

ANNUAL REPORT **2014**

**OUR HORIZON  
IS INFINITE**







## ANNUAL REPORT 2014

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GRI G4-1 / G4-2

## QGEP'S CHAIRMAN OF THE BOARD OF DIRECTORS

Four years after QGEP's initial public offering, our Company is stronger than ever. We continue to work to consolidate our success in the Brazil's E&P sector. The certainty that we are on the right path comes not only from our operational success, but also from our comfortable financial position.

The positive financial performance is linked to a diligent investment policy, while operational success is based on a technical team that combines a solid academic background with extensive practical experience. Our success is built on long-term planning which includes key elements such as: our financial responsibility; our technical excellence; respect for the environment and for all our stakeholders, and a system of corporate governance that is constantly reaching new standards of excellence.

The sharp drop in the price of oil per barrel in the international market as of mid-2014 represented a factor that defied expectations for the industry as a whole. Additionally, in Brazil, the sector was placed in the center of an institutional debate, whose outcomes still need to be better evaluated. Like any crisis, the one faced currently brings opportunities for stable companies, such as QGEP. These companies are in a position to readapt under conditions favorable to their assets portfolios and to benefit from the current drop in the price of goods and services, in the global E&P market. In response to the new market conditions, to uncertainties relating to environmental licensing, and extreme operating conditions, QGEP promoted adjustments in its portfolio of exploration assets, disposing of projects in the Camamu-Almada and Campos basins.

Even with the recent headwinds in the oil and gas industry, we ended 2014 with over R\$ 1 billion in cash to execute our investment program, without the need for new funding until 2016.

QGEP's financial results were not affected by oil price fluctuations in the international market as our operating revenues stemmed, almost entirely, from Manati gas sales. The Company's exposure to the international oil price will only occur in mid-2016, with the entry into operation of the Early Production System of the Atlanta Field.

Among our strengths are our technical excellence and active participation in concessions, even those that are not operated by the Company. We continue to expand our technical staff by hiring highly experienced professionals in critical knowledge areas for QGEP's projects of greater impact. To this end, we maintain our investments in training, especially for young professionals, both on the job and through formal courses. Today, the Company has over 130 employees, including a fully qualified team to face the challenges posed by the exploration and production of oil and natural gas in deep and ultra-deep waters, which are the focus of our work.

In order to emphasize QGEP's commitment to ethics and transparency, we are ever improving our Code of Ethical Conduct through the establishment of policies and procedures aligned with the anti-corruption laws of Brazil and those countries where our partners are listed on public stock markets. Compliance with the principles of our Code of Conduct is a requirement not only for our managers and employees, but also for our partners and suppliers of goods and services.

We continue to prioritize safety for all of our projects and employees. We focus not only on the integrity of our equipment and facilities, but also on preserving the environment. We understand that the efficient management of the integrated health, safety, and environment policy is a strategic factor in QGEP's decision-making process, in which the Board of Directors plays a key role.

QGEP's principles reflect the management policy based on the permanent search for new opportunities and in the prudent analysis of the risks inherent to the sector. This is the balance that has always guided the Queiroz Galvão Group for more than 60 years.

**Antônio Augusto de Queiroz Galvão**  
**QGEP's Chairman of the Board of Directors**



## CHIEF EXECUTIVE OFFICER

GRI G4-1 / G4-2

QGEP's performance in 2014 was marked by operational success. After nearly five years of operations, the Company maintained its gas production supplying the regional demand in the Northeast, while consolidating its role as an operator in ultra-deep waters. While we are pleased with the results achieved to date, we are prepared to face the challenges in the coming year so that we may continue to grow steadily. Thus, we continue to work diligently not only in our investments, but also in the active management of our portfolio, focusing on the continuous improvement of the efficiency and safety of our activities.

Without a doubt, our greatest operational milestone in 2014 was the completion of the drilling program, which was comprised of the completion and testing of two wells that will integrate the Early Production System of the Atlanta Field. In these activities we were able to combine, in an unprecedented manner, the application of cutting-edge technologies to enable the production of heavy oil from unconsolidated reservoirs in ultra-deep waters. This was possible only through the expertise of our highly-qualified professionals. The successful completion of this stage affirmed, in practice, QGEP's qualification as an "A" Operator, awarded by the ANP. The completion of tasks within one of the strictest standards of operational safety and overcoming the challenges imposed by the geological characteristics of the reservoir, which will go into production in mid-2016, made the success even more striking and emblematic. With this achievement, we reaffirmed our ability to conduct drilling operations in the blocks we operate in ultra-deep waters.

We also cannot fail to mention the promising prospects of the discovery in the Carcará pre-salt, which occurred in 2012 in the BM-S-8 Block. Throughout 2014, the first phase of the extension well was drilled, which extended to the base of the salt layer. It is a transformational project for the Company, which will significantly increase our production in the long term. As for the short and medium term, similar to what was recorded in 2014, we will continue to count on a strong gas production in the Manati field, which is the current source of our operating revenues. We expect to maintain this production at historic levels for at least three more years, from the entry into operation of the compression station, scheduled for mid-2015.

Our privileged cash position ensures the continuity of our projects. We reported net revenue of R\$503 million and EBITDAX of R\$285 million. Net income was R\$166 million, 13.6% less than when compared to the previous cycle due to the increase in exploration expenses and the return of blocks BM-CAL-5, CAL-M-312, and the Biguá area. Nevertheless, we finished 2014 with a cash balance of R\$1.1 billion, which ensures security for the execution of our short and medium-term investments. Despite the drop in the price of the barrel, which does not affect us at this time, as our revenue comes from the sale of gas, and the turbulent political context experienced in the country since mid-2014, we believe in the oil and gas sector's potential to generate jobs and continue to contribute to Brazil's development.

We are aware that our growth is not dissociated from the growth of our employees and partners. In this sense, we have prioritized the inclusion of experienced and highly qualified professionals, combining the exchange of knowledge with the energy of young talent, and increasing the investment in technology. The prospect of an increase in the scale of our operations in upcoming years has motivated a series of improvements in QGEP's organizational structure. In this sense, we highlight the implementation of the Fiscal Council and Planning and Management Department, which strengthen our governance practices with new initiatives.

In many ways and in relation to various aspects, QGEP has been seeking to contribute to the development of technologies and research that provide greater operational safety and which result in greater environmental knowledge for the industry. We began studies in municipalities located in the study areas of our projects from the 11th round of the ANP, as well as for the production project in Atlanta, with special attention to the potential impacts of our activities. We also joined efforts with other operators in the environmental data surveys required for the licensing processes, aiming to improve the analysis conditions by the environmental agencies, increase the quality of information obtained, and optimize costs.

All of the achievements in the operational safety, environmental, social, and financial aspects of our activities reaffirm our commitment to improve the management of the sustainability indicators in our operations, and with the ten principles of the Global Pact, of which we are signatories since we were founded in 2010. With the diversification of partnerships and the increase in the scope of our activities as an operator, we revised our Code of Ethical Conduct in compliance with the principles of the new Anticorruption Law and international law. Specific policies related to the implementation of the guidelines recommended by the Code are being developed. Also underway is the planning of a department responsible for compliance and the creation of a reporting channel.

Queiroz Galvão Exploração e Produção is committed to the constant striving for operational excellence in all of our activities. In 2014, this performance was recognized with a certification in international standards OHSAS 18001, which deals with the Health and Safety System, and ISO 14001, which covers the Environmental Management System. We ended the year with the conviction that we will have even more important milestones throughout our history. Hiring FPSO Petrojarl I, which will ensure the production of the first oil from the Atlanta Field, is just one example of our potential for growth, in the path to achieve our goals with success and operational safety.

**Lincoln Rumenos Guardado**  
Chief Executive Officer





## ANNUAL REPORT 2014

### CORPORATE IDENTITY

PROFILE

HISTORY

MISSION, VISION AND VALUES

COMPETITIVE ADVANTAGES

HIGHLIGHTS 2014

## PROFILE

GRI G4-3 / GRI G4-7 / G4-9

The operations of Queiroz Galvão Exploração e Produção S.A. (QGEP) are the result of long and detailed planning. Founded in 2010, when the sector was still adapting the sharing scheme adopted for the pre-salt areas. The Company created the foundation of its operational success with bold business decisions and based on the best management practices of the E&P sector.



An important milestone of this story is the Manati production. This exploratory block acquired in Round Zero, in 1998, included the effective performance of our professionals in its discovery and is now one of the largest non-associated gas fields active in the country. The acquisition of Carcará and Atlanta proved to be extremely on target and marked QGEP's entry into ultra-deep waters, completing an attractive and balanced portfolio of assets in Brazil's main sea basins. Our successes – and boldness – are essential and underpin QGEP's vision of being among the largest Brazilian companies in the oil industry by 2020.

The journey as an operator in ultra-deep waters has led us to being on the verge of producing the first oil, scheduled for 2016, in the Atlanta Field (Block BS-4), in the pre-salt exclusion area of the Santos Basin. The choice of this promising asset for the beginning of the new phase of Company activities meant overcoming countless challenges already known in the Field.

The water depth, heavy oil, and geological conditions of the Atlanta reservoir demanded the application of innovative technologies to overcome the obstacles and obtain advances in the development. To this end, we put together a team formed by highly qualified professionals, whose professional experience includes some of the greatest achievements of the Brazilian oil and gas industry.

In seeking the profitability of its projects through operational excellence, QGEP demonstrates its commitment to safety and, consequently, to the well-being of its employees and communities surrounding the projects, both in the social and environmental spheres. We were classified as an 'A' Operator by the ANP and in 2014, we achieved the OHSAS 18001 and ISO 14001 certifications, that attest to the quality of our practices in Managing Health, Safety, and the Environment, respectively.

In less than five years, we have built a portfolio of diversified and high-quality assets, distributed throughout eight offshore sedimentary basins. Another pre-salt highlight is the Carcará exploratory project, in Block BM-S-8, in the Santos Basin, in which the drilling of the first phase of the extension well was completed in 2014.







In parallel to the investments in the exploration and development phase, QGEP has maintained, since the beginning of its natural gas production activities in the Manati Field, in the Camamu-Almada Basin, its only source of revenue. The project, in which it holds a majority stake of 45%, is responsible for approximately 30% of the gas production in the Northeast, with an average daily production of 5.9 million m<sup>3</sup> in 2014.

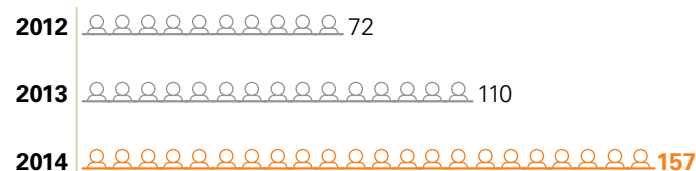
Challenging projects resulted in the continuous improvement of the long-term vision of our investment program, which in 2014 allowed the creation of a comfortable cash balance of R\$ 1.1 billion. Proper management of our portfolio, with a balanced distribution of risks, allows us to continue to seek opportunities for growth.

## FINANCIAL AND OPERATIONAL INDICATORS

IN R\$ MILLION

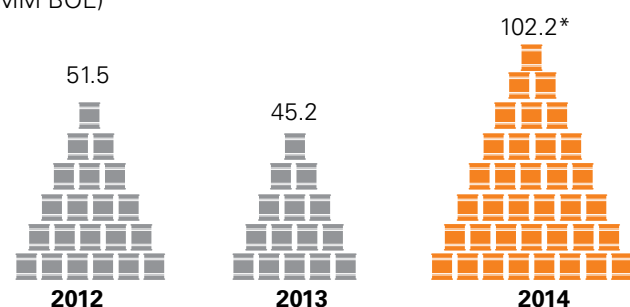
	2014	2013	2012
 <b>Gross operating revenue</b>	<b>634,1</b>	612.80	586.10
Net operating revenue	503	486.08	462.30
 <b>Operating profit</b>	<b>98,8</b>	125.63	40.00
Earnings per share	0,64	0.74	0.31
 <b>Net worth</b>	<b>2,5</b>	2.5	2.2
 Investments in environmental protection	10,96	17.00	1.60

## NUMBER OF EMPLOYEES



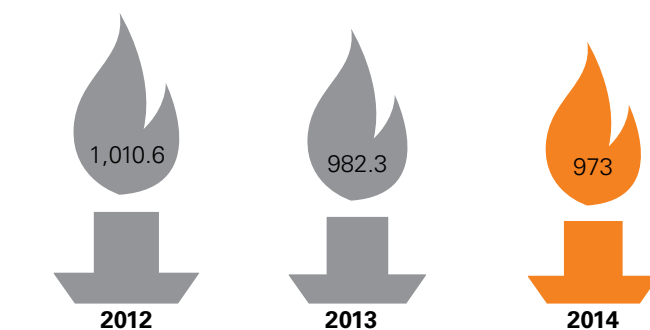
## NUMBER OF TOTAL CERTIFIED 2P RESERVES

(IN MM BOE)



\*Sum of the Atlanta 2P reserves and Manati Field 2P reserves.

## GAS PRODUCTION\* (IN MILLION M<sup>3</sup>)



\*Refers to the QGEP's portion of 45% of the Manati Field.

## NUMBER OF TOTAL CERTIFIED 2P RESERVES

(IN MM BOE)

2014	2013	2012
102.2*	45.2	51.5

# HISTORY

Since its creation, QGEP has combined experience, technical excellence, the careful evaluation of projects, and has been effectively consolidating itself as an important player in the country's oil and gas industry.

## 2010

Creation of QGEP Participações S.A, which concentrates the exploration and production activities of the Queiroz Galvão Group.

## 2012

The discovery of Carcará, Block BM-S-8, one of the largest columns of oil ever discovered in the Brazilian pre-salt (471m), occurred during the drilling of well 4-SPS-86B, and located 232 km from the coast of the State of São Paulo. Light oil was found at the location (31° API), in reservoirs situated at a depth of 5,750 m. QGEP has a 10% stake in Carcará.

## 2014

Start of the implementation of the Early Production System (EPS) for the Atlanta Field (Santos Basin), in Block BS-4, with the drilling, completion, and testing of two horizontal wells. That same year, Teekay's FPSO Petrojarl I was chartered, giving rise to a cycle of achievements for the following years.

Another important highlight is the attainment of certifications for standards ISO 14001 (Environmental Management System) and OHSAS 18001 (Health and Safety Management System), focusing on the commitment to the continuous improvement of its activities.

## 2011

Initial public offer and adherence to the Novo Mercado (New Market) of BM&FBovespa make QGEP commit to the adoption of the strictest corporate governance practices. It begins its activities as an Operator in Block BM-J-2, in the Jequitinhonha Basin, where it holds a 100% stake. That same year it acquired stakes in Blocks BM-S-8 and BS-4, both in the pre-salt exclusion area of the Santos Basin, and as an operator in the latter.

## 2013

Prominent participation in the 11th Bidding Round of the ANP. QGEP acquired eight blocks in the Foz do Amazonas, Pará-Maranhão, Ceará, Pernambuco-Paraíba, and Espírito Santo basins, and currently operates five of them. That same year, the Company discovered traces of oil and gas in Block BM-J-2.



GRI G4-56

QGEP is a company with its own personality, image, and culture, and a team of professionals with different – and complementary – characteristics and abilities, always in the pursuit of common goals. Our way of doing business is a reflection of our way of thinking and it guides our everyday lives. Below are the Mission, Vision, and Values that guide our path. It is based on this practical experience that we are building our future.

## MISSION

To operate with safety, in an ethical and sustainable manner, in the exploration and production of oil and gas, obtaining results and contributing to the development of the areas where we operate, respecting the needs of all our stakeholders.

## VISION

To grow consistently, so that in 2020 we are among the three largest Brazilian oil and gas producing companies, in addition to being recognized by society for our transparent and responsible management.

## VALUES

**Work Reliability Quality Loyalty**



## COMPETITIVE ADVANTAGES

QGEP has reached a prominent position in the country's oil and gas segment, through its pioneering spirit, deep knowledge of Brazilian basins, and management driven by results and growth. By adopting the strategy of building a diversified and balanced portfolio, the Company has consolidated itself as an important independent deep-water Operator throughout Brazil's coasts.

### COMPLETE AND HIGH-QUALITY PORTFOLIO

– with assets in different degrees of maturity and risk, and a long-term exploratory portfolio.

### RELEVANT STAKE IN ASSETS

– significant revenues from gas production activities in Manati.

### HIGHLY QUALIFIED AND EXPERIENCED TECHNICAL TEAM

– with extensive knowledge on the geology of Brazilian basins and oil and gas development and production techniques.

### ABILITY TO OPERATE IN DEEP WATERS

– qualified as an "A" Operator by the ANP.

### COMMITMENT TO CONTINUOUS IMPROVEMENT

– certified in standards ISO 14001 (Environmental Management System) and OHSAS 18001 (Health and Safety Management System).

### DIVERSIFIED PARTNERSHIPS

– is part of consortiums with majors and independent companies in the oil and gas sector.

## HIGHLIGHTS 2014

For QGEP, 2014 was a year of great achievements. Below are some of the main highlights of the period.

Completion of the drilling program of two wells in the Atlanta Field and signature of the charter and operation contract for **FPSO Petrojarl I**.

Consolidation of a solid financial position, with a cash balance of **R\$ 1.1 billion** and **R\$ 503 million** in net revenue, an increase of **3,5%** compared to 2013.

Maintenance of the level of production of the Manati Field, with a daily average of **5,9 milhões de m³**.

Completion of drilling the first phase of the **Carcará** extension well.

**Implementation of the Fiscal Council**, strengthening corporate governance practices.

Creation of a **Planning and Management Department**, to assist in the implementation of long-term strategies and improve the internal management system.

The attainment of **ISO 14001** (Environmental Management System) and **OHSAS 18001** (Health and Safety Management System) certifications.

Forming partnerships with other operators of the **Equatorial Margin**, aimed at optimizing environmental studies, logistics, and contracting suppliers for future operations in the area.





## ANNUAL REPORT 2014

### GOVERNANCE

POLICIES AND PRACTICES  
BOARD OF DIRECTORS  
FISCAL COUNCIL  
EXECUTIVE BOARD

## POLICIES AND PRACTICES

GRI G4-S03 / G4-S04 / G4-S05 / G4-S07 / G4-34 / G4-56 / G4-57 / G4-58

QGEP adopts the best corporate governance practices aiming at protecting the interest of its shareholders and other stakeholders involved, reduce conflicts of interest, maximize the value of the company, and contribute to its continued growth. The Company seeks to combine speed, efficiency, and quality to management's decision-making process to achieve excellence in business management, guided by four core principles of corporate governance.



The company defends and applies the continuous improvement of its Corporate Governance policies and practices and has the Board of Directors leading this process. The goal is to identify, prevent, or reduce any conflicts of interest between the various stakeholders, maximize the value of the company, and contribute to its continued growth through a close, constant, and transparent relationship with its stakeholders.

One example of the importance given by QGEP to this work was the review in 2014 of the Code of Ethical Conduct(\*), whose function is to establish behavior parameters in line with the best practices of the international industry. The updated document includes various relevant topics related to management, such as anticorruption guidelines, competitive procedures, partnership-building, suppliers, and contractors, as well as negotiations with related parties.

This update of the Code led to the indication of a department responsible for Compliance and the creation of a reporting channel – both of which are in the process of implantation.

\*To check the document, please visit the Códigos e Políticas section of the website at [www.qgep.com.br](http://www.qgep.com.br).

#### Drivers

 **Transparency**

 **Equity**

 **Accountability**

 **Corporate Responsibility**



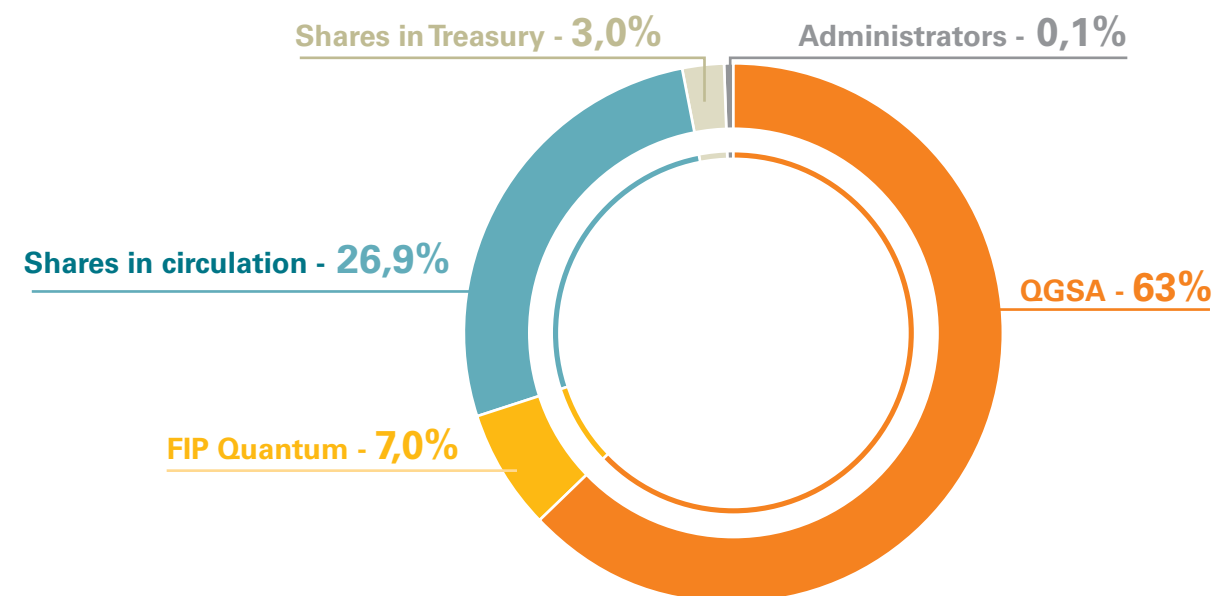


Another initiative taken in 2014 to strengthen the structure responsible for managing Corporate Governance was the creation of the Fiscal Council and the appointment of its members (see the chapter on the Fiscal Council). One of the agency's responsibilities is to ensure adherence to the best accounting practices.

### Novo Mercado Standards

QGEP is listed in the Novo Mercado of BM&FBovespa, which requires listed companies to follow strict procedures of Corporate Governance. Among them, the voting rights of all shareholders in General Meetings. Another example, in the case of transfer of control of the Company, is the guarantee of payment to minority shareholders of 100% of the amount paid per share in the operation.

### QGEP OWNERSHIP STRUCTURE (%)



### Ethics

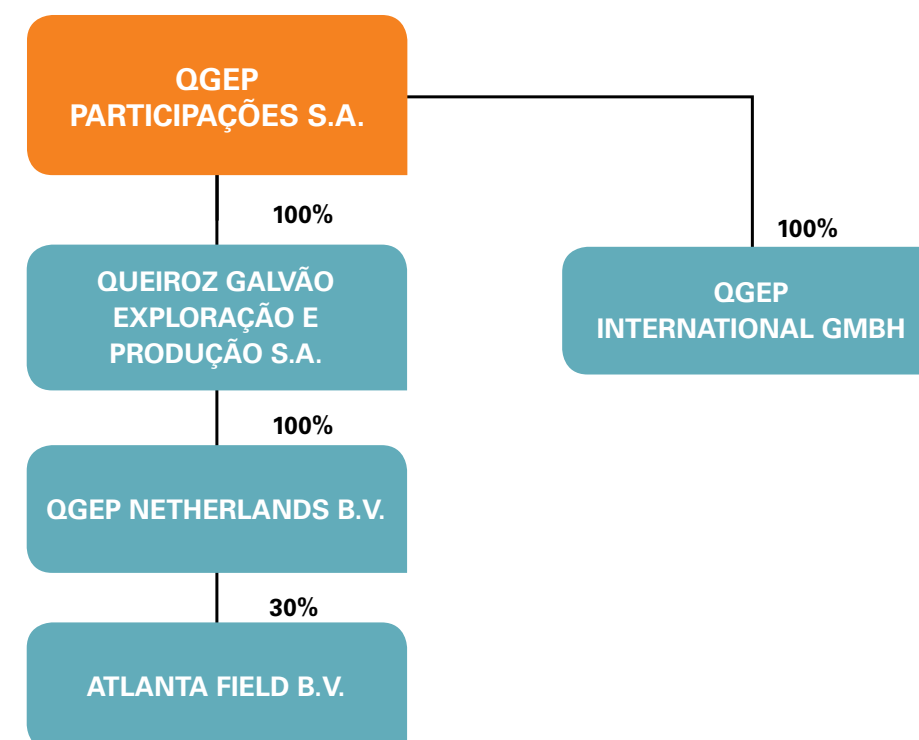
As a result of the improvement of our Corporate Governance practices, ethical conduct and transparency standards were prepared, to be observed by all employees. In 2014, no judicial actions or decisions regarding unfair competition, corruption, trusts, and monopolies were recorded. The Company aims to carry out periodic reviews and training to identify and fight such practices.

QGEP takes the opportunity to clarify that it is not the target of any investigation communicated by the press in 2014. Dedicated exclusively to the activities of exploration and production of oil and gas in the main producing basins of the Brazilian coast, the Company stresses that its assets and contracts are not in any way related to the facts reported.

QGEP, one of the companies of the Queiroz Galvão Group, practices a completely independent management model, which includes, among other factors, its own technical staff and shares traded in the Novo Mercado of BM&FBovespa.

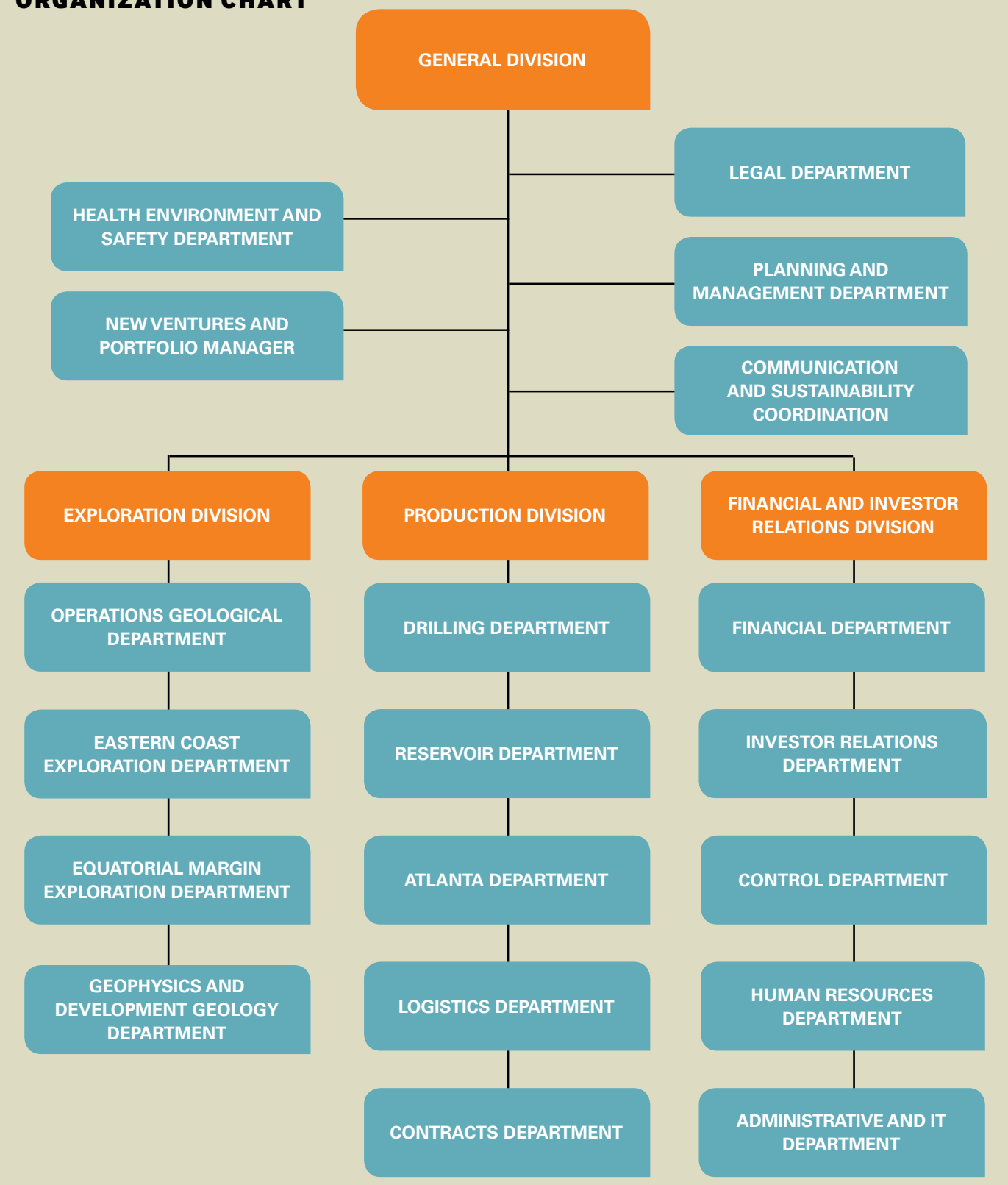
The Company reiterates the transparency, strict commitment to ethics, and compliance with applicable laws – pillars that support our activities in the market and drive our employees.

### OWNERSHIP STRUCTURE





## ORGANIZATION CHART



## BOARD OF DIRECTORS

GRI G4-34 / G4-37 / G4-38 / G4-39 / G4-40 / G4-41 / G4-42 / G4-43 / G4-44 / G4-45 / G4-46 / G4-47 / G4-49 / G4-50 / G4-EC6

QGEP's Board of Directors leads the strategic planning and defines the Company's management models, ensuring the execution of projects in full compliance with internal regulations and legislation.



The Board of Directors is responsible for the establishment of QGEP's general policies and operational guidelines, including the Company's medium and long-term growth strategy. The members of the Board are elected by shareholders in the General Meeting and serve for two years, and may be re-elected.

To support the work of the Board of Directors and Executive Board, QGEP may set up work groups to address specific issues. For specific issues, QGEP provides for the establishment of work groups that report directly to the Executive Board and Board of Directors. The decision-making process takes into account the pillars of sustainability provided for in the Mission, Vision, and Values, and in the Market Risk Management, Disclosure and Trading, and Integrated Management System (IMS) policies.

In accordance with the Law of Corporations, the members of the Board of Directors are prohibited from voting at meetings or assemblies that have a conflict of interest with the Company. Any decisions to be taken by the Board of Directors on transactions with related parties, as defined in applicable law, must be approved by the affirmative vote of the Company's independent directors. QGEP's shareholders can make recommendations and suggestions to the Board through the Investor Relations area.

### Strategic sustainability management

The operation of the Board of Directors has been continuously improved at QGEP, by including aspects of sustainability in the decision-making process, especially in social and environmental matters, in addition to economic issues. The Company aims to establish a routine to examine these matters by the main decision-making body, which today handles them punctually. In this sense, the Company is planning to begin the Interdisciplinary Work Group on Sustainability's activities in 2015.

### Law of Corporations

The examination of matters submitted to the Board of Directors is made according to the strict observation of the provisions of the Law of Corporations and treated with transparent practices defined by internal rules. In case a conflict of interest related to any board member is identified, voting against the interest of the Company is prohibited. Decisions related to relationship publics, in turn, depend on the examination of independent directors. In addition, QGEP provides the Investor Relations area as a channel for recommendations and suggestions to be made by minority shareholders.



### Novo Mercado

In line with the practices of the *Novo Mercado* of BM&FBovespa, the Board of Directors includes two independent directors appointed by the controlling shareholder, who represent 20% of the total of seven members. Both have recognized experience in the oil and gas market.

### Spotlights 2014

Throughout the year, six priority issues were brought to the Board of Directors and, subsequently, forwarded by the Board to the responsible areas. From this, action plans were developed for each of the following items, with regular monitoring of the PMO:

1. Goods and services supply processes
2. Portfolio management
3. Monitoring of oil prices
4. Production development projects
5. Personnel management processes
6. Communication with the capital market

### Members of the Board

All QGEP board members are elected by shareholders at the Annual General Meeting and serve for two years, after which they may be re-elected. The selection criteria for appointment are based solely on professional experience and on established practices in the market for public companies. The current components were selected in the local market and none of them accumulate their duties with other positions at QGEP. They are:

**Antônio Augusto de Queiroz Galvão** – President

**Ricardo de Queiroz Galvão** – Vice President

**Maurício José de Queiroz Galvão** – Member

**José Augusto Fernandes Filho** – Member

**Leduvy de Pina Gouvêa Filho** – Member

**José Luiz Alquéres** – Independent director

**Luiz Carlos de Lemos Costamilan** – Independent director

To see the resumes of the members of the Board of Directors, visit the Management section, in the About QGEP menu at [www.qgep.com.br](http://www.qgep.com.br)

The operation of the Board of Directors has been continuously improved at QGEP, by including aspects of sustainability in the decision-making process, notably on social, environmental, and operational safety issues, in addition to economic issues

#### Additional Information:

The Market Risk Management Policy and the Disclosure Policy, and Policy on the Disclosure of Material Act or Event and the Trading in Securities are available on the QGEP website. [www.qgep.com.br](http://www.qgep.com.br)

## FISCAL COUNCIL

GRI G4-34 / G4-13

Creating a Fiscal Council was another step toward supporting the best management practices, providing further comfort to shareholders, and ensuring the sustainable growth of the Company.

Being Brazil's largest private operator in the exploration and production of oil and gas always required of QGEP sound and transparent management, to match the size of its investments, partners, and also its challenges. To support actions in this regard, the Fiscal Council was created in 2014 to extend the control mechanisms and to assure investors of the fulfillment of all legal, administrative, and financial matters.

The members of the Council – three active and three surrogate – were appointed in 2014. Chosen based on criteria relating to professional experience, they may not hold other positions at QGEP and have a mandate expected to last one year, after which they may be re-elected.

#### Additional Information:

To know the duties of the Fiscal Council, visit the Bylaws section of the website at [www.qgep.com.br](http://www.qgep.com.br)

### Members

**Sérgio Tuffy Sayeg** – active

**José Ribamar Lemos de Souza** – active

**Axel Ehrard Brod** – active

**Nelson Mitimasa Jinzenji** – surrogate

**Gil Marques Mendes** – surrogate

**William Bezerra Cavalcanti Filho** – surrogate

To see the resumes of the member of the Fiscal Council, visit the Management Section, in [www.qgep.com.br](http://www.qgep.com.br)

The year 2014 was marked by the creation of the Fiscal Council and the appointment of its six members, who will serve for a term of one year, with a right to be re-elected







## EXECUTIVE BOARD

GRI G4-34 / GRI G4-35 / G4-36

The role of QGEP's Executive Board emphasizes the four key areas of the company's business and is conducted by experienced professionals from the oil and gas sector and the financial market.

The Board is responsible for the implementation and execution of the policies and strategies defined by the Board of Directors, conducting business in accordance with the principles and values of the Company. The Board is composed of four members, elected by the Board of Directors, and who have a mandate of two years, after which they may be re-elected.

The managers and coordinators designated to respond for economic, environmental, social, strategic, and safety issues report directly to the Chief Executive Officer and Chief Financial Officer and Investor Relations Director. The latter submit the performance results to the Board of Directors.

The Executive Board's relationship with the Board of Directors is conducted in an ethical and transparent manner. The directors are supported by a highly qualified management body whose experience in the oil and gas sector is recognized by the market.

### Members

**Danilo Oliveira** – Production Director

**Lincoln Rumenos Guardado** – Chief Executive Officer

**Paula Costa Côte-Real** – Chief Financial Officer and Investor Relations Director

**Sergio Michelucci Rodrigues** – Exploration Director

To see the resumes of QGEP's directors, visit the Management section, in the About QGEP menu at [www.qgep.com.br](http://www.qgep.com.br).

To know the duties of the Executive Board, visit the Bylaws section of the website at [www.qgep.com.br](http://www.qgep.com.br)



## ANNUAL REPORT 2014

### STRATEGIC FOCUS

MANAGEMENT OF GOALS  
PERSONNEL MANAGEMENT  
HUMAN RIGHTS  
RISK MANAGEMENT

## MANAGEMENT OF GOALS

GRI G4-13 / G4-35 / G4-36 / G4-42 / G4-43

As part of a sector susceptible to geopolitical, macroeconomic, and financial variables, QGEP believes in the continued investment in a sound and long-term strategy. Some initiatives are part of the strategic planning that provides for the achievement of goals set for periods of five and ten years.



Since 2013, QGEP has employed a system called Project Management Office (PMO), through which the Board of Directors periodically monitors the progress of all projects considered essential for the achievement of strategic goals for the company's future.

The first implementation phase of the PMO required a thorough analysis to be prepared prior to assess QGEP's structure and provide a diagnosis of the adjustments necessary to overcome the expected challenges. This work resulted in the establishment of 21 strategic goals involving Operations, Corporate Governance, Sustainability, Human Resources, HSE, and other areas. For each goal, the PMO allows performance evaluations and suggestions for course corrections.

In 2014, the Planning and Management Department was created to run the PMO and to keep the Board of Directors periodically informed on the achievement of goals and performance indicators in order to improve the Company's results. Also initiated was the improvement of some software modules already in the company due to the expansion of our operating activities.

One of the main results of the PMO in 2014 was the Goods and Services Supply Project, which establishes processes and procedures better defined in the purchases made by the Company. The initiative aims to establish a clearer definition of roles and responsibilities relating to supply, enabling transparency in the project cost allocation in all areas. With this, it will be possible to create value through the supply chain to better manage services and materials throughout QGEP. The project is expected to be fully implemented in 2015.

## A STRATEGIC LOOK

	<b>DELIVER</b> Develop current portfolio to generate a production flow	<b>CONSOLIDATE</b> Invest in new blocks to ensure sustainability
<b>GOALS</b>	<b>5 years</b> Create successful E&P track record	<b>10+ years</b> Top Brazilian player
<b>GEOGRAPHY</b>	Brazil (SE basins); and opportunistically on frontier basins	Brazil (frontier basins: Foz de Amazonas, Pará-Maranhão..)
<b>TECHNOLOGY</b>	Deep water and ultra-deep water	
<b>GROWTH</b>	Development of Atlanta and Carcará; opportunistic M&A	Develop risky portfolio Acquisition via ANP auctions / exploratory blocks
<b>OPERATING MODEL</b>	Operate ~ 50% of assets; Substantial outsourcing (seismic, platforms); Target share up to ~30-40%/asset	
<b>PARTNERSHIPS</b>	Petrobras (Carcará), Independent (Atlanta) Majors/Int'l (risky portfolio)	Robust partners with strategic fit (deep water, other markets)
<b>FINANCING</b>	Manati, IPO resources and debt	Cashflow from Atlanta and Carcará; Selective farm-outs and debt



## PERSONNEL MANAGEMENT

GRI G4-10 / G4-12 / G4-LA1 / G4-LA12 / G4-HR3 / G4-HR4 / G4-LA15 / G4-LA16 / G4-LA4 / G4-LA8

The participative work environment encourages human development and functional progress, attracting and retaining professionals recognized for their ability. QGEP prioritizes the inclusion of experienced and highly qualified professionals, combining the exchange of knowledge with the energy of young talent.



One of QGEP's key principles is to promote a participative work environment, based on cooperation, dialogue, freedom of expression, and good integration between people. The transmission of knowledge is disseminated by senior level professionals, with extensive experience in the oil and gas sector. In addition, the Company provides wages and benefits compatible with their employees' abilities and aligned with the oil and gas market.

With the start of production of the first oil in the Atlanta Field approaching, QGEP continued in 2014 its hiring program, with its main focus on technical professionals with specific experience and knowledge in the sector. Still in 2014, the mapping of Human Resources and Financial needs for goals set in the long-term strategic planning was completed – which will allow for the better sizing of positions and types of hires necessary for each one.

In practice, as QGEP projects and operations advance, each area will evaluate their demands for new professionals, allowing the development of a plan that allows for the retention, development, and growth of employees that are already part of the staff. In addition the initiative will allow the identification of positions that will have to be filled by new hires.

The Company held two internal campaigns for the first time in 2014, with high employee attendance: Pink October, on the prevention of breast cancer, and Blue November, on prostate cancer awareness.

### Respect for diversity

The Code of Ethics is used as a basis for performance reviews. In 2014, there was no evidence of discrimination or infringement of freedom of association and collective bargaining, which is encouraged by the Company through union meetings. There was also no record of complaints related to labor practices. Although there is no formal complaint mechanism currently implemented, QGEP aims to create a channel for this purpose from 2015. In relation to suppliers, no labor-related complaints were recorded and the Company maintains an attentive posture to any reports regarding standards regulated by the Ministry of Labor and Employment.

### Trade Union Agreements

QGEP has global agreements with unions that address health and safety issues. The issues covered in these agreements include Personal Protective Equipment (EPI), Internal Commission for Accident Prevention (CIPA), medical exams, first aid, right to safety and occupational health standards. The Company has no minimum established timeframes for notifications of significant operational changes that may affect the workers, and the procedure is decided on a case-by-case basis. In relation to the collective bargaining agreements, the employees are directly invited by the Union to participate in negotiations.

### NUMBER OF PROFESSIONALS PER JOB LEVEL AND GENDER

GRI G4-10 / G4-LA12

Job Category	2014		2013		2012	
	Men	Women	Men	Women	Men	Women
Board	3	1	3	1	3	1
Management	13	5	12	5	8	5
Headship/Coordination	8	5	7	5	8	4
Technical/Supervision	27	11	25	8	10	3
Administrative	22	33	19	26	12	20
Third Party	17	8	25	4	9	4
Trainees	1	0	1	0	0	0
Interns	2	1	2	2	2	2
<b>Total</b>	<b>93</b>	<b>64</b>	<b>94</b>	<b>51</b>	<b>52</b>	<b>39</b>

### NUMBER OF WORKERS PER REGION AND GENDER

GRI G4-10 / G4-12

Job Category	2014		2013		2012	
	Men	Women	Men	Women	Men	Women
Southeast Region	90	63	91	50	49	38
Northeast Region	3	1	3	1	3	1
<b>Total</b>	<b>93</b>	<b>64</b>	<b>94</b>	<b>51</b>	<b>52</b>	<b>39</b>

**In five years, QGEP tripled the number of employees, maintaining the corporate culture of mutual cooperation and gender equality**

## NUMBER OF EMPLOYEES PER TYPE OF CONTRACT AND GENDER\*

GRI G4-10 / G4-12

Job Category	2014		2013		2012	
	Men	Women	Men	Women	Men	Women
Fixed term	1	0	1	0	0	0
Permanent term	73	56	64	45	39	33
<b>Total</b>	<b>74</b>	<b>56</b>	<b>65</b>	<b>45</b>	<b>39</b>	<b>33</b>

\*Excluding directors not governed by the CLT and third parties.

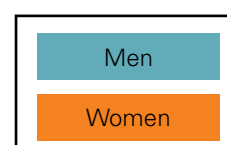
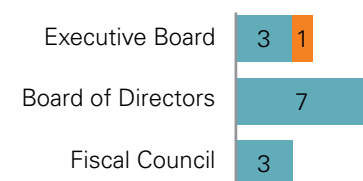
## EMPLOYEE DISTRIBUTION PER JOB LEVEL AND GENDER IN 2014

G4-LA12

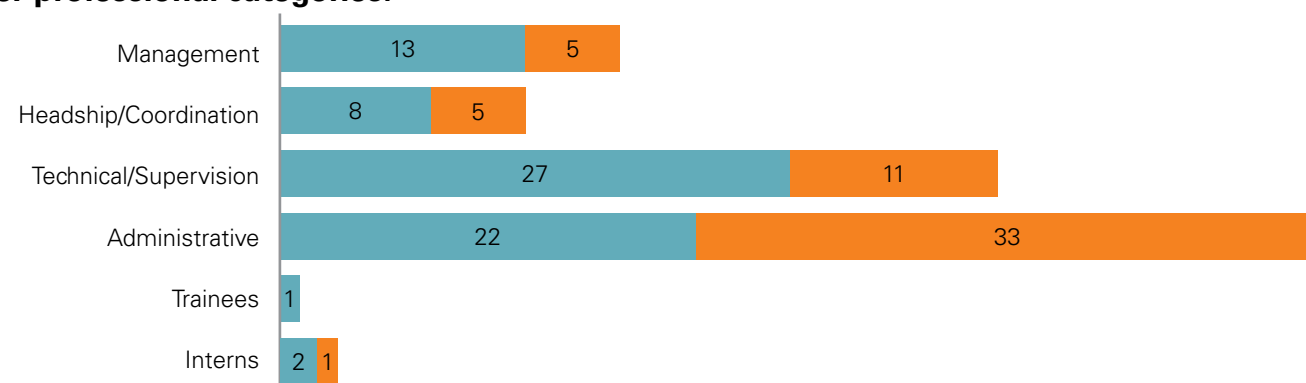
### ADMISSIONS

GRI G4-LA1

#### Governance bodies:



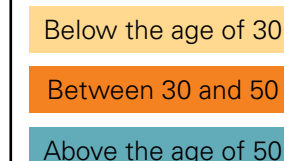
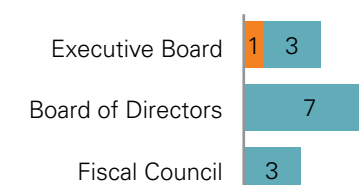
#### Other professional categories:



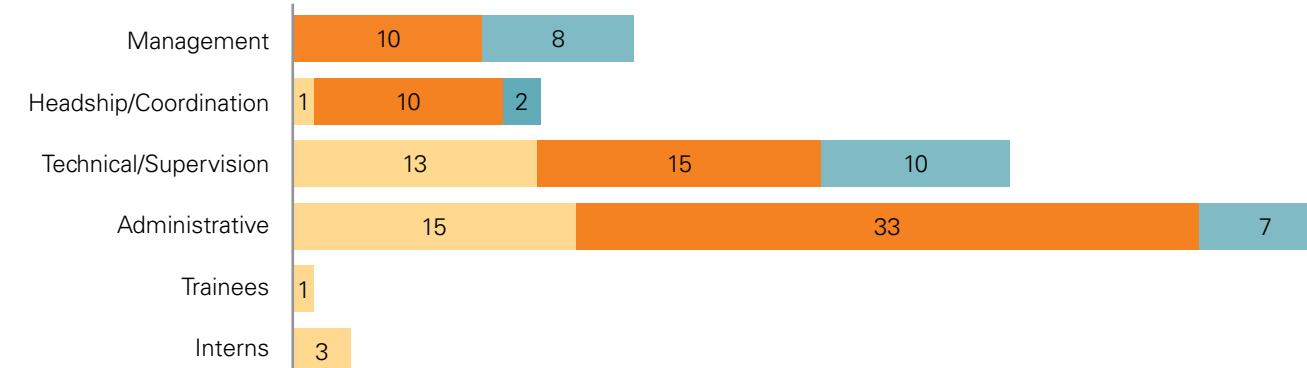
## EMPLOYEE DISTRIBUTION PER JOB LEVEL AND AGE BRACKET IN 2014

G4-LA12

#### Governance bodies:



#### Other professional categories:



	2014	2013	2012
<b>By gender</b>			
Male	10	27	10
Female	13	13	6
<b>By age group</b>			
Below the age of 30	9	14	5
Between 30 and 50	10	19	4
Above the age of 50	4	7	7
<b>By region</b>			
Southeast Region	23	40	16
<b>Total</b>	<b>23</b>	<b>40</b>	<b>16</b>

## DISMISSALS



**GRI G4-LA1**

	2014	2013	2012
<b>By gender</b>			
Male	3	3	0
Female	3	1	0
<b>By age group</b>			
Below the age of 30	1	0	2
Between 30 and 50	2	2	2
Above the age of 50	3	2	0
<b>By region</b>			
Southeast Region	6	4	4
Total	6	4	4

**TURNOVER RATE (%)**
**GRI G4-LA1**

	2014	2013	2012
<b>By gender</b>			
Male	5,04	5,13	0,00
Female	6,20	6,06	8,06
<b>By age group</b>			
Below the age of 30	1,94	0,00	12,5
Between 30 and 50	2,33	7,14	2,78
Above the age of 50	1,36	5,26	0,00
<b>By region</b>			
Southeast Region	5,62	5,71	4,31

**WAGES AND BENEFITS**

GRI G4-11 / G4-51 / G4-52 / G4-53 / G4-54 / G4-55 / G4-EC3 / G4-EC5 / G4-LA2 / G4-LA3 / G4-LA11

The wages paid by QGEP are the result of agreements negotiated with Sindipetro which cover all employees, and wage surveys aligned with the market. As for the company's management, wages are approved annually during the Annual General Meeting. The components of the Board of Directors receive fixed wages, without any components of variable pay. The Directors, on the other hand, receive fixed and variable wages, the latter being stipulated on the basis of performance, reach, and overachieving goals.

Both Directors and other employees receive benefits aligned with market practices, such as medical and dental care, life insurance, and pension.

The percentage variation between the lowest wage and the national minimum wage is 52.53% more for men and 43.78% more for women. There is no variation in minimum wage between operating units, so if the lowest salary paid by QGEP were converted to a per hour pay estimate, the amount per hour would be R\$7.50. The ratio between the total annual wage of the highest paid individual in the company and the average total annual wages of all employees was 5.5 in 2014. The percentage increase of the total annual wage of the highest paid individual in the company and the average total annual wage of all employees was 1.4.

The wage policy includes Profit Sharing (PLR), based on the financial performance and achievement of individual and team goals. In 2014, 96.05% of male employees and 98.21% of female employees received regular performance reviews. The reviews covered all levels, with the exception of the Board. The Company also has a share acquisition plan shares, conceded annually upon approval of the Board of Directors.

The estimated amount needed to cover the obligations of the company's benefits and pension plan in 2014 was R\$1.082 million. The amount was calculated adding the values of reports extracted from payroll and spreadsheets sent monthly to the managing financial institution in the last month of the year. The wage contribution percentage of employees to the pension and benefits plan is up to 6.5% for Directors and up to 4% for other employees. The retirement plans offered by the company are of defined contribution and voluntary participation.

**In 2014, among women, three exercised their right to maternity leave. Among men, six made use of their paternity license. In both cases, the retention and return rates were 100%**

**MATHEMATIC RATIO BETWEEN MEN AND WOMEN'S WAGES**

**GRI G4-LA13**

Board	1,16
Management	1,54
Headship/Coordination	1,03
Technical/Supervision	1,61
Administrative	1,06

**KNOWLEDGE MANAGEMENT**
**GRI G4-LA10**

QGEP has as a guiding principle of its hiring policy the development potential and retention of employees, given the long-term profile of its assets. In 2014, the company established the Individual Development Plan (IDP) in the performance review, which provided greater assertiveness in development programs. In addition, it offered a total of 9,806.5 training hours (3.1% of training hours over total hours worked) and invested R\$ 841,124.96 to support workshops and technical courses for professional development – the employees may earn a scholarship of up to 100% if they meet the stated requirements.

**TRAINING HOURS PER JOB LEVEL (HOUR/EMPLOYEE)**
**GRI G4-LA9**

Board	4,63
Management	16,36
Headship/Coordination	59,38
Technical/Supervision	102,34
Administrative	76,85
Trainees	1,0
Interns	3,10
<b>Total</b>	<b>263,66</b>

**TRAINING HOURS PER GENDER**
**GRI G4-LA9**

Men	79,08
Women	66,92
<b>Total</b>	<b>146,0</b>

## HUMAN RIGHTS

GRI G4-15 / G4-HR1 / G4-HR5 / G4-HR6 / G4-HR9 / G4-HR10 / G4-SO10

QGEP is a signatory of the Global Pact since 2011, and the respect for good labor relations, for the environment, for anticorruption practices, and in favor of Human Rights is part of their organizational culture.

Of the 23 investment agreements and contracts signed, 21, or, almost all (91.30%) were evaluated because they involved amounts in excess of R\$ 200,000. In the company's processes, decisions, and services, and in relationships with partner, there were no identified risks relating to child labor or the exposure of young workers to dangerous activities, forced, or slave labor. Only in the case of two contractors, QGEP signed improvement agreements to reduce potential and actual impacts relating to environmental pollution, health, and safety.

An updated version of the QGEP's HSE (Health, Safety, and Environment) Manual, also distributed to service providers, reinforces the need for applying these standards to the Company's day-to-day..

### Suppliers are hired based on the most rigid international labor and environmental parameters

**HUMAN RIGHTS TRAINING IN 2015**
**GRI G4-HR2**

Number of hours dedicated to training employees on Human Rights or related procedures	<b>24</b>
Number of employees who have received formal training in the company's Human Rights policies and procedures	<b>12</b>
Percentage of employees trained	<b>9.09%</b>





## RISK MANAGEMENT

GRI G4-2 / G4-14 / G4-EC2

Risk management permeates all of QGEP's activities. The achievement of ISO 14001 (Environmental Management System) and OHSAS 18001 (Health and Safety Management System) certification in 2014 demonstrates QGEP's commitment to the constant assessment and prevention of the risks of its activities to employees, local communities, and the environment.

The company has a non-statutory committee responsible for the Integrated Management System (IMS). This group, which is formed by the first level of Management and chaired by the CEO, has among its responsibilities the supervision and management of environmental issues, operational safety, occupational health, excellence in quality, and social responsibility.

QGEP recognizes that it is subject to causing environmental impacts during its activities –as the exploration and production of oil and gas is an activity classified as potentially polluting.

With regard to risks not inherent to exploration and production activities, the Company has a Market Risks Management Policy, approved by the Board of Directors. The purpose of these principles is to formalize eligible mitigation measures in relation to the fluctuation of prices and currencies, interest rates, inflation, and the price of oil and its derivatives, in free or managed markets.



## ANNUAL REPORT 2014

### OPERATION

PORTFOLIO  
ASSETS



## PORTFOLIO

GRI G4-4 / G4-13 / G4-16 / G4-EC7 / G4-OG2 / G4-OG8 / G4-OG11 / G4-EN28 / G4-PR3 / G4-PR4 / G4-PR5

With a diversified assets portfolio and some of the challenges faced in operations, associated with a well-planned management, QGEP continues to constantly seek new investment opportunities – exclusively focused on the exploration of oil and gas in Brazil.



In 2014, these guidelines culminated, among other achievements including the announcement of the Early Production System (EPS) for the Atlanta Field, in Block BS-4, in the pre-salt exclusion area of the Santos Basin. From there, QGEP took a decisive step toward producing its first oil, scheduled for mid-2016, establishing itself as Brazil's largest private operator in ultra-deep waters. The chartering of FPSO Petrojarl I for operations in Atlanta is the main highlight of the project, which is expected to produce up to 25,000 barrels per day during the first phase of production, taking into account two producing wells.

The achievement of these important milestones is mainly attributed to the operational success achieved by QGEP in the completion of drilling, formation tests, and completion of two of the project's 12 wells. The activities were the result of careful planning, which took into account the geological characteristics of the reservoirs. The Company is also evaluating drilling a third well, to increase Atlanta's production to 30,000 barrels during the EPS.

### Fly, Carcará!

Another highlight in QGEP's exploration and production activities in 2014 was the completion of the first phase of drilling the Carcará extension well, in Block BM-S-8 of the Santos Basin. The start of the second phase of drilling, which is expected to reach the reservoir, is scheduled for the third quarter of 2015. Thus, it will be possible to get data relating to the size and productivity of the reservoir, which will determine the design of the Field's production system.

### Manati, in numbers

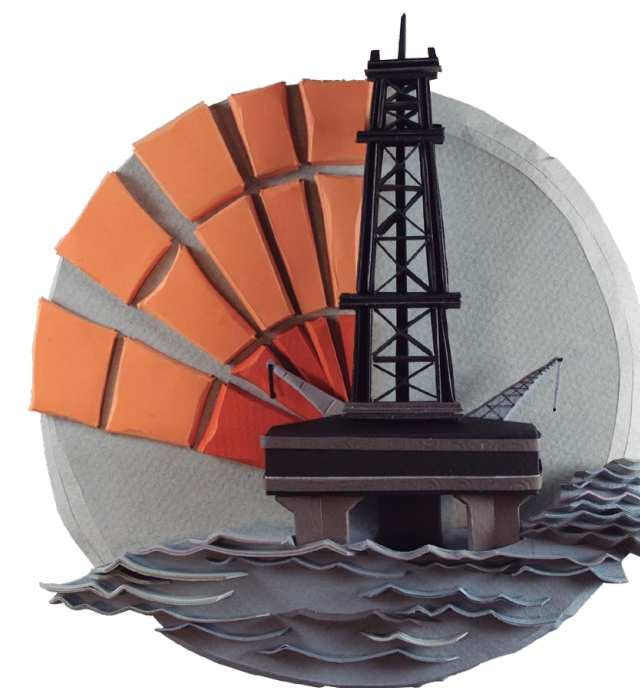
QGEP's main source of revenue in 2014, gas production in the Manati Field exceeded initial expectations and maintained the daily average of **5.9 million m<sup>3</sup>**, and the total volume produced of **2.2 billion m<sup>3</sup>**, in line with the performance presented in 2013. The Field was responsible for a growth of **3.5%** of the Company's net revenue, totaling **R\$ 503 million**. The gas is sold to Petrobras, the field's operator, with a long-term contract through which a volume corresponding to QGEP's **45%** share in the project is sold. The condensate, a by-product of natural gas, is sold to Dax Oil Refino S.A.

With the conclusion of the construction of the gas compression station, scheduled for mid-2015, the expectation is that Manati's potential volume of production reaches a daily average of **6 million m<sup>3</sup>** in the last five months of the year.

The Company does not have any practices related to customer satisfaction surveys, since the main buyer of its products is also the operator of Manati field, who is responsible for the standards established in the project. In general, 100% of QGEP's products – natural gas, condensate, and, in the future, oil – are used, and nothing is left over for recycling and reuse. Given their characteristics, they are not packaged for transport and storage. For this reason, they do not fall under regulations and codes relating to labeling information.

### Portfolio Management

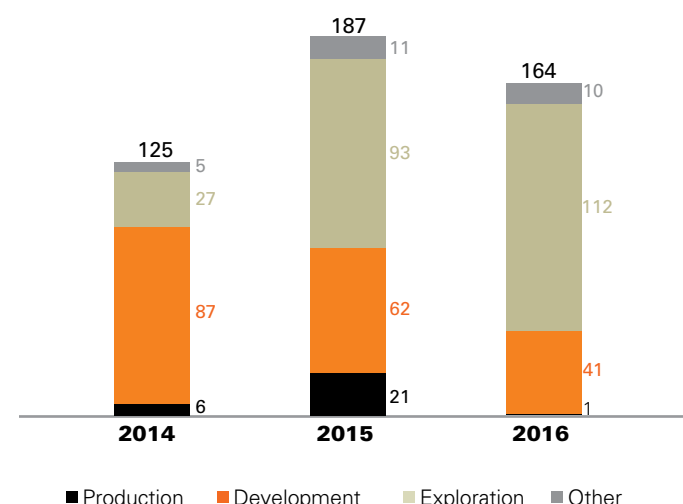
In 2014, QGEP decided to return Block CAL-M-312, part of the BM-CAL-12 (Camamu-Almada Basin) Concession, due to the lack of attractiveness indicated by technical and economic feasibility studies conducted in the area. Block BM-CAL-5, located in the same Basin, was also returned to the ANP due to the lack of the attractiveness of the project, together with the complexity of obtaining an environmental permit. In addition, the cancellation of the farm-in in BM-C-27 (Campos Basin) was announced, also based on a technical and economic review of the asset in relation to the portfolio in general. Rising costs, combined with the increased risk resulting from a reinterpretation of seismic data, made BM-C-27 lose relevance within QGEP's portfolio. It should be noted that the initial agreement with Petrobras, the project's operator, required no initial outlay for participation in the concession of Campos Basin. The Company ended 2014 with 15% of its total active areas with decommissioning plans, all offshore and operated by Petrobras.





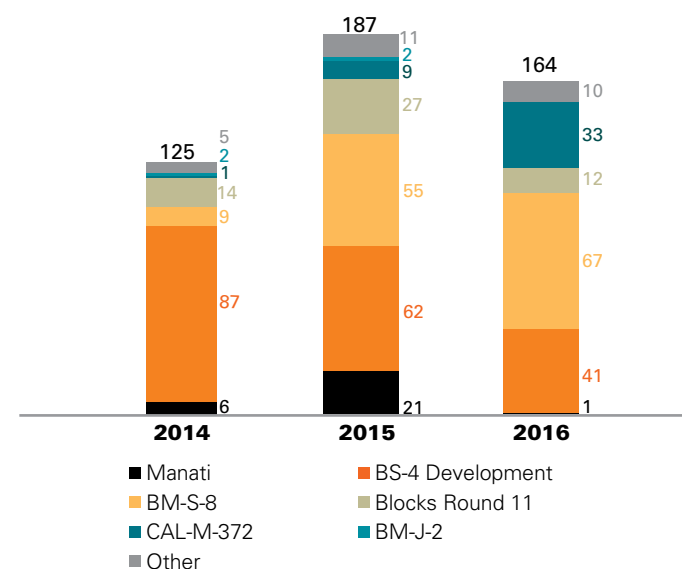
## NET CAPEX FOR QGEP

(US\$ million)



## NET CAPEX FOR QGEP

(US\$ million)



## HYDROCARBON VOLUME REMAINING RESERVES REPORT ON DECEMBER 31, 2014, MANATI FELD, BRAZIL

GRI G4-OG1

	Sales Volume of the Field (100%)		Net Reserves for the Company	
	Liquids (MMBbl)	Gas (Bm³)	Liquids (MMBbl)	Gas (Bm³)
1P	1,20	12,13	0,54	5,46
2P	1,34	13,54	0,60	6,10
3P	1,48	15,00	0,67	6,75

The proven reserves at Manati were estimated from the original volume of gas in place obtained by balance of materials. The 2P and 3P reserves were based on volumetric calculations that encompass the northeastern portion of the field.

## HYDROCARBON RESERVES ON MARCH 31, 2014, ATLANTA FIELD, SANTOS BASIN, BRAZIL

GRI G4-OG1

	Gross Volume (100%) Field		QGEP Net Reserves	
	Crude Oil (MMBbl)	Natural Gas (MMm³)	Crude Oil (MMBbl)	Natural Gas (MMm³)
1P	147	56	44	17
2P	191	90	57	27
3P	269	311	81	93

## ORIGINAL VOLUMES OF HYDROCARBONS ALTO DE ATLANTA BLOCK ON MARCH 31, 2014

GRI G4-OG1

Category	Crude Oil MMBbl	Gas in Solution Bm³
1P	1.192	8,8
2P	1.337	9,9
3P	11.494	11,0

Results obtained based on hydrocarbon volumes in place in the structure's top block, using QGEP's permeable thickness map and independent petro physical interpretation.

## Encouraging innovation

QGEP considers the targeting of research and development funding as strategic, particularly for applications consistent with the challenges of its projects. In this context, it has been establishing partnerships with Brazilian academic institutions almost since the beginning of its activities. The oldest one is with the Federal University of Bahia (UFBA), through the financing of projects aimed at mitigating environmental impacts in the oil and gas sector.

In 2014, the Company also continued projects developed with the Federal University of Rio de Janeiro (UFRJ) and the State University of Campinas (Unicamp). With a total investment of approximately R\$ 5 million and completion scheduled for 2015, the research involves studies on mitigating environmental impacts and the operational safety of the Company's activities.

The need for producing joint environmental diagnostics, as part of the licensing process of activities in their concessions, was identified as an opportunity in relation to proceedings at the licensing environmental agency, IBAMA. In 2014, QGEP helped set up a committee of managers from the Health, Safety, and Environmental areas of companies operating exploratory blocks located in the Foz do Amazonas Basin, to carry out this joint work.

The aim of the initiative is to produce a single environmental diagnostic, to be used by companies in their environmental licensing request processes. The work has the close collaboration – and, especially, with the regional knowledge – of researchers from the Amapá Education and Culture Institute (IEPA) and from the State University of Amapá (UEAP), critical to the foundation and scope of the information obtained.

QGEP is also part of the group of 14 companies in the oil and gas industry responsible for mapping the entire Brazilian coast, from Oiapoque (AP) to Santa Vitória do Palmar (RS). Coordinated by the Brazilian Institute of Petroleum, Gas, and Biofuels (IBP), the survey includes data on physical, socio-environmental, and accessibility characteristics, among others. The information forms the basis for the elaboration of plans for protecting and cleaning the coast in case of an oil spill, and can be used as a tool for the National Contingency Plan (PNC). In 2014, the work entered the second phase, which covers the mapping of all of the country's island.

## Knowledge management

Innovation is also promoted by QGEP through the exchange of experiences in seminars and dialogues with:

- The Academy
- National Organization of the Petroleum Industry (Onip)
- Federation of Industries of the State of Rio de Janeiro (Firjan)

It is also worth mentioning QGEP's active participation in the following institutional committees:

- Brazilian Institute of Petroleum, Gas, and Biofuels (IBP)

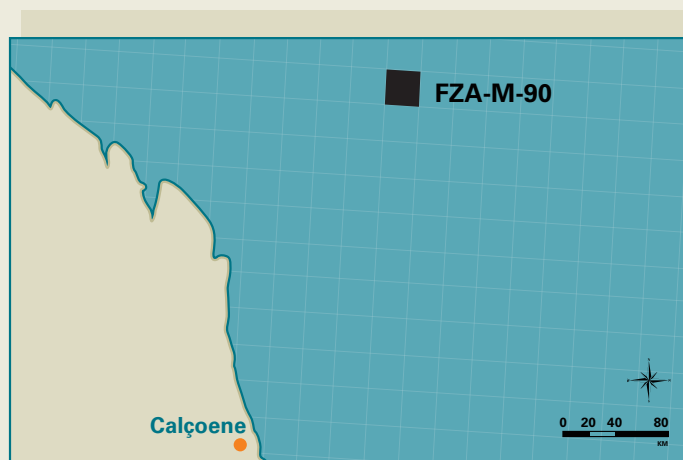
- Brazilian Association of Petroleum Geologists (ABGP)
- Brazilian Geophysical Society (SBGF)
- Society of Petroleum Engineers (SPE)
- American Association of Petroleum Geologists (AAPG)

To maintain a permanent dialogue with investors, QGEP periodically participates in meetings promoted by the Brazilian Institute of Finance Executives (IBEF) and the Brazilian Institute of Investor Relations (IBRI), among others. In these forums, industry relevant issues are discussed, such as technology developments and segment management.

## ASSETS

GRI G4-4

As the only private Brazilian company operating in the Premium pre-salt area of the Santos Basin, QGEP is recognized for its diversified portfolio.



### FOZ DO AMAZONAS BASIN

#### FZA-M-90

#### SITUATION MEDIUM WATER DEPTH



EXPLORATION OIL GAS 2,000 to 3,200 m

#### YEAR OF DISCOVERY

Not yet drilled

#### CONSORTIUM

QGEP (operator) – 35%; Premier Oil – 35%; Pacific Brasil – 30%

#### TOTAL DISBURSEMENTS

US\$6,2 millions

- In 2014 the 3D seismic survey was completed by Spectrum-CGG.
- In 2014 the environmental studies required for obtaining an environmental permit to drill a well in the block were initiated.
- The drilling of the well is scheduled to begin in the first half of 2018.

### PARÁ-MARANHÃO BASIN

#### PAMA-M-265

#### SITUATION MEDIUM WATER DEPTH



EXPLORATION OIL GAS 1,800 to 3,000 m

#### YEAR OF DISCOVERY

Not yet drilled

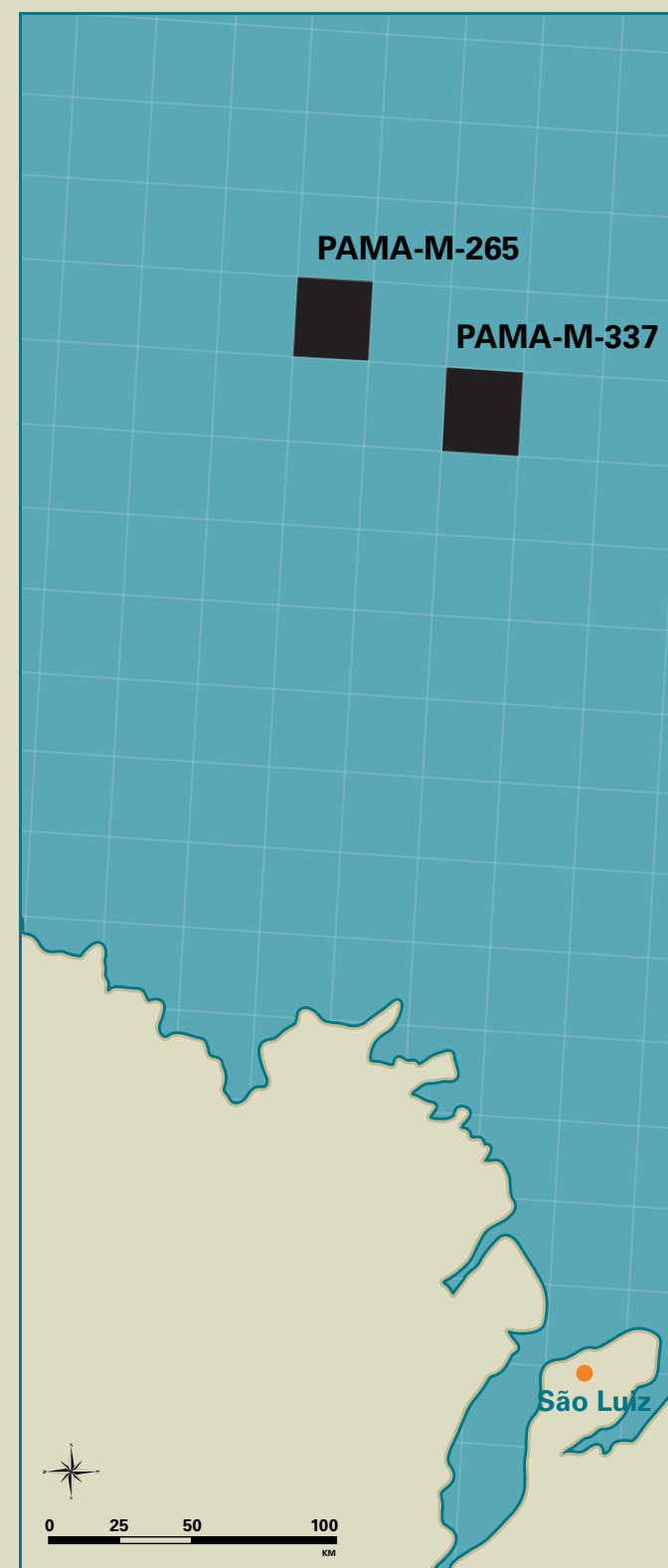
#### CONSORTIUM

QGEP (operator) – 30%; Pacific Brasil – 70%

#### TOTAL DISBURSEMENTS

US\$ 0,2 million

- In 2014 Polarcus was hired to acquire seismic data.
- The survey of seismic data is scheduled to begin in the second half of 2015.
- There is no commitment for a well in this block. Taking advantage of the synergy with block PAMA-M-337, studies were initiated to obtain an environmental permit to drill this block.



#### PAMA-M-337

#### SITUATION MEDIUM WATER DEPTH



EXPLORATION OIL GAS 400 to 3,000 m

#### YEAR OF DISCOVERY

Not yet drilled

#### CONSORTIUM

QGEP (operator) – 50%; Pacific Brasil – 50%

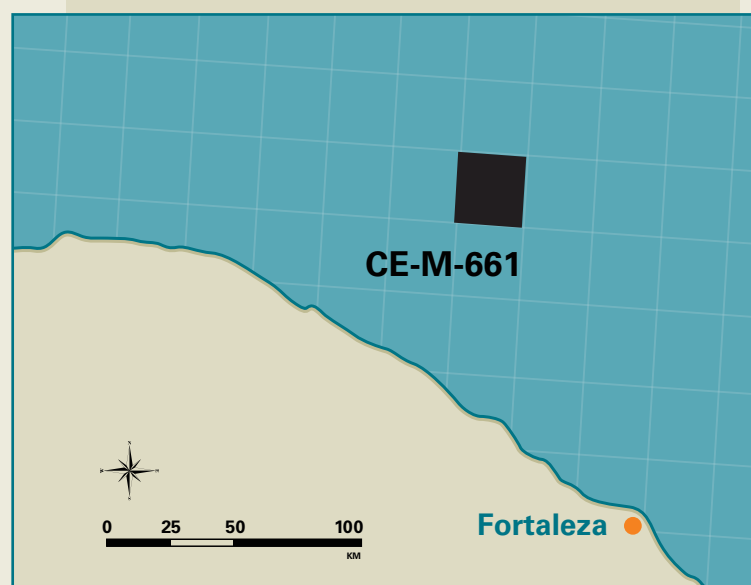
#### TOTAL DISBURSEMENTS

US\$ 0,3 million

- In 2014, Polarcus was hired to acquire 3D seismic data.
- The survey of seismic data is scheduled to begin in the second half of 2015.
- In 2014 the environmental studies required for obtaining an environmental permit to drill a well in the block were initiated.
- The drilling of the well is scheduled to begin in the second half of 2017/ first half of 2018.







## CEARÁ BASIN

### CE-M-661

**SITUATION** **MEDIUM** **WATER DEPTH**



### YEAR OF DISCOVERY

Not yet drilled

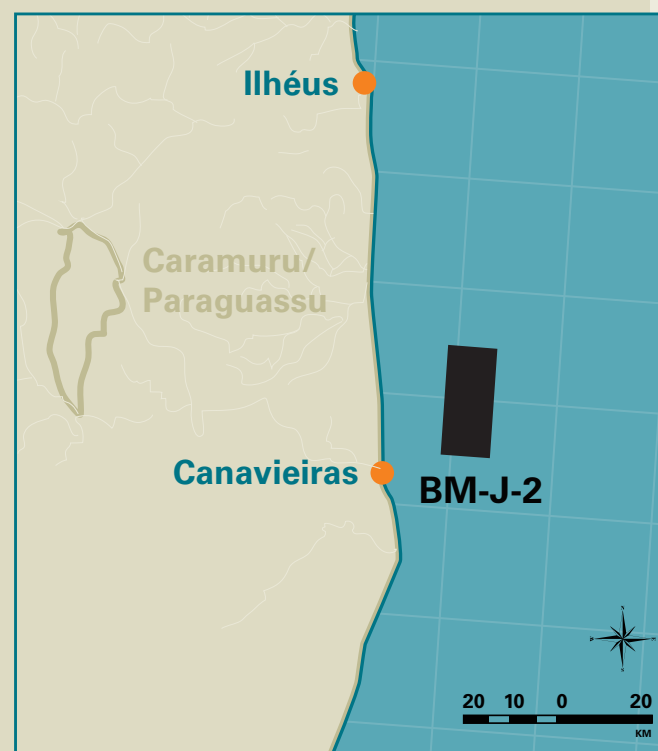
### CONSORTIUM

QGEF – 25%; Total (operator) – 45%; OGX – 30%

### TOTAL DISBURSEMENTS

US\$ 2,3 millions

- The survey of seismic data is scheduled to begin in the second half of 2015.
- In 2014 the environmental studies required for obtaining an environmental permit to drill a well in the block were initiated.
- The drilling of the commitment well is scheduled for the second half of 2017.



## JEQUITINHONHA BASIN

### BM-J-2

**SITUATION** **MEDIUM** **WATER DEPTH**



### YEAR OF DISCOVERY

2013

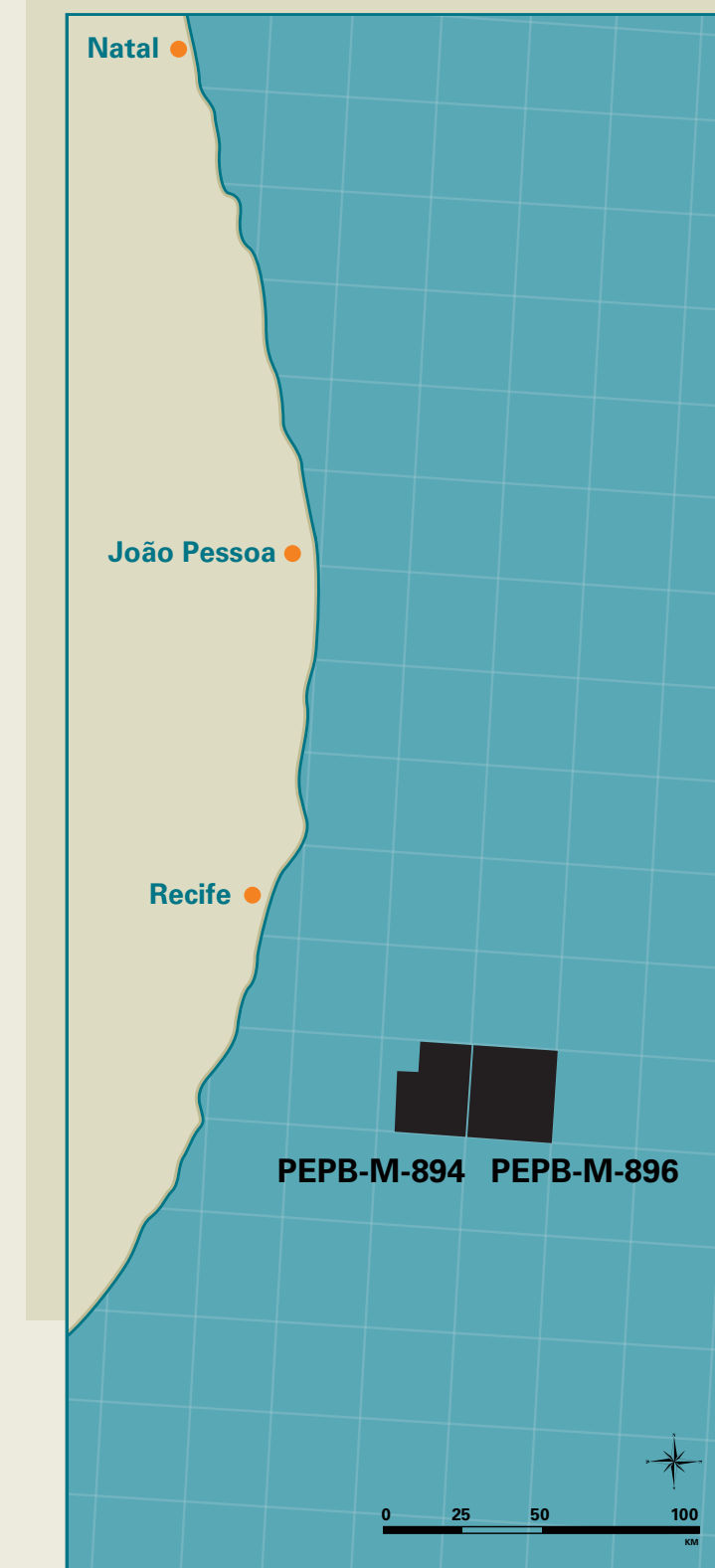
### CONSORTIUM

QGEF (operator) – 100%;

### TOTAL DISBURSEMENTS

US\$ 2,4 millions

The Discovery Assessment Plan (DAP) for BM-J-2 was approved by the ANP at the end of October, 2014. In the first stage of the DAP, QGEF is committed to conducting seismic reprocessing and geological reinterpretation of the Block within 14 months. Following the completion of all studies, including the technical and economic assessments, the Company will evaluate advancing to the next stages.



## PERNAMBUCO-PARAÍBA BASIN

### PEPB-M-894

**SITUATION** **MEDIUM** **WATER DEPTH**



### YEAR OF DISCOVERY

Not yet drilled

### CONSORTIUM

QGEF (operator) – 30%; Petra Energia – 70%

### TOTAL DISBURSEMENTS

US\$ 0,1 million

The acquisition of 3D seismic data is scheduled to start by 2017.

### PEPB-M-896

**SITUATION** **MEDIUM** **WATER DEPTH**



### YEAR OF DISCOVERY

Not yet drilled

### CONSORTIUM

QGEF (operator) – 30%; Petra Energia – 70%

### TOTAL DISBURSEMENTS

US\$ 0,1 million

The acquisition of 3D seismic data is scheduled to start by 2017.

## CAMAMU-ALMADA BASIN

### MANATI

**SITUATION** **MEDIUM** **WATER DEPTH**



**YEAR OF DISCOVERY**  
2000

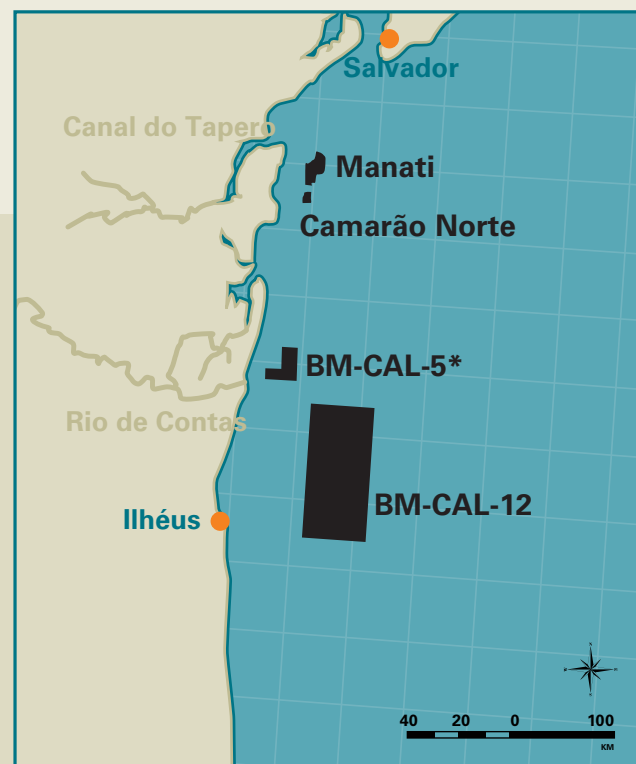
#### CONSORTIUM

QGEF – **45%**; Petrobras (operator) – **35%**;  
Geopark – **10%**; Brasoil – **10%**

#### TOTAL DISBURSEMENTS

US\$ 5,9 millions

- High productivity of the Manati Field throughout 2014, with a daily average of 5.9 million m3, in line with the 2013 volumes.
- Construction of the gas compression station is progressing on time and on budget, with start-up scheduled for the second half 2015.
- The consortium scheduled a 20 day break in the field's production to connect the compression station to the gas export pipeline. Consequently, daily production resumed with a capacity of 6 million m3. Based on this schedule, QGEF expects the average daily gas production capacity to reach 5.5 million m3 in 2015.
- The maintenance of the Manati Field offshore platform is scheduled for 2015, with a net cost of approximately US\$ 20 million. Maintenance will not compromise the unit's production levels.



\*Parte ou totalidade do Bloco devolvido em 2014.

### BM-CAL-12 (BLOCO CAL-M-372)

**SITUATION** **MEDIUM** **WATER DEPTH**



#### YEAR OF DISCOVERY

Sem perfurações até o momento

#### CONSORTIUM

QGEF – **20%**; Petrobras (operator) – **60%**; EP Energy – **20%**

#### TOTAL DISBURSEMENTS

US\$ 0,7 million

- Ongoing exploratory activities of the Consortium Concession BM-CAL-12 in Block CAL-M-372.
- The First Exploratory Period was suspended on May 16, 2013, and we continue to wait on the issuance of an environmental permit to drill a well integrating the PEM of the First Period, as stipulated in the Concession Contract.

## CAMARÃO NORTE FIELD

**SITUATION** **MEDIUM** **WATER DEPTH**



**YEAR OF DISCOVERY**  
2001

#### CONSORTIUM

QGEF – **45%**; Petrobras (operator) – **35%**;  
Geopark – **10%**; Brasoil – **10%**

#### TOTAL DISBURSEMENTS

No relevant investment made.

#### PERFORMANCE IN 2014

The field is in the process of being unified with the adjacent field and no operational activities were carried out in 2013.

#### ESTIMATE FOR 2015

Continuation of the unification process is expected.

## ESPÍRITO SANTO BASIN

### ES-M-673

**SITUATION** **MEDIUM** **WATER DEPTH**



**YEAR OF DISCOVERY**  
Not yet drilled

#### CONSORTIUM

QGEF – **20%**; Statoil Brasil (operator) – **40%**;  
Petrobras – **40%**

#### TOTAL DISBURSEMENTS

US\$ 2,5 millions

Seismic data acquired in 2014, through surveys conducted by CGG. There is no well drilling forecast in the First Exploratory Period.

### ES-M-598

**SITUATION** **MEDIUM** **WATER DEPTH**



**YEAR OF DISCOVERY**  
Sem perfurações até o momento

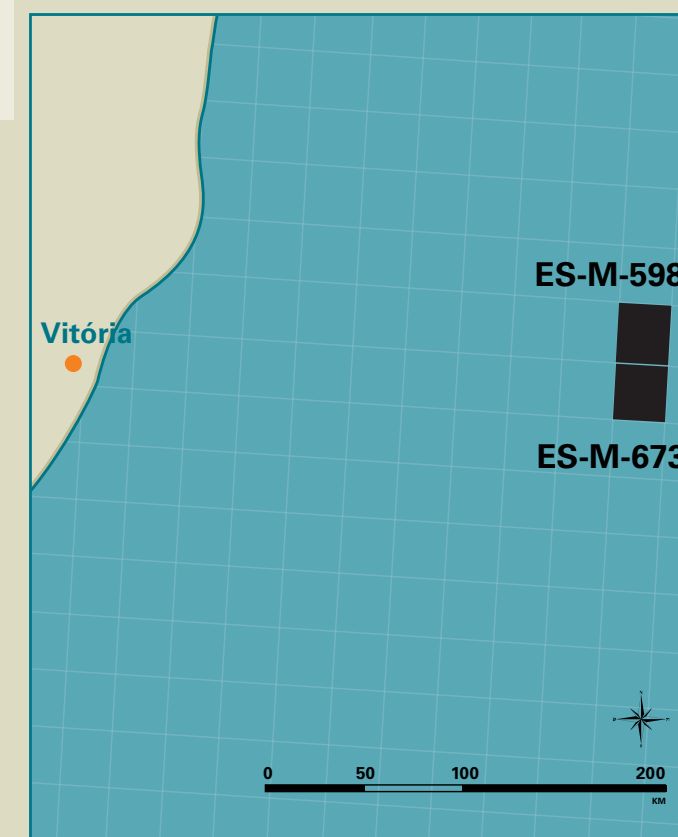
#### CONSORCIO

QGEF – **20%**; Statoil Brasil (operator) – **40%**;  
Petrobras – **40%**

#### TOTAL DISBURSEMENTS

US\$ 2,5 milhões

Acquired 3D seismic data in 2014, through surveys conducted by CGG.







### BLOCK BM-S-8

**SITUATION** **MEDIUM** **WATER DEPTH**



### YEAR OF DISCOVERY

Bem Te Vi (2008), Biguá (2011) and Carcará (2012)

### CONSORTIUM

QGEP – 10%; Petrobras (operator) – 66%;  
Petrogal – 14%; Barra Energia – 10%

### TOTAL DISBURSEMENTS

US\$ 9,1 millions

- The drilling of the first phase of the first extension well at Carcará, to the base of the salt layer, began in September, 2014, using the Laguna Star (NS-44) probe. In early November, drilling to a depth of approximately 5,600 meters was completed. The drilling of the reservoir phase will occur after the second extension well is drilled.
- The second extension well began in January, 2015, using a probe equipped with Managed Pressure Drilling (MPD), with completion scheduled for the third quarter of 2015.
- Formation tests will be conducted in both extension wells. The information collected from both tests will indicate the productivity expected for each well. To date, the production of the first oil at Carcará is scheduled for early 2019.
- The drilling of the Guanxuma prospect is scheduled to begin in late 2015. This prospect is located 30 km southwest of the Carcará discovery, in the pre-salt section of the Campos Basin.

### SANTOS BASIN

#### BLOCK BS-4

SITUATION	MEDIUM	WATER DEPTH
 DEVELOPMENT ATLANTA AND OLIVA EXPLORATION PIAPARA	 OIL	 1,550 m

### YEAR OF DISCOVERY

2001

### CONSORTIUM

QGEP (operator) – 30%; OGX – 40%;  
Barra Energia – 30%

### TOTAL DISBURSEMENTS

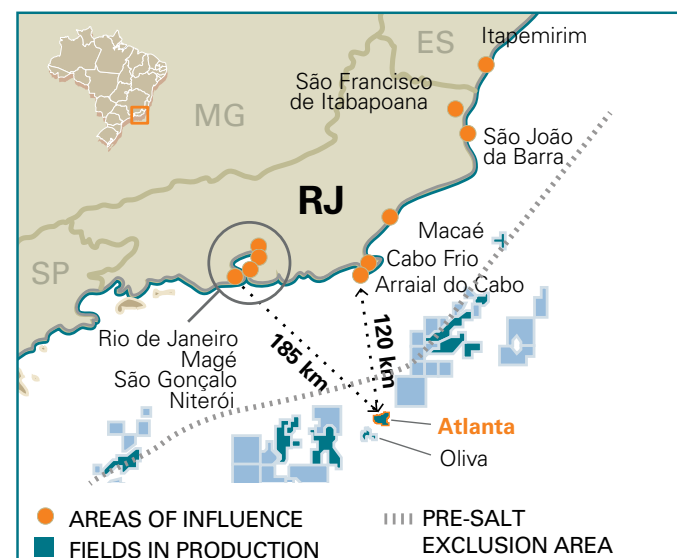
US\$ 87,2 millions

- QGEP announced in late 2014 that it signed a charter contract with Teekay Offshore Partners L.P for FPSO Petrojarl I, to develop the Atlanta Field. The ship is part of the Early Production System (EPS), included in the Development Plan approved by the ANP.
- Successful completion of the drilling program for two horizontal wells at Atlanta, which began in 2013.
- First oil at the Oliva Field is expected for 2021. The feasibility of the asset is directly linked to the operation of the Atlanta Field.
- The Consortium continues to evaluate the best time to drill the Piapara prospects, with goals in the pre-salt. 3D seismic data indicates the prospect's exploratory potential.

# ATLANTA FIELD

## BLOCK BS-4

### LOCATION: SANTOS BASIN



### SITUATION MEDIUM WATER DEPTH



### YEAR OF DISCOVERY

2001

### CONSORTIUM

QGEP (operator) – 30%; OGX – 40%;  
Barra Energia – 30%

### ITOTAL DISBURSEMENTS

US\$ 872 millions

### HIGHLIGHTS

In late 2014, QGEP announced the signature of the charter contract with Teekay of FPSO Petrojarl I, to develop the Atlanta Field. The decision was a milestone in the execution of the Development Plan approved by the ANP, which provides for the start of production at Atlanta through an Early Production System (EPS).

Before initiating its activities, Petrojarl I will spend 14 months at the Damen shipyard (Rotterdam, Netherlands), where it will undergo the necessary adaptations to meet the specific conditions of the Field and to meet Brazilian health, safety, and environmental standards. The FPSO will be capable of storing 180 thousand bbl, and the contract will last five years, with a termination clause after the third year. The start of production is scheduled for the first half of 2016.



PETROJARL I FOR ADAPTATIONS

Another important milestone at Atlanta was the successful completion of the drilling program, tests, and the completion of two horizontal wells. The formation tests indicated that the production capacity is approximately 12 thousand barrels per day in each well. The Atlanta certification report prepared by Gaffney, Cline & Associates (GCA), from March 31, 2014, highlights 1P reserves of 147 million bbl, 2P of 191 million bbl, and 3P of 269 million bbl.

The drilling of two wells represents a decisive step in the consolidation of QGEP as an operator in ultra-deep waters, with emphasis on the high quality of the technical team involved.

### FPSO PETROJARL I

- Chartered from Teekay.
- Operated in various locations in the North Sea.
- Maximum oil production capacity: 30 kbbbl/d.
- Maximum oil storage capacity: 180 kbbbl.
- Maximum water treatment capacity: 9 kbbbl/d.
- Maximum power generation capacity: 26 MW.
- Slots for 3 producing wells with service lines and dedicated umbilical.
- Anchoring System: Single Point Mooring(internal turret)
- Necessary adaptations: naval repair work, modification of the process and utilities plants, which is occurring at the Damen shipyard in Rotterdam, Netherlands.

### ESTIMATED PRODUCTION

In accordance with the Development Plan, estimates are based on 2P reserves. The 3P reserves remain unchanged at 269 million bbl. The production associated with the Definitive System (SD) is based on the premise of hiring a higher capacity FPSO starting in 2019 and drilling additional wells.

Years	EPS Production (kbpd)	SD Production (kbpd)	Total Production (kbpd)
2016	13		13
2017	30		30
2018	30		30
2019	13	21	34
2020		74	74
2021		76	76
2022		60	60
2023		46	46
2024		38	38
2025		33	33
2026		29	29
2027		25	25
2028		23	23
2029		20	20
2030		19	19
2031		18	18
2032		17	17
2033		16	16





## ANNUAL REPORT 2014

### SOCIO-ENVIRONMENTAL PERFORMANCE

HEALTH AND SAFETY

LICENSING

MONITORING

BIODIVERSITY

ENGAGEMENT

## HEALTH AND SAFETY

GRI G4-14 / G4-15 / G4-LA5 / G4-LA6 / G4-LA7 / G4-PR2 / G4-PR9 / G4-EN29 / G4-SO8 / G4-OG13 / G4-SO10

At QGEP, socio-environmental, health, and safety performance are taken into account from the beginning, starting with the decision-making process relating to investment policy all the way through to the execution of its core activity, and passing through the continuous and permanent dialogues with various public relationships. All of these activities adhere to the strictest internationally recognized standards, and exhibit continued improvement with long-term results.



In line with the principles of its Integrated Management System (IMS) Policy, QGEP obtained ISO 14001 (Environmental Management System) and OHSAS 18001 (Health and Safety Management System) certification in 2014, for the management of exploration and production activities. Various areas were involved in the certification process throughout the year, through audits, training, regular meetings, monitoring of generated data, goal setting, and development of critical analysis. In November, ABS conducted its audit and QGEP was certified.

The standards were already being followed through the Integrated Management System (IMS), which also complies with the principles of the ANP's Operational Safety Management System (SGSO).

The purpose of the IMS is to provide and maintain the maximum level of excellence in issues that involve operational safety and the impacts that the activities may have on the environment and communities in the area of influence. A commission composed of the first management level and chaired by QGEP's CEO is responsible for the IMS, with the mission of supervising and managing environmental, operational safety, occupational health, quality, and social responsibility issues at all levels of the Company.

The focal points of the IMS are the representatives of each department and their main mission is to disseminate and monitor the implementation of the IMS procedures in their areas and activities. In addition, QGEP has had, since 2011, an Internal Commission for Accident Prevention (CIPA), whose tasks include identifying and controlling risks, as well as assisting the Specialized Safety Engineering and Occupational Health and Safety Services (SESMT) team, which currently consists of a job safety technician, an occupational safety engineer, and an occupational physician. CIPA, together with SESMT, is also responsible for organizing and conducting the Work Accident Prevention Internal Week (SIPAT), conducted annually by QGEP.

Of the total workforce, 26.92% is represented in formal health and safety committees, consisting of employees from different hierarchical levels, which help monitor and guide health and safety programs at work.

QGEP performs SGSO audits on its platforms to evaluate the management and the integrity of units and other issues related to operational safety. On drilling rigs, well safety inspections are carried out with a detailed assessment of critical equipment and control systems. In addition, from the design stage to operation, risk assessments of the activities and facilities are performed, always seeking to reduce and control the causes that can lead to accidents.

The entire process is conducted by a team of experts from various areas and using validated methodologies, such as HAZID and HAZOP for qualitative risk assessments, and AQR for quantitative risk assessments. In addition, from the design stage to operation, risk assessments of the activities and facilities are performed, constantly seeking to reduce and control the causes that can lead to accidents.

The Company also has a committee for managing incidents based on the Incident Command System (ICS). This structure involves employees from different areas, both operational and support – Health, Safety, and Environment (HSE), Logistics, Communication, Human Resources, Legal, Financial, and others – to provide answers and create action plans for emergencies. In 2015, QGEP aims to implement its Crisis Management Plan, with the main objective of implementing actions to reduce and control the effect of an unusual situation with the potential to negatively affect the stability of the company. Among the stages of implementation, it is worth mentioning the mapping of scenarios, the formation of a crisis support team (BST – Business Support Team), preparation of the Crisis Management Plan, and the execution of trainings and drills.

**The attainment of ISO 14001 and OHSAS 18001 certifications in 2014 demonstrates QGEP's commitment to the quality of environmental management and issues involving health and safety in its activities**

Since 2011, QGEP has maintained the Environmental Risk Prevention Program (PPRA), which aims to monitor and maintain the quality of various items relating to the work environment and office activities. The lack of employees with high incidence or high risk of occupational diseases in 2014 demonstrates the successful application of these standards. There were also no recorded deaths, occupational diseases, or absenteeism, for either men or women. The rate of injuries among men was 5.66, with 14.16 days lost and zero among women. For autonomous workers whose general safety in the workplace is the responsibility of the Company, there were no records of injuries, occupational diseases, and absenteeism.

Through the Medical Control and Occupational Health Program (PCMSO), QGEP conducts occupational and quality of life exams with the aim of promoting the health of its employees and monitoring their health profiles. In 2014, QGEP hired an occupational physician who is at the office part-time, three days per week. In 2015, the Company will change the location of the occupational exams, aiming at better quality and comfort for its employees, and to perform more integrated actions towards improving employee health and welfare.

The Company was penalized by the National Petroleum Agency (ANP) for an alleged administrative violation for drilling well 7-ATL-3H-RJS in the Atlanta Field without the proper approval of the agency's Operational Safety Document. Although the ANP's requirements were fully met during the activities, the administrative defense presented was not accepted and a fine of R\$ 1 million was applied, and paid in its original value. QGEP did not receive any non-monetary sanctions in 2014.

## LICENSING

The structuring of the Early Production System (EPS) of the Atlanta Field, in Block BS-4, proved the high level of qualification of QGEP's staff, which successfully achieved the goal of delivering the project's EIA/RIMA to IBAMA in 2014. Intense information exchanges with environmental authorities were also established, relating to the concessions of BM-J-2, in the Jequitinhonha Basin, and the Blocks acquired in the 11<sup>th</sup> Round.



The preparation of the EIA/RIMA for the EPS of the Atlanta Field, located more than 120 kilometers from the coast, in the ultra-deep waters of the Santos Basin, involved mapping the activity's area of influence. As part of the environmental licensing process, it is scheduled to execute environmental monitoring, pollution control, media projects, and the environmental education of workers.

Among the socio-environmental projects conditional to the operating permit for the drilling in the Atlanta Field, in 2014, QGEP held a workshop on preparing an emergency plan for small cetaceans in case of an oil spill. The workshop was attended by renowned experts in these species from Brazil and all over the world.

Regarding the blocks acquired in the 11th ANP Bidding Round in 2014, QGEP initiated studies for the environmental licensing of exploratory activities in blocks located at the Foz do Amazonas and Pará-Maranhão Basins.

**In 2014 QGEP received the terms of reference for the preparation of environmental studies for the drilling activity in blocks FZA-M-90 and PAMA-M-265/337, in the Foz do Amazonas and Pará-Maranhão Basins, respectively**





## MONITORING

GRI G4-EN24 / G4-EN27 / G4-EN30 / G4-EN32/ G4-EN33 / G4-PR1 / G4-SO10

The ongoing monitoring of HSE indicators are part of QGEP's commitment to monitoring the performance of its activities.

All of QGEP's activities and also those of their suppliers are evaluated based on potential risks to health, safety, and the environment.

Through a survey of this information, the company obtains parameters essential to managing its sustainability indicators. Out of thirteen (13) suppliers of critical services contracted for the drilling activity at Block BS-4, two (2) were audited in 2014 and eleven (11) in 2013. The audits of critical suppliers are conducted by QGEP and are selected based on HSE criteria. All of QGEP's contracts include an HSE Appendix, where the minimum environmental criteria required of suppliers is specified. In addition, QGEP contracts companies that are a reference in the industry to perform such activities.

QGEP signed action plans to agree to improvements towards the reduction of potential and actual impacts relating to health, safety, and environmental pollution, with the two suppliers audited in the year.

In an effort to mitigate the risk posed previously, the company provides, for incidents, specific emergency plans with resources, procedures, and trained personnel. These measures also cover its suppliers.

Last year, no significant incidents were recorded that involved people, the environment, and facilities.

## INVESTMENTS AND EXPENSES WITH ENVIRONMENTAL PROTECTION

GRI G4-EN31 / G4-EN24

Action	Investment (R\$)
Waste treatment and disposal	R\$1,439,327.38
Liability insurance	R\$ 437,798.24
<b>Total</b>	<b>R\$ 5,779,363.64</b>

### Actions to mitigate impacts carried out in 2014

- **Pollution Control Project, through selective collection:** on waste and effluents.
- **Environmental Education for Workers Project:** on the use of water, waste, and emissions.
- **Monitoring and reporting with the annual inventory:** on Greenhouse Gas (GHG) emissions.



### Energy

GRI G4-EN4 / G4-EN6 / G4-EN7 / G4-OG3

QGEP's search for energy efficiency is a constant concern. The reduction in energy consumption achieved in 2014 was 78,518 kilojoule (kJ)/employee, through improvements in conservation and efficiency in offices, especially in lighting systems. The calculation was based on per capita consumption in 2013 and 2014, in the company's offices in Rio de Janeiro and Salvador. QGEP's activities do not cover power generation from renewable sources. QGEP's goal is to develop an energy consumption management policy outside the Company in its upcoming operation activities, scheduled for the end of 2015.

### ENERGY INTENSITY

(GJ per employee)

GRI G4-EN4 / G4-EN5

Inside the Company	8.376923077
Outside the Company*	3854.384615

\* Covers operating activities, most often carried out by third parties, in port, offshore, road, transportation and destination of material waste environments, among others.

### ENERGY CONSUMPTION IN 2014 (IN GJ)\*

GRI G4-EN3

Power consumption	1,089
Consumption per use of purchased fuel	501,070
<b>Total</b>	<b>502,159</b>

\* There was no sale of any form of energy by QGEP in 2014.

To compile this information, the company monitors, on a monthly basis, the consumption of fuel and other sources of energy for its offices and other operations, through a GHG Protocol Brazil model spreadsheet. The sources of the conversion factors used were GHG Protocol spreadsheets, the ANP ([www.anp.gov.br](http://www.anp.gov.br)), and ANEEL ([www.aneel.gov.br](http://www.aneel.gov.br)).

### NON-RENEWABLE SOURCE OF FUEL PURCHASED IN 2015 (EM GJ)\*

GRI G4-EN3 / G4-OG5 / G4-OG14

Source of fuel	Type of fuel	Total consumption
Combustion engine (rig and vessels)	Maritime Diesel	494,416
Combustion engine (ground transportation)	Diesel	2,801
Combustion engine (air transportation)	QAV	3,599
Combustion engine (own fleet)	Regular gasoline	210
Combustion engine (third-party fleet)	Regular gasoline/GN	44
<b>TOTAL</b>		<b>501,070</b>

\* There was no sale of any form of energy by QGEP in 2014.

The company also does not perform any activity related to the production or purchase of biofuels.


**Water, effluents, and waste**

GRI G4-EN8 / G4-EN9 / G4-EN10 / G4-EN25 / G4-EN26

The water used in QGEP's activities comes from the municipal supply system or other supply companies, totaling 12,937 m<sup>3</sup> in 2014. The premise adopted to define the volume reported was the amount consumed in operations that occurred in 2014 in Block BS-4, in drilling activities, formation testing, and completion of wells – as they consume a significant volume of water, with an indicator of use per hours worked, of 0.017 m<sup>3</sup>/h.

The operations did not generate water as a byproduct; therefore, there was no recycling or reuse. With regard to hazardous waste, the total weight transported, treated, and properly disposed of in 2014 was 364,126kg, and there was no movement outside Brazil.

**VOLUME OF WATER DISPOSED IN 2014\***

GRI G4-EN12 / G4-EN22 / G4-EN26

Business unit	Type of water disposal	Planned or not planned?	Volume (m <sup>3</sup> )	Destination	Water quality and treatment method used	Was the water used by another organization?
BS-4 (Atlanta)	Sanitary effluents	Planned	8,636.40	Disposal at sea	Effluent treatment plant (when applicable)	No
BS-4 (Atlanta)	Oily water	Planned	277.86	Disposal at sea	Oil water separator (OWS)	No
Total	8,914.26					

\*The premises adopted by the Company for water disposal are CONAMA Resolution No. 430/2011 (Section III). Analyses are conducted every three months according to CGPEG/DILIC/IBAMA Technical Note No. 01/11. There are no bodies of water and habitats significantly affected by the disposal and draining of water by QGEP.

**WASTE PRODUCTION**

GRI G4-OG7

Total produced	Origin	Method of disposal
274.15	Use of non-aqueous drilling fluid	Disposal at sea adhered to gravel + shipment for treatment and disposal on land (co-processing and industrial effluent treatment plant)
20.013	Use of aqueous drilling fluid	Disposal at sea + shipment for treatment and disposal on land (blending and co-processing and industrial effluent treatment plant)

**WASTE MANAGEMENT - (BS-4)\***

GRI G4-EN23

Waste	Classification (nbr10004/2004)	Method of treatment	Quantitative (kg)
		Treatment station	269.463,00
Oil waste	I	Re-refining	11.690,00
		Co-processing	47,00
Contaminated waste	I	Co-processing	50.537,00
		Processing	3.770,00
Contaminated drum / container	I	Co-processing	3.279,00
Fluorescent light bulbs	I	Decontamination	233,00
Aluminum tin	lib	Recycle	88,00
Non-recyclable waste	lia	Landfill	15.318,00
Uncontaminated rubber	lib	Co-processing	81,00
Chemical products	I	Processing	22.924,00
Batteries	I	Re-processing	1.424,00
Infectious waste	I	Thermal disinfection	40,00
		Incineration	29,00
Printer cartridges	I	Re-processing	112,00
Uncontaminated wood	lib	Reuso	26.441,00
		Processing	1.863,00
Uncontaminated glass	lib	Recycle	1.101,00
Uncontaminated plastic	lib	Recycle	4.849,00
Uncontaminated paper	lib	Recycle	4.379,00
Uncontaminated metal	lib	Recycle	60.295,00
Cookinh oil	lia	Recycle	2.710,00
Cartons	lib	Recycle	1.015,00
Eletroeletronics waste	I	Re-processing	258,00
Aerosol	I	Reconditioning	214,00
Pyrotechnic	I	Detonation	106,00
<b>Total</b>			<b>482.266,00</b>

\*The amount of waste in 2014 is greater than the amount of waste generated, because waste generated during the year 2013 in offshore drilling activity in the BS -4 block remained in temporary storage in BRASCO Niterói by the end of this year and it was allocated in 2014.



## Emissions

GRI G4-EN15 / G4-EN16 / G4-EN17 / G4-EN18 / G4-EN19 / G4-EN20 / G4-EN21 / G4-OG6

QGEF has been improving its Greenhouse Gas (GHG) emission monitoring system in proportion to the expansion of its operations. The activities related to the Atlanta Field, in Block BS-4, were the main factor that determined the behavior of these indexes in 2014. Therefore, the direct emissions of GHGs (Scope 1) increased by 48.8% in relation to 2013.

Indirect emissions (Scope 2), which correspond to the consumption of energy in the Rio de Janeiro and Salvador offices, increased by 64% due to the greater number of employees. However, the per capita consumption decreased by 9.11%, due to improvements in the lighting system, modernization, and the replacement of fluorescent lamps for LED lamps.

Other indirect emissions (Scope 3), related to the air transport of personnel, decreased by 38.1%. The result is due to the concentration of the activities within Block BS-4, located near the coast of Rio de Janeiro, while in 2013 there were activities in other states.

The GHG emissions intensity rate in 2014 was 0.49 tCO<sub>2</sub>e/hour of operation, covering the results of Scopes 1 and 2 and CO<sub>2</sub>, CH<sub>4</sub>, and N<sub>2</sub>O gases. The specific metric (denominator) chosen by the company to calculate this

figure was the number of operating hours of drilling rigs – used in the activities in Block BS-4. The biogenic emissions of Scopes 1 and 3 totaled 2.58 tCO<sub>2</sub>e and 12.61 58 tCO<sub>2</sub>e, respectively.

## Actions for the future

The company evaluates strategies and actions for reducing emissions. As the company has assets in the exploratory and development stages, there is a wide variation in results, due to the alternating periods of operation and non-operation. The possibility is being raised of setting reduction targets for expected future emissions. Targets would be based on the schedule of operations once the Company enters the production development stage, specifically in the Atlanta field.

One of the company's goals for 2015 is the improvement of the methodology for qualifying and quantifying GHGs, in accordance with the guidelines of the Montreal Protocol, to collect and prepare the annual inventory, and to monitor NO<sub>x</sub> and Sox emissions. The same will happen for emissions of persistent organic pollutants (POP), volatile organic compounds (OVC), hazardous air pollutants (HAP), and particulate matter (MP), if applicable to the Company's operations.

## GHG EMISSIONS (IN tCO<sub>2</sub>e) – CO<sub>2</sub>, CH<sub>4</sub>, E N<sub>2</sub>O\*

GRI G4-EN15 / G4-EN16 / G4-EN17

	2014	2013	2012
Scope 1	36,687.1	24,649.66	7.65
Scope 2	41	24.97	7.37
Scope 3	622.8	1,007.07	299.61

\* Methodologies and assumptions made: Petroleum Industry Guidelines for Reporting Greenhouse Gas Emissions (referred to as Petroleum Guidelines), a protocol developed by the IPIECA (The global oil and gas industry association for environmental and social issues) in partnership with the API (The American Petroleum Institute). It is worth noting, however, that the Petroleum Guidelines is a protocol based on the GHG Protocol Corporate Accounting and Reporting Standard (referred to as GHG Protocol).

## ONGOING BURNING OF HYDROCARBONS IN 2015 (IN M<sup>3</sup>)

G4-OG6

Block	Oil	Gas
7-ATL-02HP-RJS	<b>919.58</b>	<b>46,903.12</b>
7-ATL-03H-RJS	<b>519.35</b>	<b>24,562.787</b>

## Community

GRI G4-27 / G4-EN34 / G4-SO2 / G4-SO11 / G4-OG9 / G4-OG10 / G4-HR8 / G4-HR12

QGEF seeks to go beyond compliance with legal requirements, adopting solutions that reduce the effective and potential impacts of its activities as much as possible in the communities located in the areas of influence of its projects.

It also seeks to pay attention to its surroundings. The company maintains and discloses communication channels, by e-mail and phone, with inhabitants and visitors of the areas of influence of its activities.

In 2014, no complaints with regard to environmental issues and Human Rights were made by the communities.

The Atlanta Field's drilling program, in Block BS-4, was the only activity carried out by the company with some potential impact on surrounding communities. Nevertheless, the operations occurred in deep water, at a distance of 185 kilometers off the coast of Rio de Janeiro and 120 kilometers off the coast of Arraial do Cabo. For this reason, the impacts on fishing activities in the region were very minimal.

The only indigenous community in the area of influence of QGEF's projects, Acuípe, in southern Bahia, is included in the Fishing Activity Compensation Plan (PCAP), fulfilling one of the requirements of the Operating Permit of Block BM-J-2, in the Jequitinhonha Basin. One of the PCAP's highlights in 2014 was the delivery of a Saveiro pickup truck and the provision of two vessels to the Acuípe indigenous fishing community. QGEF did not conduct any drilling activities in the region in 2014, and, to date, there is no information on other indigenous communities in the company's future projects. Environmental studies are being prepared to map this potential impact.



## BIODIVERSITY

GRI G4-EN11 / G4-EN13 / G4-EN14 / G4-OG4

All of QGEP's operating activities are accompanied by detailed studies for the conservation of local biodiversity.



The goal of these studies is to mitigate possible impacts to biodiversity in the vicinity of the Company's activities. A good example is the Wildlife Protection Plan, developed to map the priority areas for wildlife within the Atlanta Field's area of influence, and protection strategies for oil spills during drilling. The work was concentrated in coastal areas with a probability above or equal to 30% to be affected by oil in the event of an accident.

QGEP's drilling activities in 2014 focused on the Atlanta Field, a leased area in ultra-deep water, 120 kilometers off the coast of Arraial do Cabo (RJ), in an area not considered protected or of high biodiversity value.

As for Block BM-J-2, located in a leased area in the Jequitinhonha Basin, which is at an advanced stage of the exploratory program, QGEP did no record any operations. The area of influence of BM-J-2 covers the municipalities of Ilhéus, Una, Canavieiras, and Belmonte, in Bahia, in the vicinity of the protected and high-value area for biodiversity.

**204 species were cataloged in the environmental study prepared for the Atlanta Field**

### WILDLIFE PROTECTION PLAN IN BLOCK BS-4

#### Evaluation method:

To evaluate and classify the vulnerability of coastal birds, the probability of an oil spill occurring and reaching the coast was used. This evaluation is of paramount importance, because the habits and occurrence of species is reflected in their vulnerability.

#### Definitions:

For registered wildlife in priority areas, the occurring species were indicated along with their seasonality, life cycle stage, tolerance to human presence, type of human disturbance that affects each species, the number of individuals (when available), the origin of records documented, the condition by IUCN and MMA (2003), and the origin of the animals studied.

#### Management plan:

The plan provides information on the species of wild animals that may potentially be affected during an incident and perfects the direction of responses so that they may be rapid and efficient, minimizing the impact on natural populations.

#### Protected areas:

Conservation units - Serra do Mar State Park, North Coast Environmental Protection Area, Tupinambás Ecological Station (ESEC Tupinambás), and Private Reserve of the Morro do Curussu Mirim Natural Heritage.

#### Habitats:

River mouths, mangroves, tidal flats, nesting sites of seabirds, and cetacean reproduction/concentration areas

#### Endangered species:

**Critically endangered** – *Eretmochelys imbricata* (hawksbill sea turtle) and *Dermochelys coriacea* (leatherback sea turtle).

**Endangered** – *Lepidochelys olivacea* (olive ridley), *Caretta caretta* (loggerhead sea turtle), *Chelonia mydas* (green sea turtle), *Pontoporia blainvillei* (La Plata dolphin), *Eubalaena australis* (southern right whale).

### LOCATION OF ENDANGERED SPECIES INCLUDED IN CONSERVATION LISTINGS\*

GRI G4-EN14

	International Union for Conservation of Nature (IUCN)	Environment Ministry
Critically endangered	5	2
Endangered	8	6
Vulnerable species	9	9
Near endangered species	11	0
Species of little concern	171	0
TOTAL	204	17

\*BS-4 Area of influence



## ENGAGEMENT

GRI G4-26 / G4-SO1 / G4-SO9

As a socially responsible Company, QGEP establishes a close relationship with the communities of the areas of influence of its activities. This relationship is guided by QGEP's commitment to respect human rights, preserve the environment, preserve local culture and its values, investment in educational and social projects, and transparency.

As an operator, QGEP establishes a close relationship with the communities of the areas of influence of its activities, developing direct communication channels, respecting the local culture, the values and knowledge of traditional communities, and contributing to the sustainable development of the region to improve people's quality of life.

QGEP offers programs to engage with the communities of the areas of influence of its activities and projects. The goal is to promote open, continuous dialogue, and contribute to local development initiatives in social, economic, and cultural aspects.



### TRAVELING PORTINARI EXHIBIT – ART AND THE ENVIRONMENT

In 2014, in addition to the municipalities of the BS-4 study area, the project was taken to the municipalities of Ubatuba, Caraguatatuba, São Sebastião, and Ilhabela, on the coast of São Paulo. In September that year, the exhibit gained a prominent space in the Sustainability Arena of the sector's largest fair in Brazil: Rio Oil & Gas. Throughout the year, the project traveled for over 60 days, having covered over 400km and receiving over 60,000 visitors. These actions are connected to QGEP's activities in the Atlanta Field, Santos Basin, and Block BM-J-2, in the Jequitinhonha Basin. The project's four-year travel cycle is now completed.

#### PORTINARI PROJECT

##### 2014

**Cities visited:** Ubatuba (SP), Caraguatatuba (SP), São Sebastião (SP) and Ilhabela (SP)

**Visitors:** 7.522

**Trained teachers:** 519

**Participating schools:** 175

##### 2012

**Cities visited:** Rio de Janeiro (RJ) and Resende (RJ)

**Number of visitors:** 10.177

**Trained teachers:** 89

**Participating schools:** 151

##### 2013

**Cities visited:** Duque de Caxias (RJ), Bom Jesus de Itabapoana (RJ), Maricá (RJ), São Francisco de Itabapoana (RJ), Arraial do Cabo (RJ), Cabo Frio (RJ), Jardim Botânico (RJ) and Recife (PE)

**Number of visitors:** around 65 thousand

**Trained teachers:** 234

**Participating schools:** 139

##### 2011

**Cities visited:** Ilhéus (BA), Canavieiras (BA), Una (BA) and Belmonte (BA)

**Number of visitors:** 6.045

**Trained teachers:** 164

**Participating schools:** 72

**Viva Vôlei sponsor for four years, QGEP maintained its activities in two core regions in Bahia. In 2014, 200 children between the ages of 7 and 14 were serviced in the Canavieiras and Campinhos cores. The projects participants have weekly lessons and receive socio-pedagogical monitoring**

#### Viva Vôlei Project

This project aims to use sports to encourage social interactions among children between the ages of 7 and 14. Viva Vôlei, sponsored by QGEO, has had the backing of Unesco since 2003 and the approval of the National Council for the Rights of Children and Adolescents (Conanda) to raise funds through the National Fund for Children and Adolescents (FNCA).



## ANNUAL REPORT **2014**

### **ECONOMIC-FINANCIAL PERFORMANCE**

ECONOMIC AND SECTOR CONTEXT  
MAIN RESULTS  
CAPITAL MARKETS

## **ECONOMIC AND SECTOR CONTEXT**

The 2014 economic year was challenging for the oil and gas sector in Brazil and the world. The Brazilian economy has shown slight improvements in its main indexes. The Brazilian GDP grew by only 0.1% in 2014, totaling R\$ 5.52 billion, with the lowest performance since 2009. The inflation rate was 6.4% (IPCA) at the end of the year, compared to 5.9% at the end of 2013. The Central Bank increased the basic SELIC interest rate to 11.75% in November, higher than the 10% rate at the end of 2013. The average unemployment rate in the year was 4.8%.

In the oil and gas sector, companies have had to face difficulties arising from the international situation reflected in the 46% drop in the price of the oil in 2014. For QGEP, this has adverse panorama had little influence on their results, as the company's revenue is linked to the production of natural gas in the Manati Field.

In the specific case of Brazil, the institutional crisis now facing the sector is an additional challenge, leading to developments in the investment plans of the largest oil company in the country. To date, QGEP does not expect the situation to directly affect their portfolio or exploration program for 2015.

**The adverse scenario had little influence in QGEP's results, as the company's revenues are currently tied to the production of natural gas**



## MAIN RESULTS

GRI G4-EC4 / G4-EC8/ G4-6 / G4-8 / G4-13

Production at Manati Field, in Bahia, was responsible for 30% of the natural gas consumed in the Northeast, or 7% of total national production. These numbers demonstrate the importance of QGEP's activities for the region's economy, enabling the sustainability of business activities, and the creation of jobs and wealth.



Although the volume of gas has remained stable, with a daily average of 5.9 million m<sup>3</sup>, the net revenue of 2014 reached R\$ 503.2 million, an increase of 3.5% over 2013, due to the readjustment of the gas price. Similar to what was observed in the previous year, the result is influenced by water shortages and a strong demand for thermoelectric plants.

Cash flow from Manati is QGEP's main source of funding for medium and long-term development and exploration projects. With projects located exclusively in Brazil, the Company reached a daily production of 17,000 barrels of oil equivalent (boe) in 2014, which places it in a prominent position in the industry.

Operating costs totaled R\$ 235.4 million in 2014, with a growth of 12.1% over the previous year, mainly caused by the ongoing increase in depreciation costs after the abandonment provision review for Manati Field. Also contributing to this performance were the increased maintenance costs recorded in 2014, when repairs on subsea hydraulic lines and the inspection of all subsea controls and ducts, which came to a total of R\$13.6 million.

In 2014, QGEP made use of an amount equivalent to R\$ 70.7 million in financial assistance from the government, R\$ 37.7 million of which were for benefits and fiscal credit relating to the Exploration Profit benefit, as the company is located in an area covered by Sudene, allowing for a reduction of 75% of income tax. The company also made use of R\$ 33 million as grants for investments, research, and development of other relevant types of concessions, referring to the Presumed ICMS Credit in the State of Bahia and the benefit of

the Lei do Bem law, whose aspects are related to the technological innovations of the Atlanta Field project. The company has not received subsidies, prizes, or royalty holidays financial assistance from Export Credit Agencies (ECA), financial incentives and/or other financial benefits received or receivable from any government, for any operation.

At the end of 2014, the Company recorded a cash balance of R\$1.1 billion, a 12% increase from the previous year-end position. On December 31, 2014, QGEP held 25% of its cash invested in foreign exchange funds, and the remainder in reais, to support part of the costs of development activities denominated in dollars.

The cumulative average return of cash in reais on December 31, 2014 was 102.3% of the CDI, and approximately 80% of the funds invested count as daily liquidity. The total debt at the end of 2014 was approximately R\$250.9 million, up from R\$167.9 million recorded at the end of 2013.

The debt relates to a resource taken from funding obtained at the Financier of Studies and Projects (Finep) to support the development of the Atlanta Field's EPS. The financing consists of two credit lines, one pegged at a fixed rate and the other, a floating rate. Both have a grace period of three years and payment period of seven years, with an initial credit line of \$266 million.

In September, 2014, QGEP signed a financing agreement of R\$232 million with Banco do Nordeste do Brasil bank, for the exploration of the Company's Blocks in the northeast. In the beginning of March 2015, QGEP accessed this credit line's first reimbursement, associated with block BM-J-2, in the amount of R\$117.8 Million.

With the prospect of carrying out import and export operations relating to Atlanta activities, QGEP created the subsidiaries QGEP Netherlands B.V., Atlanta Field B.V., and QGEP International GmbH.



### QQGP IN VALOR 1000

The success of QGEP's performance in 2014 was evidenced by the Valor 1000 survey, conducted by the Valor Econômico newspaper, in which the Company ranked second place in a list of the top ten companies in the oil and gas sector.

Of the criteria used to calculate ranking, QGEP's placement was highlighted by the results of the Ebitda Margin, Sustainable Growth, Activity Margin, and Current Ratio:

**2° place** Ebitda Margin.

**2° place** Sustainable Growth.

**3° place** Activity Margin.

**8° place** Current Ratio.

## 2014

- **30%** of the gas produced in the Northeast is extracted from Manati.
- **R\$1,1** cash balance, up **12%** over 2013.
- **R\$ 503,2 milhões** in net revenue, an increase of **3,5%** over 2013.



## STATEMENT OF ADDED VALUE

GRI G4-EC1

STATEMENT OF ADDED VALUE (DVA – R\$ THOUSAND)	2014	2013	2012	2011
<b>Income</b>	<b>851,408</b>	<b>994,197</b>	<b>691,534</b>	<b>898,777</b>
Gas sales	634,285	612,804	586,053	370,020
Other income	1,508	581	779	383
Income relating to the construction of owned assets	215,615	380,812	104,702	221,084
Acquisition of an exploratory concession	-	-	-	305,290
<b>Inputs acquired from third parties (include tax amounts)</b>	<b>397,262</b>	<b>544,120</b>	<b>365,257</b>	<b>669,472</b>
Cost of products, goods, and services sold	186,728	147,331	228,475	100,991
Materials, energy, third party services and other	192,927	379,661	120,597	561,300
Other	17,607	17,128	16,186	7,181
<b>Gross added value</b>	<b>454,146</b>	<b>450,077</b>	<b>326,277</b>	<b>229,305</b>
<b>Depreciation, amortization, and depletion</b>	<b>117,613</b>	<b>97,286</b>	<b>82,919</b>	<b>53,606</b>
<b>Added value liquid produced (used) by the entity</b>	<b>336,533</b>	<b>352,791</b>	<b>243,358</b>	<b>175,699</b>
<b>Added value received in transfer</b>	<b>119,423</b>	<b>84,146</b>	<b>110,721</b>	<b>153,276</b>
Equity income and dividends	(185)	(440)	-	-
Financial income	119,608	84,586	84,135	153,276
Other	-	-	26,586	-
<b>Total added value to distribute</b>	<b>455,956</b>	<b>436,937</b>	<b>354,079</b>	<b>328,975</b>
<b>Distributed added value</b>	<b>455,956</b>	<b>436,937</b>	<b>354,079</b>	<b>328,975</b>
Personnel	60,973	57,462	41,377	33,478
Direct payment	53,530	51,820	39,253	32,668
Benefits	5,282	3,792	1,258	540
FGTS	2,161	1,850	866	270
Taxes, fees, and contributions	190,706	161,324	200,467	131,290
Federal	83,545	57,934	99,654	64,441
State	57,000	54,539	55,134	42,109
Municipal	85	83	30	29
ANP (bonus + royalties)	50,076	48,768	45,649	24,711
Third-party capital payment	38,221	25,909	29,767	72,070
Interest	167	364	3,356	20,421
Rent	3,650	3,224	1,074	578
Banking fees	852	1,431	447	2,570
Monetary/exchange variation	33,552	20,890	24,890	48,501
Equity compensation	166,056	192,242	82,468	92,137
Profit for the period	166,056	192,242	82,468	92,137



## CAPITAL MARKETS

At the end of 2014, the Company had the coverage of 17 investment analysts, representing banks and domestic and foreign brokerages. It is worth noting that 14 recommended “purchase” and three recommended “maintenance” of QGEP’s shares, based on the evaluation of the Company and its principles.

The economic situation in Brazil, of the oil sector, and the devaluation of the real influenced the share price of QGEP shares (Ticker QGEP3) in 2014, which showed a decline of 26% compared to the end of 2013, quoted at R\$ 7.20. The market value totaled R\$1.9 billion at the end of the year, with an average trading of R\$5.7 million.

The highest target price for the Company’s shares was R\$19.20, and the lowest, R\$9.90, with an average target price of R\$14.90 per share, which represents an upside potential of 107% in relation to the QGEP share closing price at the end of 2014.

### Dividends

As part of the commitment to generate long-term value for investors, QGEP’s Board of Directors approved in 2015 the adoption of a dividends policy, establishing a payment proposal above the minimum mandatory dividend established in the Bylaws.

The resolution, to be valid from 2015, includes a proposal to distribute the results annually to be submitted by the Board of Directors at the Annual General Meeting, covering the payment of a dividend in the amount of R\$ 0.15 per share. This amount includes the minimum mandatory dividend.

The payment of the supplementary dividend is subject to the existence of earnings or profit reserves. In addition, the proposed allocation of the Company’s net income is subject, in each case, to approval at the Annual General Meeting, and may be revised at any time, by the Board of Directors, based on the plans and needs of the Company.



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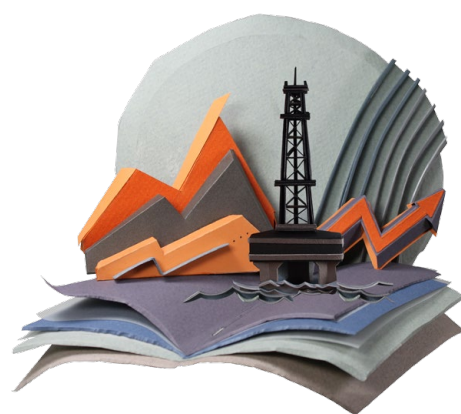
**ABOUT THE REPORT**

TRANSPARENT RELATIONSHIP  
MATERIALITY

## TRANSPARENT RELATIONSHIP

GRI G4-22 / G4-23 / G4-28 / G4-29 / G4-30 / G4-31 / G4-32 / G4-33

Through a combination of expertise, responsibility, and transparency QGEP discloses its main achievements in 2014



International public opinion demands from the oil industry a significant responsibility which has been adopted by QGEP as part of its business culture. Aware of the risks inherent to its main activity, the Company focused on the security of and access to information in a transparent manner for all of those interested in its development and presents, through this fourth edition of the Annual Sustainability Report, data on their activities that are intended for their various public relationships. The information reported herein refers to 2014, and follows the same model of periodicity for the 2013 edition, and previous editions.

The economic-financial performance, for example, is presented taking into account its consequences in the social and environmental dimensions to make the understanding clearer. A glossary of the main specific terms of the oil and gas industry was also included in [www.qgep.com.br/ras2014](http://www.qgep.com.br/ras2014), to help non-specialist or unfamiliar readers with the subject.

The significant variations between the years are mostly due to the expansion of activities, due to the continuation and completion of the drilling program at the Atlanta Field (coast of Rio de Janeiro) and the construction of the compressor station at Manati Field (coast of Bahia).

More than presenting performance measurement data, QGEP expects this report to demonstrate how active the Company is and how it became one of the leading Brazilian players in the production and extraction of oil through investments in best practices, best equipment, and highly qualified teams.

This document follows the G4 guidelines of the Global Reporting Initiative (GRI), meeting the comprehensive "agree" option, to ensure the accuracy of the information presented herein. There is also new information, such as the inclusion of the most recent version of GRI sectorial indicators.

Questions and comments about this report must be forwarded to the e-mail address [qgep@qgep.com.br](mailto:qgep@qgep.com.br).

### To read and understand

The Financial Statements report, published on the QGEP website, covers the entire Company, while the socio-environmental information refers only to blocks in which QGEP is the operator. The exceptions to this scope are indicated throughout the text.

This information follows International Financial Results Standard (IFRS) and was audited by Deloitte Touche Tohmatsu. The hydrocarbon reserves are certified annually and, for the fiscal year of 2014, the independent consultancy Gaffney, Cline & Associates was contracted. The Integrated Management

System is periodically audited by ABS and Catalina Consultores.

QGEP has been a signatory of the Global Pact since 2011, and the shares in the scope of this commitment are presented in this document. The correlation between the GRI indicators and the principles of the Global Pact are presented in the remissive index. Throughout the document, the acronym QGEP is used to refer to "QGEP Participações S.A. and all of its subsidiaries, direct and indirect.



The GRI Materiality Disclosures Service verified that the General Standard Disclosures G4-17 to G4-27 were correctly located in both the GRI Content Index and in the text of the final report.

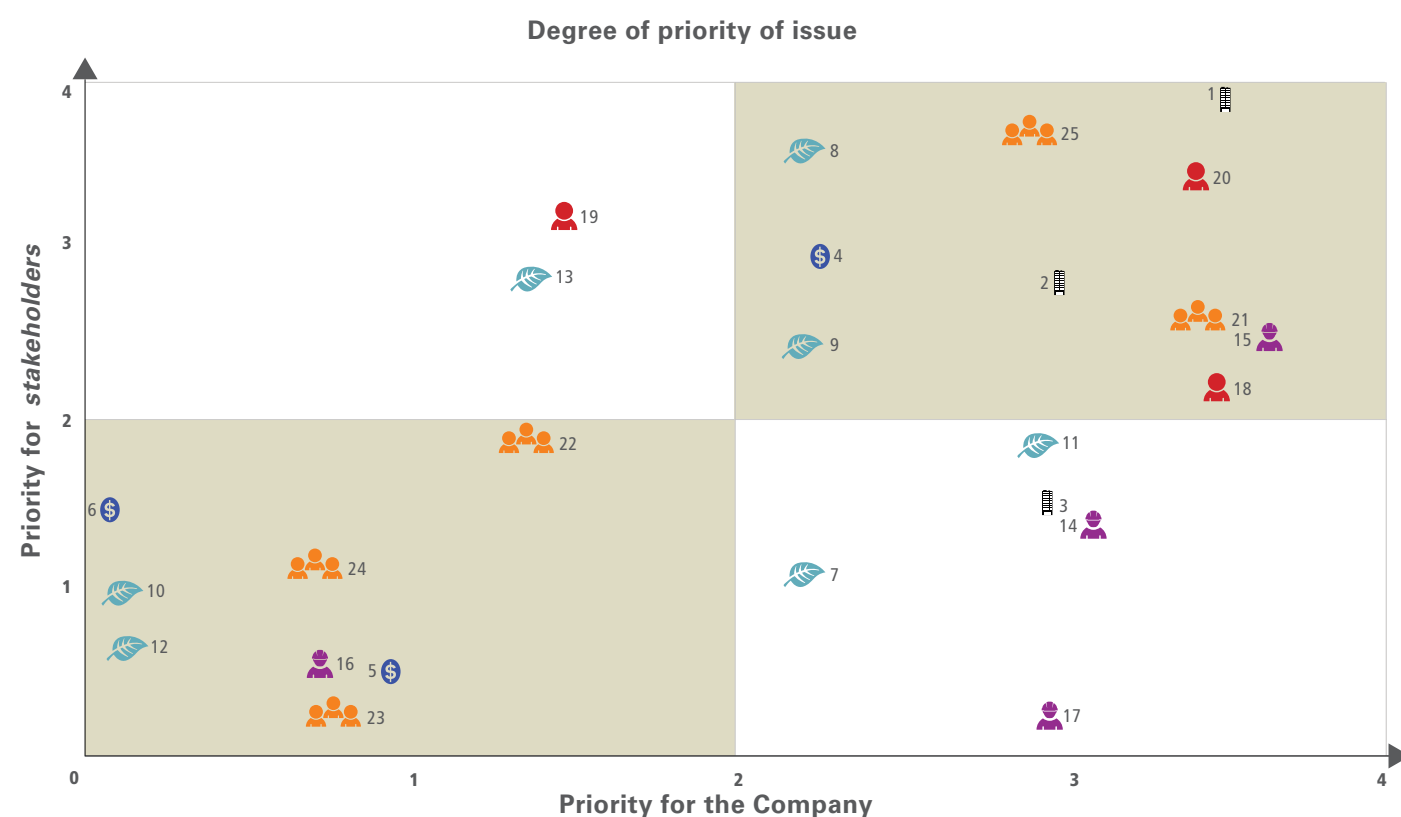


## MATERIALITY

GRI G4-18 / G4-19 / G4-20 / G4-21 / G4-24 / G4-25 / G4-26/ G4-27 / G4-48 / G4-HR11

For this report, QGEP conducted a review of the relevant aspect ratio indicated in the materiality matrix constructed for the 2013 cycle. The goal of this work was to better meet the expectations generated by the situation of the Brazilian oil and gas industry throughout 2014. The Company chose not to involve external stakeholders for this review, understanding that there were no changes to the business environment that required a new consultation.

It is worth emphasizing that all aspects considered material in the 2013 cycle were maintained, when the engagement to consult representatives from the local community (16), civil society (5), suppliers (23), the academy (6), shareholders (3), press (5), analysts and investors (5), regulatory agencies (1), employees (22), and partners (14) occurred. The application of the test occurred in two live events in Rio de Janeiro and in Bahia, and through an online questionnaire.



CORPORATE GOVERNANCE DIMENSION	
1	Accountability and transparency
2	Risk management
3	Sustainability in the Board of Directors
ECONOMIC DIMENSION	
4	Economic-financial performance
5	Market presence
6	Local development
ENVIRONMENTAL DIMENSION	
7	Emissions and climate change
8	Waste and effluents
9	Water
10	Energy
11	Biodiversity
12	Materials
13	Compliance

LABOR AND DECENT WORK PRACTICES DIMENSION	
14	Employees
15	Health and Safety
16	Suppliers and labor practices
17	Career management and training
HUMAN RIGHTS DIMENSION	
18	Human rights practices
19	Rights of indigenous peoples and local communities
20	Child labor and slave labor
SOCIETY DIMENSION	
21	Impacts of input, operation, and output near communities
22	Corruption and unfair competition
23	Public policies
24	Compliance
25	Health and safety of clients in using the products

The matrix is divided into four quadrants: the upper right brings together very high relevance issues (priority for the public and senior management); in the white quadrants are high relevance issues (for the public, in the upper left corner, and for the Company, in the lower right corner); in the lower left quadrant are low relevance issues.

During consultations, various topics and concerns were raised – such as concern for the rights of local communities, the appreciation of diversity, relationships with government agencies, etc. These issues will be inputs for the improvement of the methodology for the next consultations.

Taking into account the guidelines of GRI version G4 and the level of maturity of the reporting process, QGEP opted to prepare its report focusing on material issues identified by the test, including those of high and very high relevance, since at the high level quadrants there were issues connected to the Company's strategy and considered relevant for accountability.

Ten issues were considered of very high relevance:

- **Issue 1** – Accountability and transparency
- **Issue 2** – Risk Management
- **Issue 4** – Economic-financial performance
- **Issue 8** – Waste and effluents
- **Issue 9** – Water
- **Issue 15** – Health and safety
- **Issue 18** – Human rights practices
- **Issue 20** – Child labor and slave labor
- **Issue 21** – Impacts of input, operation, and output near communities
- **Issue 25** – Health and safety of clients in using the products

Five issues were classified as of high relevance to QGEP:

- **Issue 3** – Sustainability in the Board of Directors
- **Issue 7** – Emissions and climate change
- **Issue 11** – Biodiversity
- **Issue 14** – Employees
- **Issue 17** – Career management and training

Two issues were considered of high relevance to the relationship publics:

- **Issue 13** – Compliance
- **Issue 19** – Rights of indigenous peoples and local communities

All material impacts and aspects occur inside and outside the Company. Aspects 18 (Human rights practices) and 20 (Child labor and slave labor), although material, are non-recurring issues because the oil and gas sector is extremely regulated. Aspect 25 (Health and safety of clients in using the products), although material, does not bring results due to the fact that QGEP still has not reached the production stages in the Blocks in which it operates.

The review conducted for the 2014 cycle consisted of over 12 items in the list of aspects considered material by QGEP's senior management, based on the criteria of importance, impact, and risks to the Company's business, under the guidance of a consultancy specialized in GRI indicators. Four of these twelve aspects are part of the GRI Sector Supplement for the Oil and Gas Industry (SSOG), reported for the first time in a QGEP report.

## ASPECTS INCLUDED IN 2014

- 1. Market presence**
- 2. Indirect economic impacts**
- 3. Energy**
- 4. Products and services**
- 5. Combating corruption**
- 6. Unfair competition**
- 7. Mechanisms for complaints and grievances related to impacts on society**
- 8. Compliance**
- 9. Reservations\***
- 10. State and emergency preparedness\***
- 11. Integrity of assets and security of processes\***
- 12. Fossil fuel replacements\***

\* Aspects relating to the GRI Sector Supplement for the Oil and Gas Industry

## GRI:

**Economic Category:** market presence, indirect economic impact.

**Environmental Category:** energy, products, and services.

**Social-Society Category:** combating corruption, unfair competition, mechanisms for complaints and grievances related to impacts on society.

**Social-Product Responsibility Category:** compliance.

## SSOG:

**Economic Category:** Reserves

**Social-Society Category:** state and emergency preparedness, integrity of assets, and security of processes.

**Social-Product Responsibility Category:** fossil fuel replacements.

# ANNUAL REPORT 2014

## CONTENT INDEX

INDICATORS GRI G4



## INDICATORS GRI G4

	Detailed Description	Pages	Global Pact	External Verification
<b>STRATEGY &amp; ANALYSIS</b>				
G4-1	Provide a statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability.	4, 6		No
G4-2	The organization should provide two concise narrative sections on key impacts, risks, and opportunities. Section One should focus on the organization's key impacts on sustainability and effects on stakeholders, including rights as defined by national laws and relevant internationally recognized standards. This should take into account the range of reasonable expectations and interests of the organization's stakeholders. Section Two should focus on the impact of sustainability trends, risks, and opportunities on the long-term prospects and financial performance of the organization. This should concentrate specifically on information relevant to financial stakeholders or that could become so in the future.	4, 6, 34		No
<b>ORGANIZATIONAL PROFILE</b>				
G4-3	Name of the organization.	9		No
G4-4	Primary brands, products and services.	36, 40		No
G4-5	Location of the organization's headquarters.	150		No
G4-6	Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	66		No
G4-7	Nature of ownership and legal form.	9		No
G4-8	Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	66		No
G4-9	Scale of the organization.	9		No
G4-10	Total number of employees by employment contract and gender.	26	6	No
G4-11	Percentage of total employees covered by collective bargaining agreements.	30	3	No
G4-12	Describe the organization's supply chain.	26		No
G4-13	Significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain.	21, 24, 36, 66		No
G4-14	Whether and how the precautionary approach or principle is addressed by the organization.	34, 51		No

	Detailed Description	Pages	Global Pact	External Verification
G4-15	List externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	33, 51		No
G4-16	List memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization:  - Holds a position on the governance body - Participates in projects or committees - Provides substantive funding beyond routine membership dues - Views membership as strategic	36		No
<b>IDENTIFIED MATERIAL ASPECTS &amp; BOUNDARIES</b>				
G4-17	List all entities included in the organization's consolidated financial statements or equivalent documents.	QGOG, offshore companies e partners		No
G4-18	Explain the process for defining the report content and the Aspect Boundaries.	74		No
G4-19	List all the material Aspects identified in the process for defining report content.	74		No
G4-20	For each material Aspect, report the Aspect Boundary within the organization.	74		No
G4-21	For each material Aspect, report the Aspect Boundary outside the organization, as follows:  - Whether the Aspect is material outside of the organization.  - If the Aspect is material outside of the organization, identify the entities, groups of entities, or elements for which the Aspect is material. In addition, describe the geographical location where the Aspect is material for the entities identified.  - Limitations regarding the Aspect Boundary outside the organization.	74		No
G4-22	Effect of any restatements of information provided in previous reports, and the reasons for such restatements.	72		No
G4-23	Significant changes from previous reporting periods in the Scope and Aspect Boundaries.	72		No

	Detailed Description	Pages	Global Pact	External Verification
<b>STAKEHOLDER ENGAGEMENT</b>				
G4-24	List of stakeholder groups engaged by the organization.	74		No
G4-25	Basis for identification and selection of stakeholders with whom to engage.	74		No
G4-26	Organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	62, 74		No
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns.	74		No
G4-27 Oil and Gas Sector Disclosures	Include perspectives and views of indigenous people in specified countries, assessment of the significant issues raised by them, and the effectiveness of any actions taken by the company to address the issues.	59, 74		No
<b>REPORT PROFILE</b>				
G4-28	Reporting period (such as fiscal or calendar year) for information provided.	72		No
G4-29	Date of most recent previous report (if any).	72		No
G4-30	Reporting cycle (such as annual, biennial).	72		No
G4-31	Contact point for questions regarding the report or its contents.	72		No
G4-32	Report the 'in accordance' option the organization has chosen.	72		No
G4-33	Report the organization's policy and current practice with regard to seeking external assurance for the report.	72		No
<b>GOVERNANCE</b>				
G4-34	Governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental, and social impacts.	15, 19, 21, 22		No
G4-35	Process for delegating authority for economic, environmental, and social topics from the highest governance body to senior executives and other employees.	22, 24		No
G4-36	Whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental, and social topics, and whether post holders report directly to the highest governance body.	22, 24		No

	Detailed Description	Pages	Global Pact	External Verification
G4-37	Processes for consultation between stakeholders and the highest governance body on economic, environmental, and social topics. If consultation is delegated, describe to whom and any feedback processes to the highest governance body.	19		No
G4-38	Report the composition of the highest governance body and its committees.	19		No
G4-39	Whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organization's management and the reasons for this arrangement).	19		No
G4-40	Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members.	19		No
G4-41	Report processes for the highest governance body to ensure conflicts of interest are avoided and managed. Report whether conflicts of interest are disclosed to stakeholders.	19		No
G4-42	Highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental, and social impacts.	19, 24		No
G4-43	Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental, and social topics.	19, 24		No
G4-44	Report the processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics. Report whether such evaluation is independent or not, and its frequency. Report whether such evaluation is a self-assessment.	19		No
G4-45	Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. Include the highest governance body's role in the implementation of due diligence processes.	19		No
G4-46	Highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental, and social topics.	19		No
G4-47	Frequency of the highest governance body's review of economic, environmental, and social impacts, risks, and opportunities.	19		No
G4-48	Highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered.	74		No



	Detailed Description	Pages	Global Pact	External Verification
G4-49	Process for communicating critical concerns to the highest governance body.	19		No
G4-50	Nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them.	19		No
G4-51	a. Report the remuneration policies for the highest governance body and senior executives for the below types of remuneration: - Fixed pay and variable pay: – Performance-based pay – Equity-based pay – Bonuses – Deferred or vested shares - Sign-on bonuses or recruitment incentive payments - Termination payments - Clawbacks - Retirement benefits, including the difference between benefit schemes and contribution rates for the highest governance body, senior executives, and all other employees b. How performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental, and social objectives.	30		No
G4-52	Process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organization.	30		No
G4-53	How stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable.	30		No
G4-54	Ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country.	30		No
G4-55	Ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country.	30		No

	Detailed Description	Pages	Global Pact	External Verification
<b>ETHICS &amp; INTEGRITY</b>				
G4-56	Organization's values, principles, standards, and norms of behavior such as codes of conduct and codes of ethics.	12, 15	10	No
G4-57	Internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines.	15	10	No
G4-58	Internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.	15	10	No

Detailed Description		Pages	Global Pact	External Verification
<b>ECONOMIC</b>				
EC1	Direct economic value generated and distributed.	69	7	No
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	34		No
EC3	Coverage of the organization's defined benefit plan obligations.	30		No
EC4	Financial assistance received from government.	66		No
EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	30	6	No
EC6	Proportion of senior management hired from the local community at significant locations of operation.	19	6	No
EC7	Development and impact of infrastructure investments and services supported.	36		No
EC8	Significant indirect economic impacts, including the extent of impacts.	66		No
<b>SOCIAL</b>				
SUB-CATEGORY: ENVIRONMENTAL				
EN3	Energy consumption within the organization.	55	7, 8	No
EN4	Energy consumption outside of the organization.	55	8	No
EN5	Energy intensity.	55	8	No
EN6	Reduction of energy consumption.	55	8 and 9	No
EN7	Reductions in energy requirements of products and services.	55	8 and 9	No
EN8	Total water withdrawal by source.	56	7 and 8	No
EN9	Water sources significantly affected by withdrawal of water.	56	8	No
EN10	Percentage and total volume of water recycled and reused.	56	8	No
EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	60	8	No
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	56	8	No
EN13	Habitats protected or restored.	60	7 and 8	No
EN14	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	60, 61	7 and 8	No
EN15	Direct greenhouse gas (GHG) emissions (Scope 1).	58	7 and 8	No
EN16	Energy indirect greenhouse gas (GHG) emissions (Scope 2).	58	8	No

Detailed Description		Pages	Global Pact	External Verification
EN17	Other indirect greenhouse gas (GHG) emissions (Scope 3).	58	8 and 9	No
EN18	Greenhouse gas (GHG) emissions intensity.	58	7 and 8	No
EN19	Reduction of greenhouse gas (GHG) emissions.	58	7 and 8	No
EN20	Emissions of ozone-depleting substances (ODS).	58	7 and 8	No
EN21	NO <sub>x</sub> , SO <sub>x</sub> , and other significant air emissions.	58	7 and 8	No
EN22	Total water discharge by quality and destination.	56	8	No
EN23	Total weight of waste by type and disposal method.	57	8	No
EN24	Total number and volume of significant spills.	54	8	No
EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention <sup>2</sup> Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	56	8	No
EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff.	56	8	No
EN27	Extent of impact mitigation of environmental impacts of products and services.	54	7, 8 and 9	No
EN28	Percentage of products sold and their packaging materials that are reclaimed by category.	36	8	No
EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	51	8	No
EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce.	54	8	No
EN31	Total environmental protection expenditures and investments by type.	54	7, 8 and 9	No
EN32	Percentage of new suppliers that were screened using environmental criteria.	54	8	No
EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken.	54	8	
EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms.	59	8	No



Detailed Description		Pages	Global Pact	External Verification
<b>SOCIAL</b>				
SUB-CATEGORY: LABOR PRACTICES & DECENT WORK				
LA1	Total number and rates of new employee hires and employee turnover by age group, gender, and region.	29, 30	6	No
LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation.	30		No
LA3	Return to work and retention rates after parental leave, by gender.	30	6	No
LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements.	26	3	No
LA5	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	51		No
LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of workrelated fatalities, by region and by gender.	51		No
LA7	Workers with high incidence or high risk of diseases related to their occupation.	51		No
LA8	Health and safety topics covered in formal agreements with trade unions.	26		No
LA9	Average hours of training per year per employee by gender, and by employee category.	32	6	No
LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	32		No
LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category.	30	6	No
LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	26, 27, 28 and 29	6	No
LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	32	6	No
LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken.	26		No
LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms.	26		No

Detailed Description		Pages	Global Pact	External Verification
<b>SOCIAL</b>				
SUB-CATEGORY: HUMAN RIGHTS				
HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening.	33	2	No
HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	33	1	
HR3	Total number of incidents of discrimination and corrective actions taken.	26	6	No
HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights.	26	3	No
HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	33	5	No
HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	33	4	No
HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken.	59	1	No
HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments.	33	1	No
HR10	Percentage of new suppliers that were screened using human rights criteria.	33	2	No
HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken.	74	2	No
HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms.	59	1	No
<b>SOCIAL</b>				
SUB-CATEGORY: SOCIETY				
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	62	1	No
SO2	Operations with significant actual or potential negative impacts on local communities.	59	1	No

	Detailed Description	Pages	Global Pact	External Verification
SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified.	15	10	No
SO4	Communication and training on anti-corruption policies and procedures.	15	10	No
SO5	Confirmed incidents of corruption and actions taken.	15	10	No
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	15		No
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	51		No
SO9	Percentage of new suppliers that were screened using criteria for impacts on society.	62		No
SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken.	33, 51, 54		No
SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms.	59		No

## SOCIAL

### SUB-CATEGORY: PRODUCT RESPONSIBILITY

PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement.	54		No
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes.	51		No
PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements.	36		No
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	36		No
PR5	Results of surveys measuring customer satisfaction.	36		No
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	51		No

	Detailed Description	Pages	Global Pact	External Verification
<b>SECTOR DISCLOSURES</b>				
OG1	Volume and type of estimated proved reserves and production.	38		No
OG2	Total amount invested in renewable energy.	36		No
OG3	Total amount of renewable energy generated by source.	55		No
OG4	Number and percentage of significant operating sites in which biodiversity risk has been assessed and monitored.	60		No
OG5	Volume and disposal of formation or produced water.	55		No
OG6	Volume of flared and vented hydrocarbon.	58		No
OG7	Amount of drilling waste (drill mud and cuttings) and strategies for treatment and disposal.	56		No
OG8	Benzene, lead and sulfur content in fuels.	36		No
OG9	Operations where indigenous communities are present or affected by activities and where specific engagement strategies are in place.	59		No
OG10	Number and description of significant disputes with local communities and indigenous peoples.	59		No
OG11	Number of sites that have been decommissioned and sites that are in the process of being decommissioned.	59		No
OG13	Number of process safety events, by business activity.	51		No
OG14	Volume of biofuels produced and purchased meeting sustainability criteria.	55		No



## CONTACT US

G4-5

To Queiroz Galvão Exploração e Produção S.A. the opinion of our stakeholders is very important in helping us continue to improve our communication channels. Our site has an area for submitting reviews and suggestions.

If you wish to participate, visit the link at: <http://www.qgep.com.br/ras2014>

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