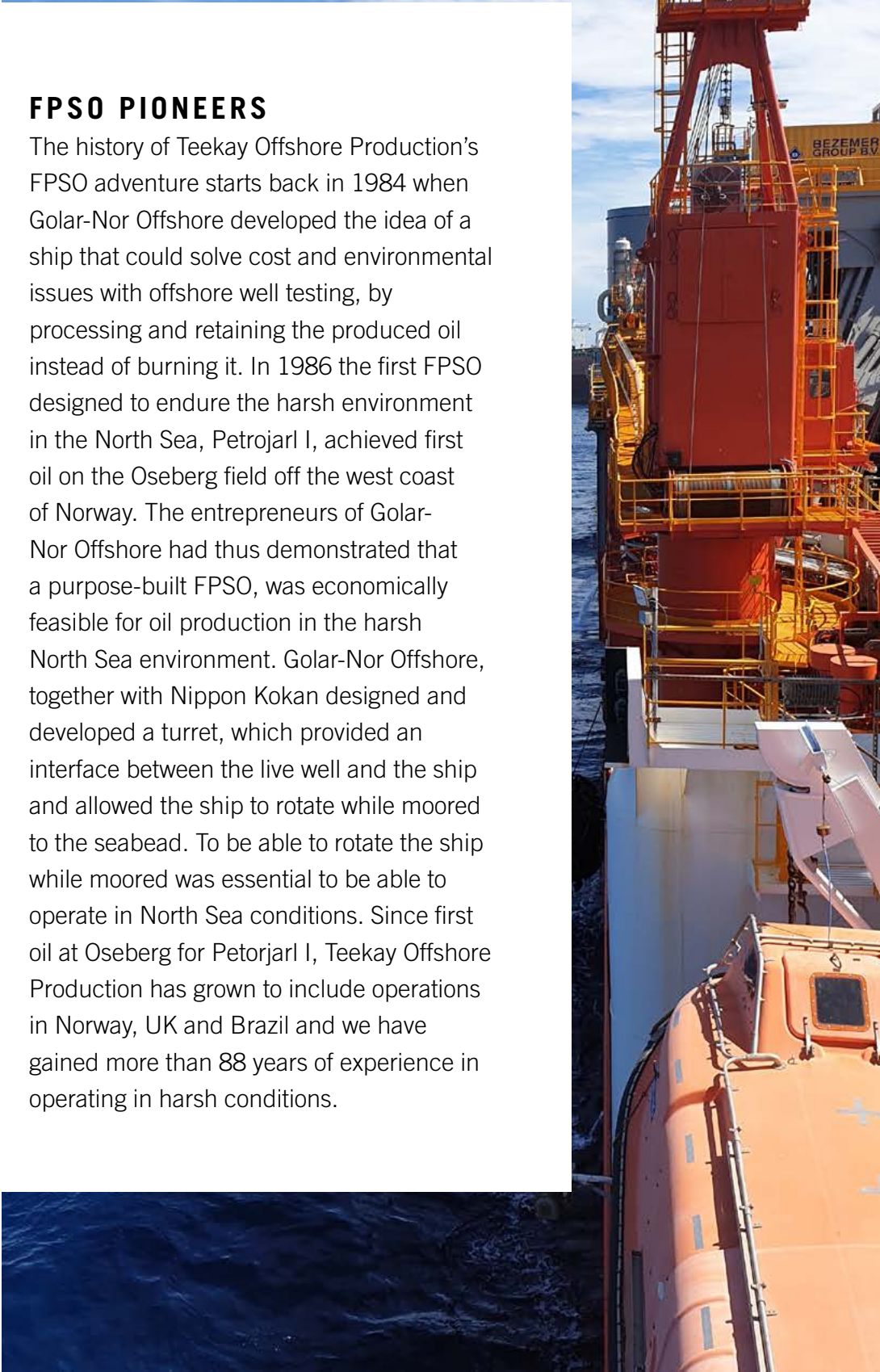
Innovation

Teamwork



FPSO PIONEERS

The history of Teekay Offshore Production's FPSO adventure starts back in 1984 when Golar-Nor Offshore developed the idea of a ship that could solve cost and environmental issues with offshore well testing, by processing and retaining the produced oil instead of burning it. In 1986 the first FPSO designed to endure the harsh environment in the North Sea, Petrojarl I, achieved first oil on the Oseberg field off the west coast of Norway. The entrepreneurs of Golar-Nor Offshore had thus demonstrated that a purpose-built FPSO, was economically feasible for oil production in the harsh North Sea environment. Golar-Nor Offshore, together with Nippon Kokan designed and developed a turret, which provided an interface between the live well and the ship and allowed the ship to rotate while moored to the seabed. To be able to rotate the ship while moored was essential to be able to operate in North Sea conditions. Since first oil at Oseberg for Petrojarl I, Teekay Offshore Production has grown to include operations in Norway, UK and Brazil and we have gained more than 88 years of experience in operating in harsh conditions.



2016-2018 HIGHLIGHTS



HUMMINGBIRD INTO THE FOLD

As of 1st of October 2017 Teekay took over as duty holders of the Hummingbird FPSO from Wood Group. The change in duty holdership was part of the commercial agreement between Centrica (now: Spirit Energy) and Teekay for an extension of the Hummingbird FPSO on the Chestnut field. July 29th 2018 marked a significant milestone as the vessel has successfully completed its 100th offload at the Chestnut field in the United Kingdom sector of the North Sea. The 100th 'parcel' also happens to be one of the largest in the field's history, ringing in at more than 230 000 barrels.



ATLANTA FIRST OIL

Petrojarl I successfully achieved first oil on the 2nd of May 2018 on the Atlanta oil field in the Santos Basin, Brazil. The Atlanta field is a post-salt oil field situated 185 kilometers north-east from the city of Rio de Janeiro. After a safe commissioning the Petrojarl I is expected to generate annualized cash flow from vessel operations of approximately \$25M USD for the first 18 months, increasing to approximately \$55M USD thereafter.

The Petrojarl I was converted in the Damen yard in the Netherlands and Aibel yard in Haugesund. It is designed to operate at water depths of up to 1 550 meters, with a production capacity of 30 000 barrels of oil per day and daily compression capacity of 225 500 cubic meters of gas.



OPERATIONAL EXCELLENCE DRIVEN BY DIGITAL

Teekay Offshore Production is on a continuing digital journey as knowledge and capabilities continuously move forward. Our digitalization strategy is an integrated part of the overall business strategy. By utilizing real time data, trend analytics and dashboards we have improved our decision-making processes. Making the operation data more transparent and easily available for the entire organization also improves experience transfer across the fleet.

We are looking to have remote access to our FPSOs and projects. This will enable instant response increased efficiency in troubleshooting and reduced potential downtime. Remote access also reduces the need for travel both on- and offshore.



ELECTRONIC PERMIT TO WORK SYSTEM – OPERATIONAL RISK MANAGEMENT

In 2018 Teekay Offshore Production started the implementation of a company standard for control of work onboard all our FPSO's. An electronic permit to work system was rolled out across the fleet and the permit system is expected to improve many aspects of the operations i.e.:

- Improved lessons learned
- Improved overall risk picture
- Higher quality risk assessments
- Improved worksite management
- Reduction in time required to raise permits
- Improved management of simultaneous operations
- Improved work planning

The implementation of the system is complete in UK and Norway, and all assets are live on the same system. The project will shortly be implemented for Teekay Offshore Production's assets in Brazil.



**HEALTH, SAFETY
AND ENVIRONMENT
IS ALWAYS OUR
TOP PRIORITY**

PEOPLE

The people of Teekay Offshore Production are our most important asset. Their safety, good health, competence and motivation are crucial elements in the current and future success of our company.

In this section of our report you can read more about how we work to ensure the well-being, safety and security of our employees, the integrity of our assets and how we give back to the communities in which we operate.

At the end of 2018 Teekay Offshore Production had 1077 permanent employees located in different parts of the world, with offices in Norway, Scotland and Brazil as well as a project office in Singapore. In addition, 47 temporary employees were working for us as per December 2018.

In a knowledge and experience-based industry, talented people are the key to our success. Teekay Offshore Production has always given priority to, and is very proud of the competence, engagement and flexibility of its workforce. The start-up of Petrojarl I and the preparation for the decommissioning of Petrojarl Cidade de Rio Das Ostras, both contributed to organizational changes needed to ensure the continued sustainability of the Teekay Offshore Production offshore operations.

RECRUITMENT AND GROWTH

The market situation improved significantly in 2018 and our organization grew accordingly. Teekay Offshore Production recognized that more people were needed to ensure we had a healthy and sustainable organization. The growth was mainly due to new hires as well as bringing the Hummingbird FPSO into the portfolio.

We saw a turnover rate of offshore staff of 3.28% in 2018, which is below what can be expected for the industry. Onshore our turnover rate was 9.14% across the whole company,



however there are differences between the regions. In the UK where we have seen higher turnover than the rest of the regions, and specific actions have been implemented to address the issue.

DIVERSITY

Traditionally, the offshore industry is male-dominated, and this is true for Teekay Offshore Production. Overall, for our permanent employees we see a female:male ratio of 37:63, while women making up 3% of the total offshore workforce. Teekay Offshore Production has a conscious and proactive approach towards diversity in all our manning processes and today 25% of onshore management positions are held by women. In our senior leadership team three out of eight are women.

We have a conscious approach to hiring local employees, and we utilize existing resources from our fleet and offices to ensure valuable experience transfer. Our workforce mostly consists of British (32%), Brazilian (29%), Norwegian (21%) and Polish employees (8%).

Kaja Mehl Thuestad, M.Sc. Mechanical Engineering, Norwegian University of Science and Technology

Kaja works with static mechanical equipment in our Technical department. She was determined not to become an engineer, despite that engineering is strong in her DNA, but after giving social studies a try she describes enrolling in engineering at the university as “coming home”. My work is varied and hands on and I assist offshore with day to day support, participate in modifications and projects, investigations of incidents and internal audits, make sure procedures are correct and up to date, among other things. I particularly enjoy that I get to use a wide aspect of skills and knowledge to solve different technical issues, as well as the fact that I am given a lot of responsibility. I am trusted to handle and solve the tasks that are given to me, but always with the support needed to solve it the best way possible. Teekay Offshore Production is a good place to work, both professionally and socially, and we have many different arenas and opportunities to socialize and get to know everyone.



TRAINING AND DEVELOPMENT

Continuous training and development of our staff is important to ensure that we are always up to date with operational procedures, technical equipment, legal and regulatory requirements. Our procedures and extensive systems for training and development ensure that knowledge and competence is up to date and in line with regulatory and industry standards.

All our employees have a set of training requirements related to their position or role, and these requirements are organized in a training matrix. Relevant professional development activities can also be included. The matrix is reviewed continuously, re-issued once a year making sure that our organization always has the required competency. Specific initiatives in 2018 have been training in Accountability, on- and offshore leadership development and a trainee program.

SAFETY

Ensuring the health and safety of all the people working for us is crucial for our license to operate. Safety is always our top priority and our objective is zero harm to personnel and environment. In Teekay Offshore Production, HSE management is a fully integrated part of our management system - and transcends organizational boundaries.

Extensive procedures, systems and tools, as well as training and continuous improvement activities, are in place to support and improve our safety performance and the wellbeing of everyone. Transparent reporting is an important part of our culture to ensure continuous improvement. Everyone working for Teekay Offshore Production is encouraged to report ideas and suggestions for improvements, in addition to incidents and hazardous conditions.

In 2018, the safety focus across the fleet was on

«OUR EMPLOYEES ARE ENCOURAGED TO REPORT NOT ONLY INCIDENTS AND HAZARDOUS CONDITIONS, BUT IDEAS AND SUGGESTIONS FOR IMPROVEMENTS AS WELL»

PRESIDENT'S HSE AWARD

The Teekay Offshore Production President's HSE Award's objective is to motivate to proactive actions, attitude and behavior above and beyond what is expected. These are awarded several times a year and the prize of NOK 10 000 is donated to a charity chosen by the award winner.

TOTAL RECORDABLE INJURY FREQUENCY (TRIF)

1.89

In 2018 our TRIF was 1.89 which is significantly below our target of <3.5. This shows that the proactive efforts made each day are working.

HIGH POTENTIAL INCIDENTS (HIPO)

2.84

Our HiPo frequency for 2018 was 2.84, which is slightly above our target of 2.8. A HiPo is any incident with high potential classified as defined in the Teekay Offshore Production classification matrix. In 2018 these involved two gas leaks classified as serious, both on Petrojarl Foinaven.



prevention of injuries and reduction of hydrocarbon releases and were set as a part of our annual goalsetting process. In addition, we also develop vessel specific focus areas - involving safety representatives, offshore and onshore colleagues, our clients and key subcontractors. Together we assess relevant trends, challenges and opportunities, identifying actions to ensure a continued proactive HSE focus.

All processes are anchored in our OHSAS18001 certification, implementing actual and relevant campaigns to prevent accidents. The most successful safety campaigns have been videos based on personal stories involving Teekay Offshore Production employees, and these incident reconstructions have been an effectful and important aid to learn from previous events.

Safety is a continuous journey, and we encourage all employees to be safety leaders and work towards our goal of zero harm.

OCCUPATIONAL HEALTH

Teekay Offshore Production believes that a healthy workplace, safe work environment and satisfied employees contribute to a great place to work, and this is reflected in our occupational health management. Teekay Offshore Production strives to involve our employees in all stages of the management process and welcomes initiatives to improve and develop the workplace.

Noise, chemical exposure, and heavy and repetitive manual work are identified as the main occupational health risks in our fleet, and we take proactive and reactive measures to reduce these. That is why we continue to focus on the improvement of psychological, social and organizational factors at work – seeing the work environment as an enabler for business value through impact – ensuring healthy, safe and efficient operations.

The total sick leave rate for offshore employees was 3.9% and for onshore 1.7% in 2018. Our sick leave has been relatively stable and remains low compared to the national rates in Norway and UK (5.9% and 4.1%).

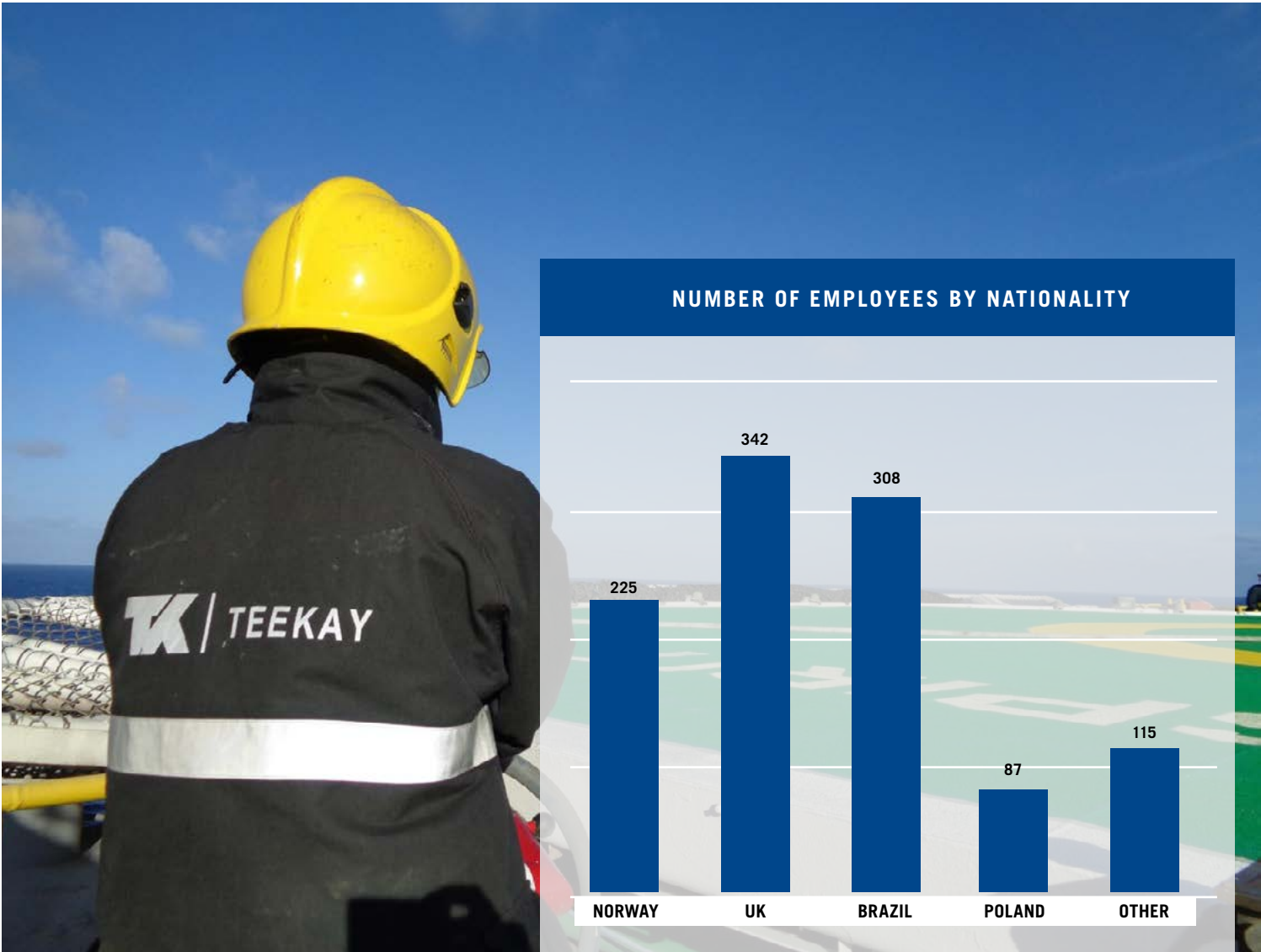
CORPORATE SOCIAL RESPONSIBILITY

In Teekay Offshore Production we acknowledge that our business does not exist in isolation. Corporate Social Responsibility (CSR) is a part of our sustainable business, and it is about understanding our business’s impact on the wider world and considering how Teekay Offshore Production makes sure this impact is positive. It means having an active and responsible attitude, going beyond the minimum legal requirements. Teekay Offshore Production partners with organizations that embody our SPIRIT values. Teekay Offshore Production employees donate the funds that would otherwise normally fund staff Christmas gifts and the money goes instead to charities. In the last few years donations were given to Norwegian Red Cross and Save the Children. There is also a Social Footprints Fund that supports local community sports or cultural activities in which employees and/or their children are involved. Teekay Offshore Production employees are engaged in many activities in their local communities, and our operations in all regions have a tradition of raising funds and donating to charities. The company intranet records and celebrates these events.

LOST TIME INJURIES (LTI)

2

Teekay Offshore Production experienced two LTIs in 2018, one soft tissue injury to a knee and a tendon injury in a shoulder, both related to slips and trips. We take all our incidents very seriously and all are investigated in order to clarify what happened and how we can avoid recurrence.



HENRIQUE SARAVIA

COMMUNICATION COORDINATOR, RIO DE JANEIRO, BRAZIL

In Brazil we have initiated a sustainability committee that will work specifically on social responsibility issues. I have a passion for volunteer work, and here in Brazil we have several organizations that we can work together with and many spheres of society that need all kinds of help. We believe that there are actions that can be taken by employees to make the company more socially responsible and we want to do our part. Being part of a company, we can join forces as citizens, and multiply our actions. It is better to make small actions than not doing anything at all. The committee decided to act on four main strands: Diversity, good habits, volunteering and sponsorship.



**COMMITMENT TO
ENVIRONMENTAL
RESPONSIBILITY IS
FUNDAMENTAL IN
OUR MANAGEMENT
SYSTEMS AND
OPERATIONAL
MINDSET**



PLANET

Teekay Offshore Production is committed to minimizing our negative environmental impact in all stages of our operations. We protect the environment by reducing spills to sea and by optimizing energy performance.

**IN TOTAL 122 612 976 Sm³
GAS FLARED IN 2018**

Cargo blanketing systems on the Voyagour Spirit and Petrojarl Knarr eliminates flaring under normal operations and reduce emissions of VOC by an average of

95%

CLIMATE CHANGE

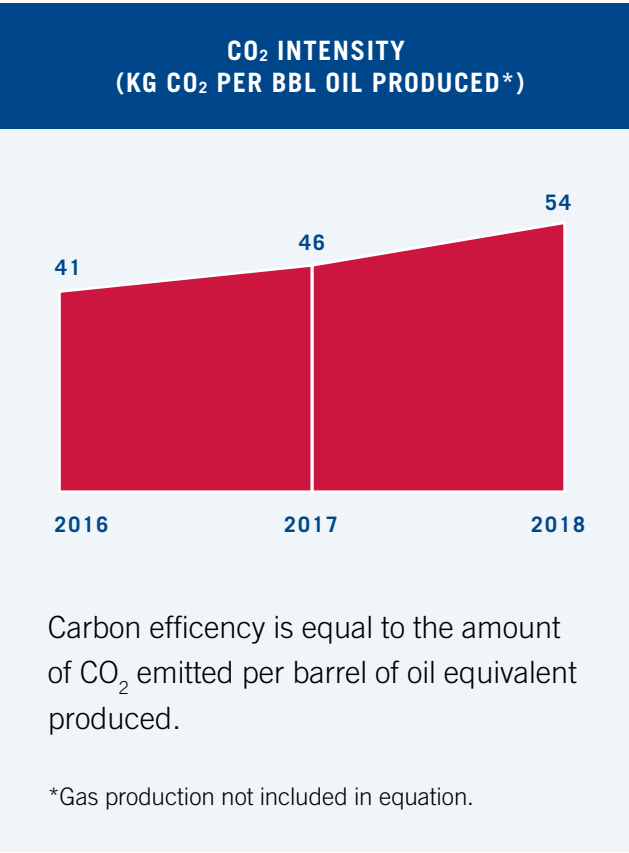
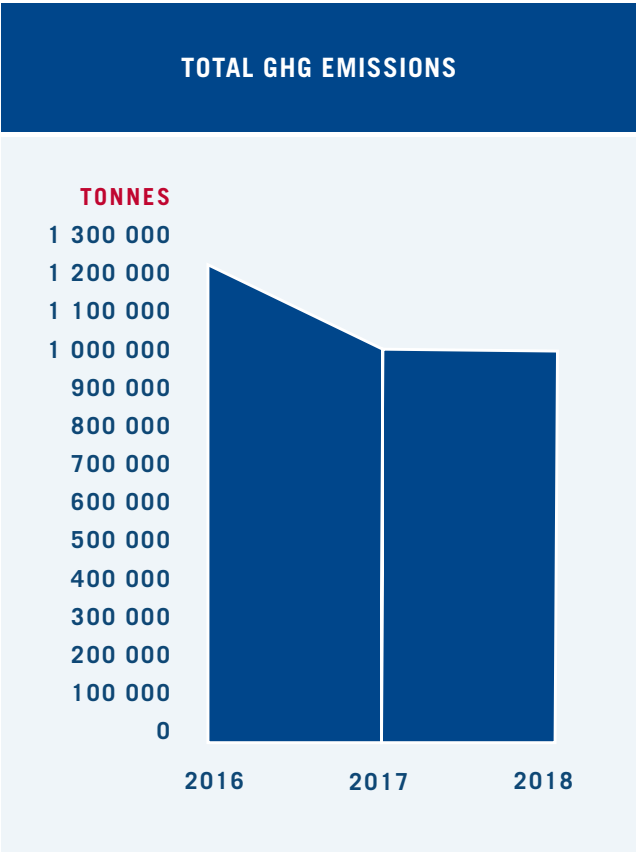
Teekay Offshore Production recognizes the man-made contribution to climate change. The oil and gas industry contributes to climate change by supplying the world market with oil, but also by large carbon emissions from the extraction and production of oil and gas. Teekay Offshore Production supports the Paris Agreement on combating climate change and the pursuit of a low carbon future.

With a rising global energy demand and an increased focus on efficiency and emission reduction, Teekay Offshore Production will ensure our role in the sustainable energy mix of 2030 and beyond. This can only be achieved through the monitoring of and minimization of our carbon emissions, and by increasing our energy efficiency.

In order to reduce the amount of flaring, we have installed a cargo blanketing system on the Voyageur Spirit and Petrojarl Knarr FPSOs. This system eliminates flaring during normal operations and reduces the emission of Volatile Organic Compounds (VOC) and CO₂ by an average of 95%. Petrojarl Knarr is also equipped with a waste heat recovery system to increase the overall energy efficiency of the vessel. Teekay Offshore Production is continuing to explore technologies that cut emissions further in order to increase carbon efficiency.

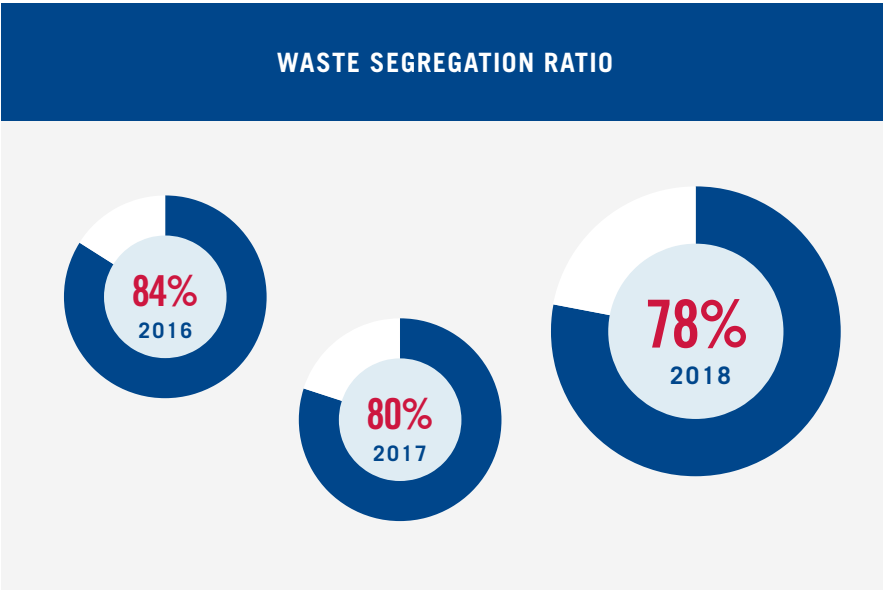


We have seen a steady decrease in our Greenhouse gas emissions (GHG) since 2016. We emitted a total of 1.03 million tonnes of CO₂ equivalents in 2018 which is a reduction of 16% over the reporting period. The reduction is partly explained by Petrojarl Cidade de Rio Das Ostras FPSO reducing and eventually stopping production in 2017. The decision to take Petrojarl Cidade de Rio Das Ostras out of production was a conscious strategic move on our way towards upgrading our fleet to become more environmentally friendly. We want our future fleet to be more energy efficient, to resolve gas handling and provide low CO₂ emission.



Despite our efforts, our CO₂ intensity is increasing across the fleet. This is due to several of the fields of which we operate coming to an end of their field life. This results in low production of oil and higher water content.

Teekay Offshore Production will strive to continue to reduce our CO₂ emissions through reduced flaring, smart energy management and innovative solutions for new projects. These measures will improve our environmental performance and reduce costs for our clients.



ENVIRONMENTAL IMPACT

Teekay Offshore Production has more than 88 years’ experience operating in harsh and ultra-harsh seas. These areas are often home to a unique biodiversity which are sensitive to change and pollution. Through planning, monitoring our activities and mapping our environmental baselines, Teekay Offshore Production seeks to minimize our impact to the environments we operate in. Our FPSOs have a designated Green Team onboard, and their main tasks are to raise environmental awareness and performance onboard the vessels.

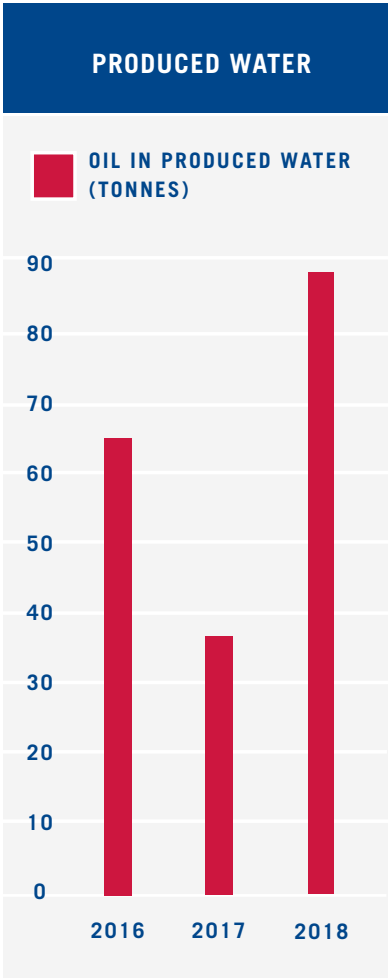
In 2018 we experienced four spills to sea:

- 7 255 liters of chemicals, which was related to a methanol spill
- 75 liters of oil when treating slop water filled with high oil content
- 0.5 liter of oil as a result of flushing an offloading hose
- 15 liters of diesel a result of a leaking hose during bunker operations

We have seen an increase in the oil content in our produced water. The is mainly due to aging fields, and increased water content in the reservoir that must be treated to produce oil.

The increase in waste production during the reporting period is mainly due to the Hummingbird FPSO and Petrojarl I coming into production, as well as planned maintenance work on Petrojarl Knarr and Petrojarl Foinaven that required larger parts of metal to be sent ashore as waste.

Teekay Offshore Production will continue to be an industry shaper and we will use new technology and innovative approaches to reach our goal of no harm to the environment.





**A PROFITABLE
BUSINESS IS THE
MOST IMPORTANT
STEP TOWARDS
SUSTAINABILITY**



PROFIT

Turning a profit is an important step towards sustainability, which is why Teekay Offshore Production maintains a strong focus on value creation. With an increasing oil price Teekay Offshore Production sees new opportunities in the market and thus we also increase the socioeconomic contribution in all regions that we operate in.

OPERATIONAL EXCELLENCE

High production uptime, excellent HSE results and streamlined cooperation with our customers are the hallmarks of how we do business and are crucial maintaining our standing in the market. It is vital that we secure and maintain the integrity of our assets in order to ensure safe and reliable operation, for people, planet and profit. In 2018 our Production Utilization Factor (PUF) was 94.3% which was slightly below our target of 94.5%. We will continue to strive for a high and stable PUF in order to maximize the value for our customers.

BUSINESS ETHICS

Maintaining a high standard of business ethics is expected throughout the organization. We acknowledge the detrimental effect corruption has on corporations and societies. Our business decisions and actions are transparent, ethical and in full compliance with international and local legal requirements. The Standard of Business Conduct (SBC) reflects our continued commitment to ethical business practices and regulatory compliance. Acknowledgement of the SBC policy is required annually from all directors and above, as well as for all new employees. In addition, all Teekay Offshore Production employees can submit confidential concerns through the Business Conduct Reporting Tool, or by contacting an external operated toll-free hotline.



TOTAL OIL
PRODUCTION*:
42.87
MILLION BARRELS



REVENUES:
533
MILLION \$US



ASSET VALUE:
5.7
BILLION \$US

* Including the Petrojarl Cidade de Itajai and Pioneiro de Libra

EARLY PHASE AND INNOVATION

Teekay Offshore Production are piloting an innovation process that will ensure that we effectively and transparently can capture ideas from our employees and progress them into value for our stakeholders.

This innovation process will use our strategic focus areas and utilize partnership models to develop innovation activities. One of our focus areas is zero harm to environment, and innovative ideas and actions on this might give us for example a zero emission FPSO concept. In addition, the oil and gas industry push to reap the benefits of digitalization, and our digitalization initiative will be another focus area in the innovation process. We always need to ensure that we remain competitive, so developing innovative approaches to further reduce the costs of our FPSO offerings will remain the core of what ideas and inventions we will bring into our business.



HÅVARD LØGE HAGEN
Financial Analysis Manager,
Commercial and Business development

Every day we are working on developing technical and commercial solutions that will increase sustainability, both for our clients and Teekay Offshore Production. That includes developing the right FPSO solutions, with appropriate contracts and financial arrangements, providing a more efficient and better economical solution for our clients than they are able to develop on their own. Over the years, we have contributed significantly with reducing the environmental footprint and the overall cost for producing oil and gas from small and medium sized oil fields. In Commercial and Business Development, we see it as vital to do everything we can to continue this effort, for the common good of our clients, owners, employees, society and the environment.



SUPPLY CHAIN

Teekay Offshore Production is dependent on suppliers from all around the world to conduct our worldwide business. We have the same expectation of our partners as for ourselves when it comes to compliance with our Standards of Business Conduct and social and environmental goals. In 2018 we purchased goods and services from more than 2100 suppliers for a total of \$275.6M USD. We strive for continuous improvement and engage closely with key partners to identify opportunities to improve our social impact and reduce the environmental impact.

Of these purchases, our Norwegian operations accounted for approximately \$33.7M USD (79% local content), UK operations \$161M USD (51% local content) and Brazil operations \$25M USD (70% local content). Our Supply Chain Management department is responsible for the management of all purchases in Teekay Offshore Production to ensure that all are carried out to our procedures, and that they are in compliance with laws and regulations, Standard of Business Conduct, contractual requirements, the management system and the Production Purchasing procedure.



BUSINESS AND COMMERCIAL DEVELOPMENT

The Commercial and Business Development team plays a key role in the establishment of our corporate business strategy. The goal is to ensure sustainable growth of our operations by either acquiring new projects or securing new contracts for existing units. Teekay Offshore Production is involved in all activities related to new projects and relocations, from tenders, Front End Engineering Design (FEED), contract negotiations and cooperation with clients and shipyards.

KEY FIGURES

	2018	2017	2016
People			
<i>Health and safety</i>			
Total recordable injury frequency ¹	1,89	3,83	0
Lost time injuries	2	3	0
Sick leave (%) (12 month running average at end of year)	3,91	3,76	3,3
Fatalities	0	0	0
HSE ideas registered ²	2193	1822	2108
Synergi reports ³	11056	9917	11177
<i>Human resources</i>			
Total number of employees	1077	922	762
Female	121	114	102
Male	852	808	660
Temporary employees/consultants	47	138	105
Planet			
Total GHG emissions (tonnes CO ₂ equivalents) ⁴	1 035 199	1 072 405	1 236 716
Flaring (Sm ³)	122 612 976	115 985 849	131 249 379
Spills	4	3	3
Oil discharged with produced water (tonnes)	88	37	65
Total amount of waste produced from Teekay Petrojarl FPSOs (tonnes)	804	575	866
Waste segregation (%)	78	80	84
Profit			
<i>Production</i>			
Combined oil production (barrels) ⁵	42 866 088	48 152 381	58 988 762
Production utilization factor, PUF (volume % of oil production against production target)	94,29	89,53	96,75
<i>Finance (numbers in thousand US dollars)</i>			
Revenues	533 186 000	458 388 000	495 223 000
Income (loss) from vessel operations	(42 660 000)	(133 049 000)	140 264 000
Total assets of operating segments at year end	5 718 620 000	5 637 795 000	5 312 052 000

1: Lost time injuries plus medical treatment injuries per million man-hours worked
2: HSE ideas = all health, safety, environment and security ideas, including performance improvement ideas and positive observation reports
3: Synergi reports = total number of cases registered in our HSEQ reporting tool Synergi, including incidents, audits, meetings, reviews, ideas, non-conformities, reports of positive events etc.
4: GHG calculations include NmVOC, CO₂ and CH₄ according to GHG Warming Potential.
5: Including the Cidade de Itajai and Pioneiro de Libra





TEEKAY OFFSHORE PRODUCTION

BRINGING ENERGY TO THE WORLD

