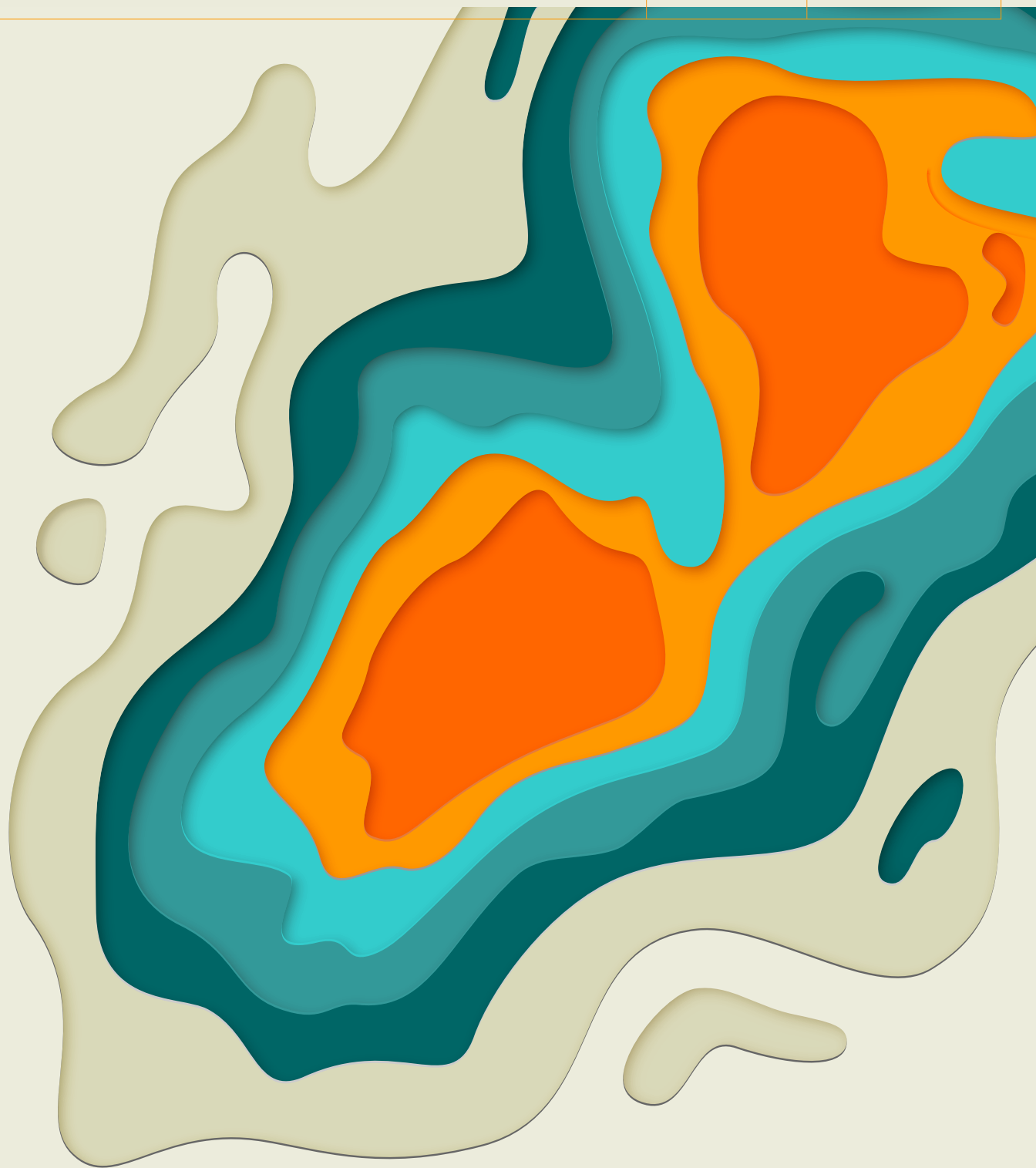


ANNUAL
SUSTAINABILITY
REPORT

2017



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About this report

Publication of this report is a reflection of our commitment to transparency. Drafted based on GRI Standards, through it, we show our stakeholders what we achieved in 2017 along with outlooks for the coming years

For the seventh year in a row, we are publishing our Annual Sustainability Report to show our many stakeholders – employees, business partners, communities, investors and the market in general – our results, achievements and challenges, as well as the advances we have made in aspects such as business management, corporate governance and risk management. [102-52](#)

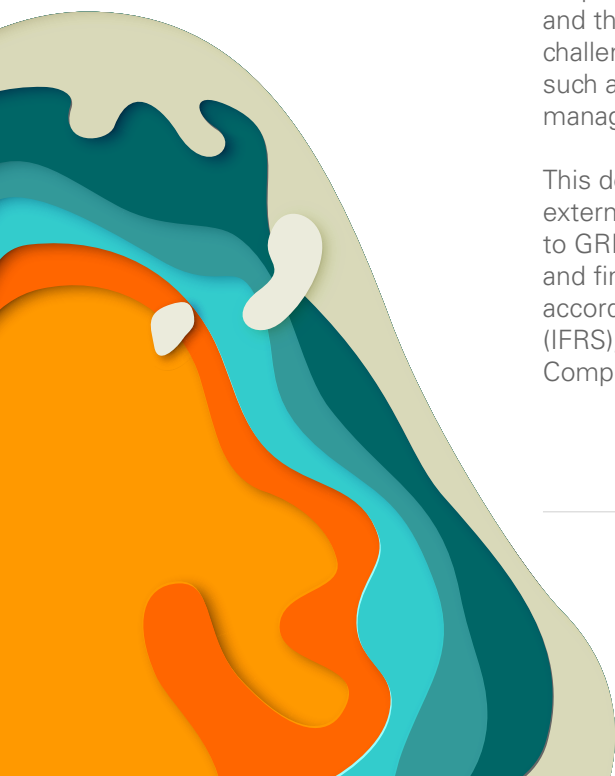
This document covers 2017 activities. The report received external auditing assurance from KPMG and was submitted to GRI, with alignment of Materiality. It includes economic and financial information for all of our operations, which are in accordance with International Financial Reporting Standards (IFRS), and was drafted according to the GRI Standards: Comprehensive option.

GRI Standards are not subject to external verification. Social and environmental information are only related to the blocks and fields where we act as operators, with the exception of some information shown throughout the text. No information related to previous years was revised in this report, nor were changes made to the limit or scope compared with the 2016 report, published in 2017. [102-45](#) [102-48](#) [102-49](#) [102-50](#) [102-51](#) [102-56](#)

A process of assessment and updating of the Materiality Matrix was carried out in order to define the content reported here, the result of which moreover inspired the structure used of three blocks aligned with the company's strategy and management – Ethics and Transparency, Business and Operating Model, and Human Capital – each containing the corresponding chapters.

E-mail can be sent to ggep@ggep.com.br to submit questions or comments related to this report. [102-53](#)

Happy reading!



Materiality Matrix

[102-40](#) [102-42](#) [102-43](#) [102-44](#) [102-46](#) [102-47](#) [103-1](#)

We carried out an enhancement process to identify topics relevant to our stakeholders, aimed at making our communication and interaction with all of them more efficient

The process of updating materiality, in line with GRI standards, meant that advancements were made in editing the relevance of topics, aimed at gradually expanding our maturity in managing information with greater depth. It included the following stages:

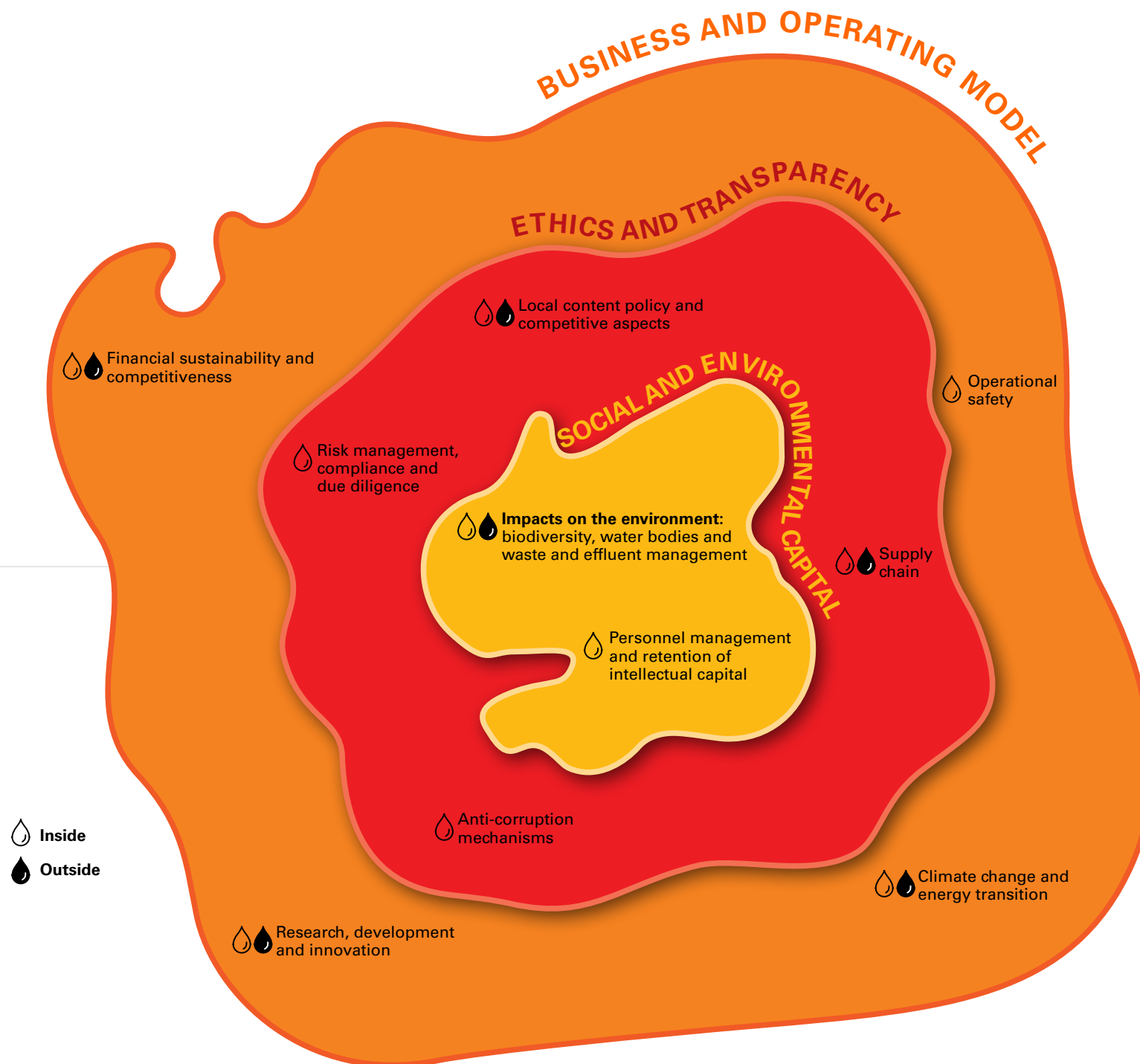
- Assessment of the materiality matrix in use up to that point, with inclusion of the current sustainability context based on internal and external materials. The goal of this analysis was to identify gaps and possible improvements in editing materiality.
- Consultation with six sustainability specialists working in our sector, in order to multiply the perceptions needed and validate the hypotheses found in the previous stage. In this phase, the main topics and information gathered were in reference to the impact of financial results on share prices; positioning of the company's independence in the context of Operation Car Wash; and the need to pay attention to the resulting impacts.
- Validation of the result of this process by upper management, approving the following themes: [102-32](#)



[102-46](#) [102-47](#) [103-1](#)

Materiality was updated in an effort to identify gaps and possible improvements by editing topics. This process resulted in a list of ten material topics, classified into three blocks | strategic pillars

In the figure we show the limit of coverage of each theme, that is, if they occur in and/or outside the organization.



Messages from the Management

We believe in a promising future for the oil and gas market, which serves as motivation for us to maintain our program of investments, even though we are aware that the share held by oil and gas in the energy mix should fall in the long term

Message from the Chairman of the Board [102-14](#)

The year 2017 was a period of recovery and greater balance for exploration and production companies, which was quite positive in our area of operation. We remained well-positioned to profit from investments that had already been made, continuing to invest in the operation and manage our consistent portfolio, so as to provide positive results for the Company and its shareholders.

To do this, we relied on a highly trained team with in-depth knowledge of the oil and gas market – especially in the exploration and production area, as well as its variables in relation to geology, fiscal aspects and necessary infrastructure. Added to this edge is the efficient performance of the Executive Board, which has regularly and competently executed the strategies outlined by the Board of Directors.

One of these guidelines was reorganization of our portfolio. A drop in oil prices in late 2014 had a significant impact on the exploration and production business around the world, leading us to believe that selling the BM-S-8 was the right thing to do. Insofar as this not only substantially reduced our commitment to future investment

in the short and medium terms, it has also greatly increased our availability, making it financially comfortable for us to make good investments, expanding and reinforcing our partnerships – such as our work in the Sergipe-Alagoas Basin, where we are expecting excellent results.

We are strengthened by our vision of sustainability, associated with governance, compliance, safety and mitigation of risks. These are fundamental aspects in our operations. That is why we keep a rigorous system of compliance and risk management going, ensuring the care required by our activities. Moreover, our Health, Safety and Environment area is made up of experienced professionals who are able to successfully face the challenges inherent to our activity.

We are aware that the share of oil in the world's energy mix will decline in the long-term, based on a desire for a less carbon-intensive society and development of new technologies, while natural gas should experience exponential growth. We see a future that continues to be long and promising for this sector, which is fundamental for generating energy and maintaining societal well-being.



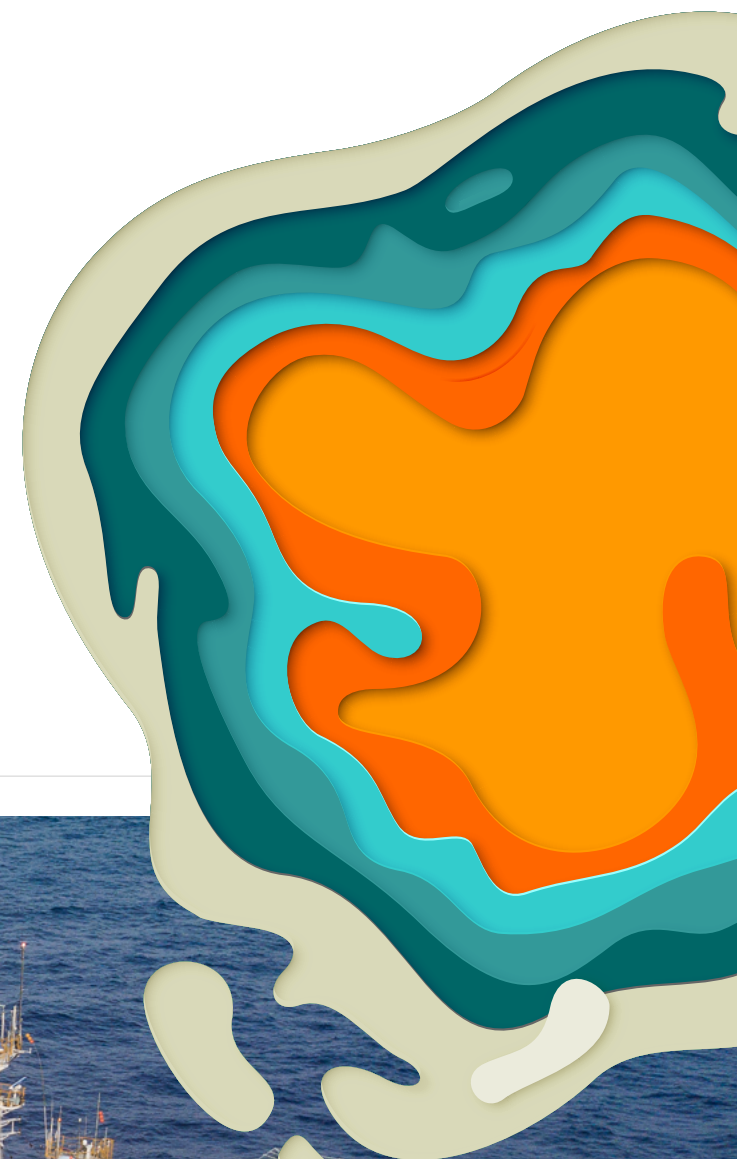
Our vision of sustainability is one of the fundamental aspects of our successful operation



Anchored by these factors, our goal is to maintain the same position we hold today, as the largest Brazilian non-government owned exploration and production company in Brazil. Many companies have been active in this market and others will come, but we have carefully worked towards growth in order to acquire or invest in profitable projects, and we always work with safety, efficiency and competitive costs, as has been done by other large companies around the world.

In relation to this continual excellence, I would especially like to thank the employees for their work and dedication over all these years. We have to continue our efforts to make our company viable for the future, in a highly competitive market; yet we are mostly optimistic because we believe that we have brought together all of the conditions to prosper.

Antônio Augusto de Queiroz Galvão
Chairman of the Board of Directors



Message from the CEO [102-14](#)

The year 2017 was marked by significant advancements in the global and national oil and gas scenarios, which included changes in the regulatory area, contributing to streamlining of the sector. This context, along with our technical capacity and skill in business management, led us to achieving quite positive results for the period.

Improvement in the international situation had a positive impact on the oil and gas industry as a whole, with recovery in oil prices and economic growth, especially in countries such as China and India, which benefitted the oil sector. The world needs fuel to support this growth. Furthermore, after the price of a barrel of oil plummeted in 2014, causing many companies to shutter, we experienced a moment of recovery, with a tendency towards stabilization.

At the national level, the federal government knew how to react to the hardships the industry was experiencing and repositioned the country in the global context. The necessary adjustments were made in relation to local content, Repetro and unitization, with lifting of the rule that only Petrobras could operate in pre-salt blocks up for bid – measures that appealed to major global companies who then invested or increased their investments in Brazil.

Our results kept pace with this shift. Net earnings of R\$357 million, an Ebitda margin of 165% and cash of R\$2 billion are a testament to our good financial health. We rely on the support of a qualified and committed technical staff, which has

overcome major challenges in Manati – our natural gas field operation – and has prepared to start operation on the Atlanta project, which will produce oil in ultradeep water and will diversify our revenue streams.

During the year, we also promoted reorganization of our portfolio. We sold our stake in the BM-S-8 Block, where the Carcará discovery is located, to Statoil. While in the Sergipe-Alagoas Basin, we acquired two new blocks while also partially farming out the blocks we acquired during the 11th round, in partnership with Exxon Mobil and Murphy Oil. This joint action is increasingly strategic for us, insofar as it mitigates the risks of the business and intensifies our operating capacity, adding knowledge and value.

Since 2015, we have been making moves to reduce risks, seeking to optimize our deepwater projects. Our goal is to be the top Brazilian deepwater oil and gas production company, without losing focus on our financial health. This strategic rearrangement is fundamental for us to have secure and sustainable conditions for continual growth. In addition, our Integrated Management System (or SGI, its

During the year, our results kept pace with movement in the industry, which was repositioned within the global context, with adjustments that attracted major companies to both invest and increase investments in the country



In addition to achieving satisfactory results, we reorganized our portfolio to intensify our operating capacity

165%

Ebitda margin on record for the year – a testament to our good financial health



Our ethical position
applies to every aspect
of our business

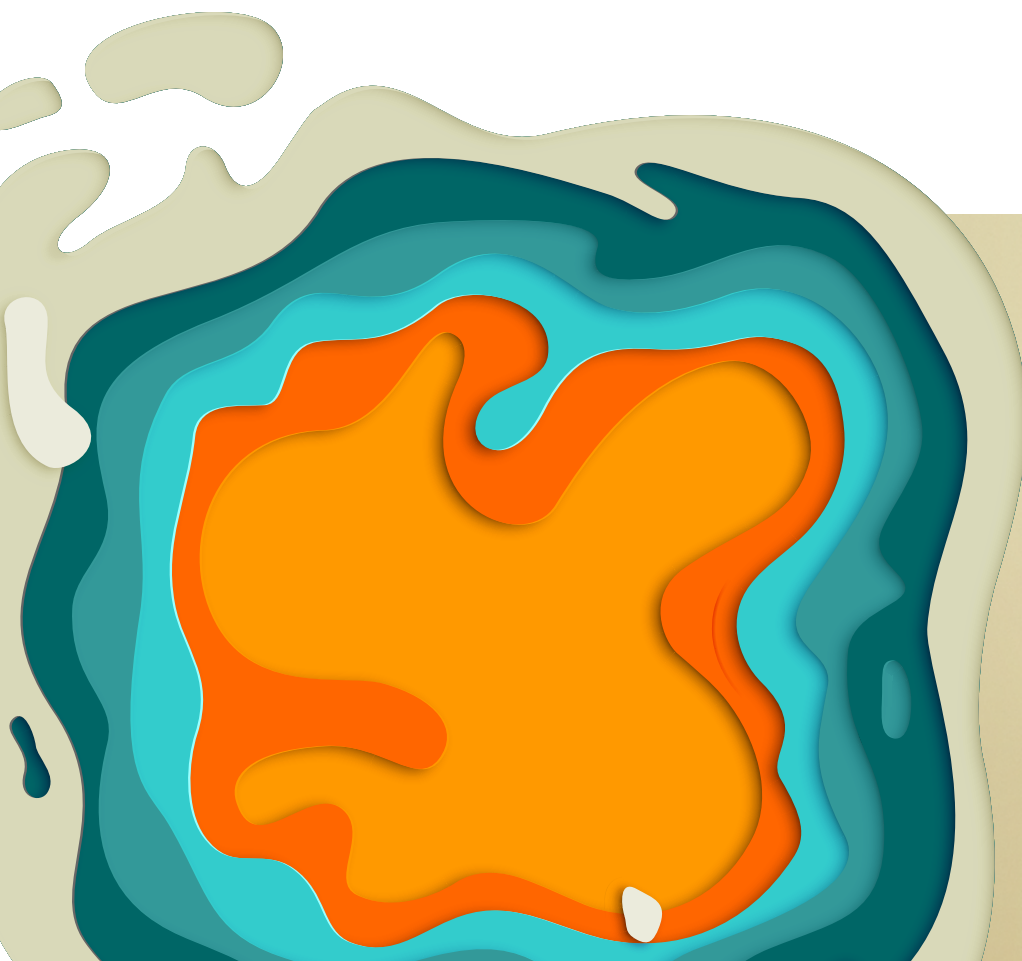
acronym in Portuguese) complies with all of the regulations and requirements from Brazil's National Oil, Natural Gas and Biofuels Agency (*Agência Nacional de Petróleo Gás Natural e Biocombustíveis* – ANP) related to operational safety.

We are also taking vast strides in the governance and compliance aspects. In addition to our inclusion in the Novo Mercado index of the B3, containing the companies with the highest standard of corporate governance in Brazil, we are constantly seeking to optimize and customize these practices, according to our needs, reinforcing our commitment to transparency and ethics in business. This positioning applies to all pertinent themes, related to the capital markets and regulations, as well as to society and the environment, among other things.

All of these achievements, as well as the perspective that we will continue to grow, are due to the engagement of our employees, with whom we are committed to working with safety and respect. I would therefore like to thank them, especially for the results we obtained over the year and for their willingness to walk with us towards sustainable development.

Lincoln Rumenos Guardado
Chief Executive Officer

Lincoln R. Guardado (CEO), Paula Costa Côrte-Real (Director of Finance and IR) and Danilo Oliveira (Production Director)



Profile

We are Queiroz Galvão Exploração e Produção S.A. (QGEP), one of Brazil's largest independent production companies in the Exploration and Production (E&P) sector. [102-1](#)

Focused on oil and gas production, we have a highly technically trained team, knowledge of the market and a solid structure in terms of finances, controls and governance – supporting operations in a safe, sustainable and increasingly assertive manner. We are qualified by Brazil's National Oil, Natural Gas and Biofuels Agency (ANP) to operate as an A Operator in Deep and Ultradeep Waters and we maintain a diverse portfolio of assets, located in eight sedimentary basins along the Brazilian coastline. [102-2](#)

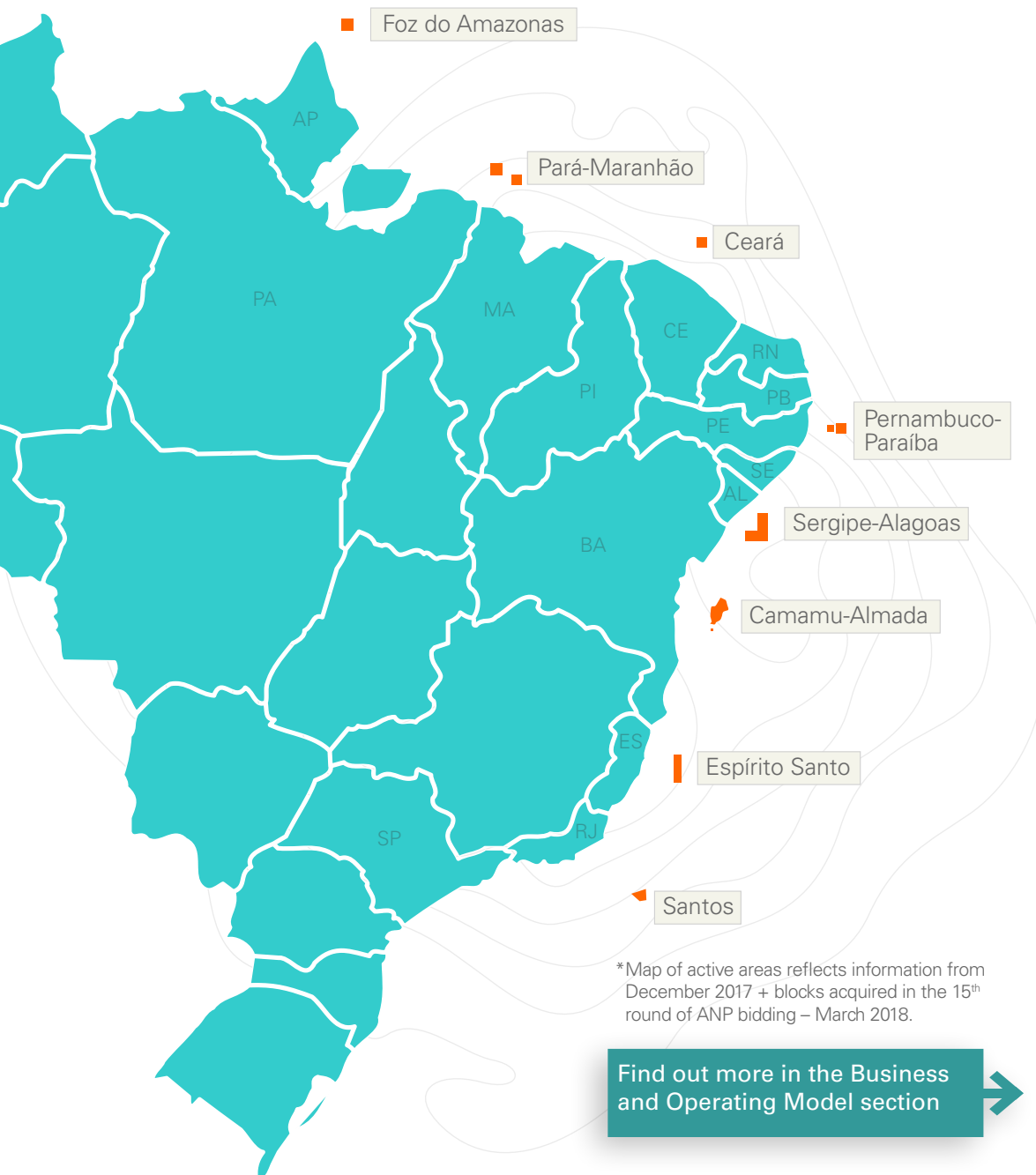
Our biggest and, until the end of 2017, only asset in production is the Manati Natural Gas Field, located 76 kilometers off of the coast of the state of Bahia, in the Camamu-Almada Basin, one of the largest non-associated natural gas fields with production in Brazil and which

accounts for over 30% of the natural gas supply in the country's Northeast region. We hold a 45% stake in this venture, which has operated since 2007. As of 2018, we started the Early Production System (EPS) for the Atlanta Field, in the Santos Basin. We hold a 30% stake in this project. [102-6](#)

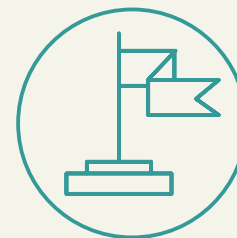
We are also planning to continue activities related to acquisition and interpretation of seismic data for the Sergipe-Alagoas Basin blocks, in addition to working on developing other assets, such as those in the Pará-Maranhão and Foz do Amazonas Basins, in Camamu-Almada and in other blocks in the Espírito Santo and Ceará Basins.

Committed to the sustainability of business, we are listed in the Novo Mercado segment of the B3 (formerly BM&FBovespa) and we have made solid investments in enhancing good governance and compliance practices. [102-5](#)

Location of assets* [102-4](#)

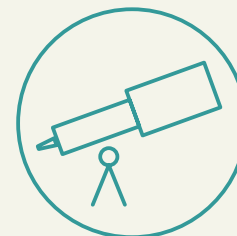


Find out more in the Business and Operating Model section



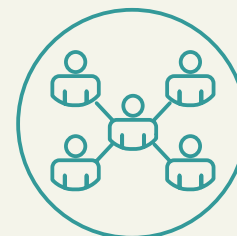
Mission [102-16](#)

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 [102-16](#)

To grow consistently in order to be among the three largest Brazilian companies producing oil and gas by 2020, and to be recognized by society for our transparent and responsible management.



Values [102-16](#)

- Work
- Reliability
- Quality
- Loyalty

Main indicators [102-7](#) [403-2](#)

Financial (R\$ millions)

	2017	2016	2015
Gross revenue	627.9	596.2	623.6
Net revenue	501.7	476.5	496.2
Gross profit	274.0	235.7	243.3
Gross margin (%)	54.6	49.5	49.0
Net income	357.4	152.9	93.6
Net margin (%)	71.0	32.1	18.8
Ebitda	407.9	188.5	(74.9)
Ebitda margin (%)	39.8	39.5	(15.1)
Ebitdax	407.9	188.3	273.0
Ebitdax margin (%)	39.6	39.5	55.0
Gross debt	325.2	359.7	369.7
Net debt	(1,724.6)	(977.9)	(910.3)
Net value added	566.4	339.0	34.7
Total assets	3,931.3	3,563.4	3,430.3
Shareholders' Equity	3,110.1	2,779.6	2,689.2
Investments (US\$ millions)	42.0	53.0	115.0

Operating

	2017	2016	2015
Gas production (millions of m ³)	880.4	807.2	919.2
Total reserves (millions of boe) – 2P certified*	78.8	84.0	88.3

* These figures consider 2P reserves certified by GCA for the Manati and Atlanta Fields.

Capital market

	2017	2016	2015
Number of shares traded (R\$ thousands) ¹	72,592.00	71,575.16	71,577.60
Trading volume (R\$ millions) ²	3.80	4.30	5.80
Net earnings per share (R\$)	1.34	0.59	0.36
Dividend yield (%)	14.37	2.81	2.56
Market cap (R\$ billions)	2.9	1.30	1.3
Stock price (R\$)	10.75	5.33	5.83
Numbers of shares	265,806,905	265,806,905	265,806,905
Free float	72,591,956	71,575,162	71,786,394
Treasury shares	6,933,838	7,954,632	7,954,632
Number of shareholders ³	3,693	1,807	1,815

1. Figures were revised, reflecting exclusion of treasury shares.

2. Numbers related to the average daily trading volume.

3. Updated annually on the date of the Shareholders' Meeting.

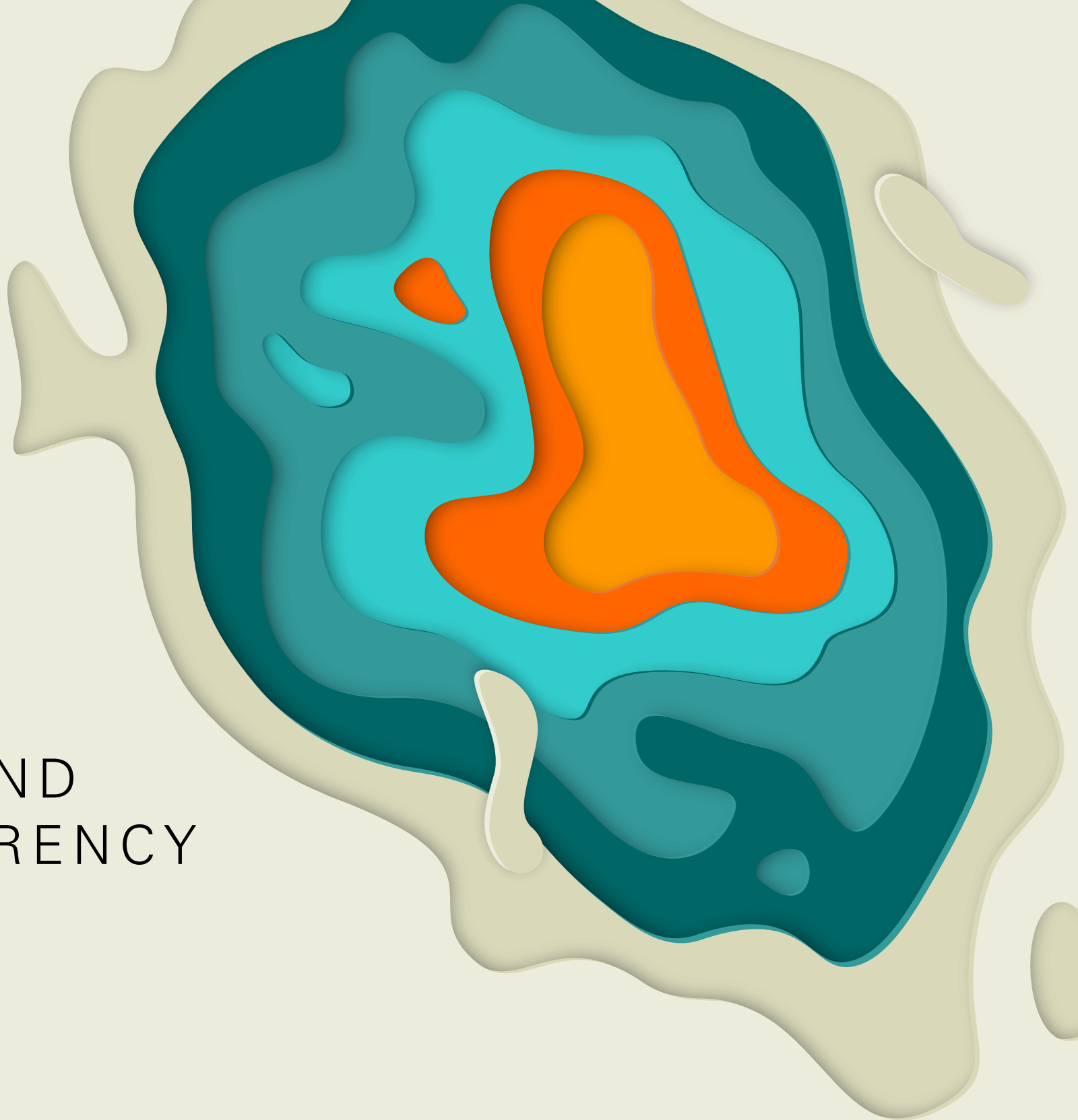
Social

	2017	2016	2015
Workforce	123	128	131
% women	44	45	46
Contractors and temps	32	18	22
Training (hours)	7,702.5	10,106.9	11,590.0
Frequency of accidents with lost workdays	0	0	0
Total GHG Emissions (in tCO ₂ e) – scopes 1, 2 and 3*	11,828.96	3,523.70	186.40

* Learn more under the Climate change topic.

1.

ETHICS AND
TRANSPARENCY



Business strategy

We promoted our repositioning in the market throughout 2017, as a way to share investments, diversify risks and grow asset values

Management and strategy [102-10](#) [102-15](#) [102-26](#)

We have worked to optimize our portfolio, in an effort to reduce our exposure to risks and increase return for investors. Prepared to enter a new phase of business growth, we took a new position in the market in 2017: we exited the BM-S-8 Block (Carcará discovery) in Santos and reinforced our deepwater exploration operations in the Sergipe-Alagoas Basin, in association with ExxonMobil – the largest international oil and gas company – and Murphy Oil, also a relevant independent industry player. We also maintain partnerships with other large companies, such as Petrobras, Statoil and Total.

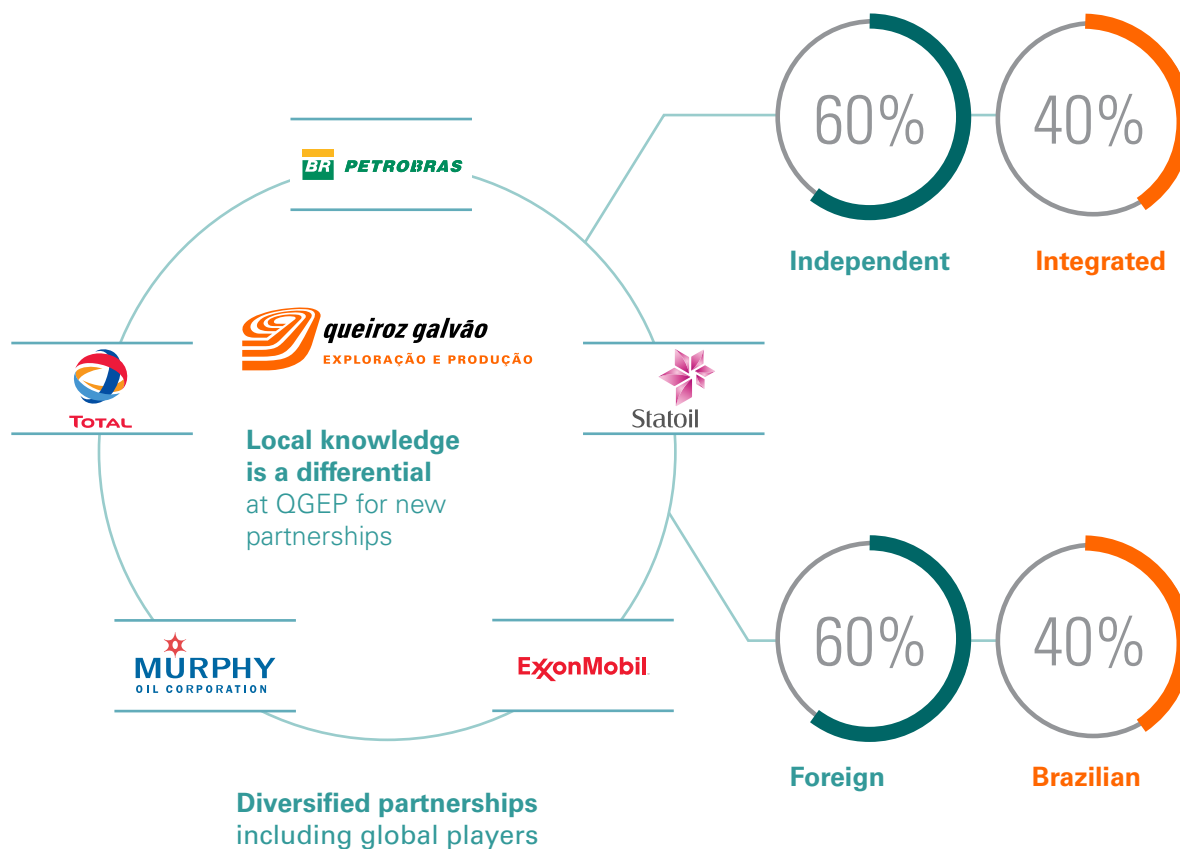
In a sector dominated by large companies, this strategy gives us know-how and promotes sharing of the business risks and investments needed to develop projects, allowing us to increase asset values and diversify risks.

With an eye toward opportunities, we sold our stake (10%) in the BM-S-8 Block to Statoil of Norway for US\$379 million. Reaction to this initiative in the market was positive, as shown by an increase in our share price, which doubled in 2017. In addition to reinforcing our cash, this operation cut 13% from the investment volume planned for the two-year period of

2017/2018, which went from US\$130 million to US\$112 million, resulting in greater flexibility for new business and especially for the future Capex exposure we would have had with development of the field.

Also in relation to our portfolio, we are looking at selling stakes in some of our projects, such as the Pará-Maranhão and Foz do Amazonas Basins.

Strategic partnerships with large operators





We are optimistic in relation to the EPS coming online in the Atlanta Field, in light of the new levels in oil prices

Outlooks

Brazil is experiencing a very positive time for the oil and natural gas industry, with ANP bids resuming in exploration areas and the establishment by the federal government of a pluriannual calendar of bidding rounds. In 2018 and 2019, three rounds will be held per fiscal year: one in areas with mature accumulations, one for pre-salt and one for exploratory blocks. This definition is significant for the market, since it provides more predictability to companies interested in participating in exploration of the areas.

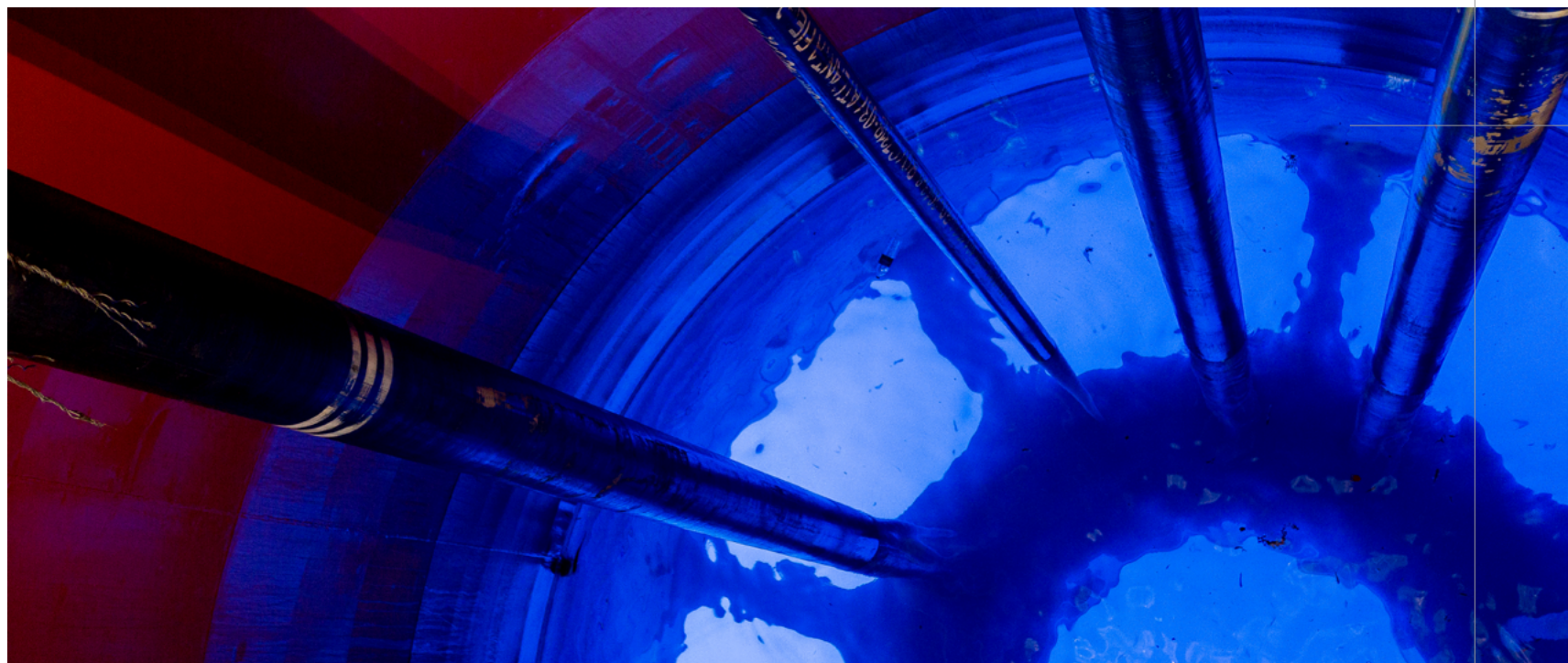
Another aspect signaling good outlooks is related to the price of a barrel of oil, which reached between US\$40 and US\$50 in 2016, but recovered in 2017 and ended the year up 15% for Brent futures in London and up 11% for WTI futures in New York. In January 2018, a barrel reached US\$70.

The combination of price recovery and internal adjustments aimed at freeing up the sector is driving the industry. So much so that our start-up of the Early Production System in the Atlanta Field – our first oil field operation – has been prepared by our technical staff and the new levels reached by oil prices are cause for optimism. Outlooks are moreover reinforced by the fact that the discount percentage in relation to Brent Crude, to be paid by the heavy oil that will be produced in Atlanta, has been falling internationally, indicating higher potential revenues.

In the area of natural gas, a new push is expected from the federal government's Gas to Grow (*Gás para Crescer*) program. The goal is to establish new standards in the industry to increase productivity and competition. Among guidelines to do this is inclusion of thermoelectric plants at the base of Brazil's electrical power system. Through participation in Manati, we are supporting projects aimed at driving the natural gas market – considered to be a transition fuel from the fossil era to the renewable era.



We support project driving the natural gas segment, through our participation in Manati



Corporate governance and compliance

[102-17](#) [102-22](#) [103-2](#) [103-3](#)

We are continually enhancing our corporate governance, through the increasingly active role of our governance bodies. The integrity and transparency of our relationships are strengthened through maintenance of our Compliance area

We seek to continually enhance our governance and our compliance processes, based on best market practices. Year by year, we fortify actions in these areas by augmenting control and management tools, in an effort to assure greater transparency and quality of information reported to the market.

We have maintained the Compliance area for four years, aimed at upholding ethical conduct among all employees and fostering integrity and transparency in our relations. During 2017, the focus was on implementing the Third-Party Contracting Procedure, a process that relied on external support from ICTS. With this, the Ethics, Governance and Sustainability Committee (or CEGS, its acronym in Portuguese) began to play an important role in the analytical flow of high-risk supplier and service provider contracts – related to compliance aspects. This allowed us to more consistently mitigate one of the biggest corruption risks to which we are exposed in the development of our activities. In addition, CEGS was an active participant in the internal Confidential Channel campaign, which was reinforced at our III Annual Compliance Event, held in December 2017.

Finally, although the Partnership Formation Procedure is only set to be implemented as of 2018, we made progress on the topic of “partnerships” based on a CEGS recommendation in relation to performance of due diligence of our potential partners for farm-in areas. For 2018, we are looking at separating the Compliance area, which is currently part of the structure of the Legal area. [102-25](#) [102-29](#) [102-30](#)

Also in relation to themes that touch on compliance, we hold internal training on best practices and expected conduct, establishing procedures to apply disciplinary measures, in addition to handling grievances and contracting third-parties. Our Confidential Channel, available to receive grievances, can be contacted by phone at 0800-741-0022 or online through the website at www.canalconfidencial.com.br/qgep. The channel is operated by an outside company, guaranteeing the confidentiality of information reported as well as optional anonymity for the person making the report.

Governance practices have been maturing, since we are no longer just a company listed in the B3 Novo Mercado index that complies with legal requirements, now moving onto implementing and customizing these practices according to needs. One example of this was the Board of Directors assessment, anticipating a good practice that will become mandatory based on the new Novo Mercado regulations taking effect in 2020.



We have a Confidential Channel to report grievances, with guaranteed confidentiality

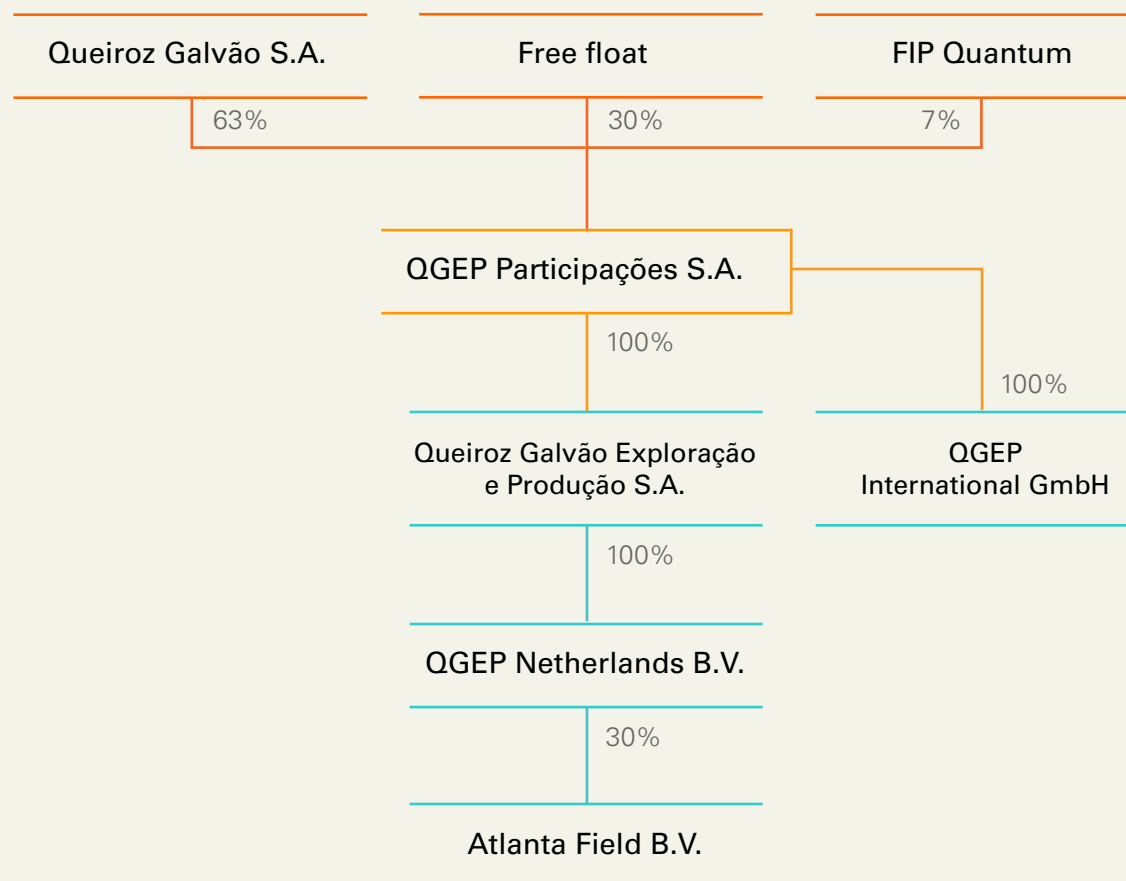


We are listed in the Novo Mercado index

An internal Risk Management Policy is still in the structuring phase. However, some of the risks resulting from third-party relations are being addressed through a contracting manual, adopted to establish rules and procedures to standardize our contract models. This manual will allow for greater control insofar as negotiated clauses are concerned. The manual will furthermore establish an internal flow of information, supporting documents and levels of authority to revise and approve contracts.

We also have a mechanism to oversee and control our strategic direction. The Board of Directors periodically updates its strategic planning, so as to consider impacts and risks to the business. Among the topics verified are safety, economic, environmental and social issues. This body also constantly analyzes our business risks. [102-29](#) [102-30](#) [408-1](#) [409-1](#)

Corporate structure [102-45](#)



Governance structure [102-18](#)

Board of Directors

[102-22](#) [102-24](#) [102-27](#) [102-28](#) [102-29](#)

The chief decision-making authority, this body is responsible for backing the Executive Board in order to drive growth of business. It is made up of seven members – two of whom are independent, serving two-year reelectable terms. Its members have extensive technical knowledge related to our market of operation.

The Ethics, Governance and Sustainability Committee is a non-statutory, permanent, informative and advisory group with no executive functions. It is established to assist the Board of Directors in matters related to Ethics, Governance and Sustainability. In addition to monitoring ethical conduct, creating guidelines for the Compliance Program and ensuring good governance, it works directly with managing sustainability, making us more competitive and sustainable.

[102-19](#) [102-20](#) [102-32](#) [102-33](#)

The Compensation Committee is a non-statutory, permanent, informative and advisory governance body with no executive functions. It is established to assist the Board of Directors in matters related to fixed and variable compensation for top executives. This body is responsible for, among other things, analyzing the internal profit-sharing policy.

As a practice, the Board of Directors uses an annual thematic calendar for its meetings. Based on discussion of topics considered strategic and relevant for our direction, this body approves an annual program of discussions focused on topics in its own interest and in the interest of the Executive Board and of its stakeholders.

[102-21](#) [102-26](#) [102-31](#)

Members (terms ending on April 11, 2018)

Antônio Augusto de Queiroz Galvão – Chairman [102-23](#)
Leduvy de Pina Gouvêa Filho – Board Member
José Augusto Fernandes Filho – Board Member
Ricardo de Queiroz Galvão – Vice Chairman
Maurício José de Queiroz Galvão – Board Member
José Luiz Alquéres – Independent Member
Luiz Carlos de Lemos Costamilan – Independent Member

Audit Committee

A non permanent committee established in 2017, it is made up of two members appointed by the controlling shareholder and one member appointed by the minority shareholders. It serves as a supervisory body for administrative actions, in addition to providing opinions on the administration proposals submitted to shareholder meetings.

Members (terms ending on April 14, 2018)

Effective members

Sérgio Tuffy Sayeg
José Ribamar Lemos de Souza
Carlos Eduardo Parente de Oliveira Alves

Alternate members

Nelson Mitimasa Jinzenji
Gil Marques Mendes
Flavio Kac



The resumes of the members of the Board of Directors and of the Audit Committee are available on our Investor Relations website

Executive Board

Made up of three members who lead the company and who serve two-year reelectable terms.

Members

Lincoln Rumenos Guardado – CEO
 Paula Costa Côrte-Real – Director of Finance and Investor Relations
 Danilo Oliveira – Production Director

Our structure includes the Ethics, Governance and Sustainability Committee, which advises the Board of Directors and is responsible for drafting the guidelines of the Compliance Program

Diversity in governance bodies [405-1](#)

Body	Total	Women	Women (%)	Man	Men (%)
Board of Directors	7	0	0	7	100
Audit Committee	3	0	0	3	100
Executive Board	3	1	33	2	67
Ethics, Governance and Sustainability Committee	3	0	0	3	100
Compensation Committee	3	0	0	3	100

Diversity in governance bodies [405-1](#)

Body	Total	Under 30	Under 30 (%)	30 to 50	30 to 50 (%)	Over 50	Over 50 (%)
Board of Directors	7	0	0	0	0	7	100
Audit Committee	3	0	0	1	33	2	67
Executive Board	3	0	0	1	33	2	67
Ethics, Governance and Sustainability Committee	3	0	0	0	0	3	100
Compensation Committee	3	0	0	0	0	3	100

7

Number of members of the Board of Directors, two of whom are independent. All serve two-year terms

100%

of the members of the Board of Directors are over the age of 50 and have substantial technical knowledge in relation to our market

Risk management

[102-15](#) [102-30](#) [103-2](#) [103-3](#)

Management of the risks inherent to our business is done in a wide-ranging manner, involving various formal authorities as well as work groups established according to specific demands

Oil and gas exploration and production are highly complex activities that require technology, experience and precision. This means that mapping and mitigating risks is fundamental to our activities and covers various areas, beyond exploration and production, such as those related to financial, environmental, reputational, regulatory and operational safety risks.

We currently carry out risk management in a decentralized manner. The Board of Directors, Audit Committee, Executive Board, Ethics, Governance and Sustainability Committee, Compensation Committee and Work Groups are involved in this process and are established according to demands for specific policies, in addition to the departments under their respective areas.

We use different tools to manage operational risks, such as Preliminary Risk Assessment (*Análise Preliminar de Riscos* – APR), Hazard Identification (Hazid), Hazard Operability Study (Hazop) and Quantitative Risk Analysis (*Análise Quantitativa de Riscos* – AQR). We qualify our service providers and perform periodic audits to assure their alignment with our HSE standards.

Main risks

Operational – we maintain an Integrated Management System (or SGI, its acronym in Portuguese), certified by ISO 14001 and by OSHAS 18000, in addition to complying with the operational safety regulations of the ANP: Operational Safety Management System for Subsea Systems (or SGSS, its acronym in Portuguese), the Well Integrity Management System (or SGIP, its acronym in Portuguese) and the Operational Safety Management System for Offshore Drilling and Oil and Natural Gas Production Facilities (or SGSO, its acronym in Portuguese). With the start of the Early Production System operation in the Atlanta Field, various activity risk studies were done, aimed at minimizing risks to acceptable levels. Documents to articulate with critical suppliers were also prepared, so as to assure compliance with the activity's safety and environmental requirements and to maintain a safe working environment, in addition to monitoring the HSE indicators of our activities.

Market – a Market Risk Management Policy has been established and approved by the Board of Directors, aimed at mitigating our exposure and controlling risks that are not inherent to oil and gas exploration and production activities. Oversight is done by a work group connected to the Executive Board, which meets on a monthly basis. In recent years, a focus on exchange rate risk has been intensified, since most of our cash is in Brazilian reais and the majority of our plan for investment of this cash is expressed in U.S. dollars. With production in the Atlanta

Field starting up, oil's exposure and its exchange rate interface are being monitored.

Suppliers – we carry out due diligence (a process of investigation and auditing of contractor information) in order to reduce the risks of contracting suppliers and service providers and to make contracts more secure, mitigating any threats. Actions are geared towards identifying whether the supplier has previously been involved in any cases of corruption or fraud, whether they have any court convictions or if there is any conflict of interest in contracting the supplier.

Reputational – risks related to ethics and integrity are on our radar. So much so that the Governance and Compliance area promotes various actions and training sessions to spread good practices among employees and prevent fraud and corruption. Every year, we provide mandatory anticorruption training for all of our workers, including Upper Management. We rely on the support of an outside company to manage and care for cases of reports received through the Confidential Channel.

Regulatory – at the state and federal levels, we monitor all regulatory topics capable of impacting how we do business in any way. We are active participants on committees at trade organizations and in the biggest debates and discussions of interest to the oil and gas industry.

Crisis management

We have a structured plan that establishes a crisis management team (CMT) and defines their duties and responsibilities while also stating management guidelines, aimed at reducing and/or controlling the effect of an atypical situation with the potential to negatively impact our sustainability/stability. In 2017, we published our crisis communication manual, setting forth guidelines, priorities and a standard of conduct for all employees, especially our so-called spokespersons, so as to unify communications and ensure fast, precise and efficient responses during any event that may put our reputation at risk.



Intangible assets

We have a range of competitive differentials that underscore our action, including investments in R&D, innovation, knowledge management and market recognition

Technical know-how and the ability to propose innovative solutions are a couple of our competitive edges, which together with a solid brand have resulted in recognition by the market.

Research and Development (R&D) – Investing in R&D is essential for the oil and gas industry, which faces challenges that continually demand the latest technology. We therefore maintain partnerships with various universities, such as University of Campinas (Unicamp), Federal University of Rio de Janeiro (UFRJ), State University of Rio de Janeiro (UERJ), Federal University of Pará (UFPA) and the University of São Paulo (USP), among others, to develop R&D projects – an area in which we have invested over R\$35 million in 12 projects, six of which were ongoing in 2017. R\$7.1 million was invested in 2017 alone.

We prioritize projects that help us to cross technical barriers and enhance knowledge of our portfolio. Around 40% of our R&D investments go to solutions for the Atlanta Field. One of them currently in progress is aimed at facilitating the pumping of heavy and viscous oil. This is an unprecedented study in the literature, developed in partnership with Unicamp, and it includes creation of a prototype – equipment with special features to pump this type of oil, which is found in the Atlanta Field.

The goal of another initiative, developed with UFRJ, is to identify a technique to conserve production lines used to transport heavy oil. While a project in partnership with USP deals with modeling transportation for people to the offshore oil and gas platform. This study mostly assesses issues related to safety and should be applied to the Manati Field.

In order to make the R&D area more professional and provide it with a long-term perspective, we are developing a specific Investment Policy that should be finalized in 2018.

Costa Norte Project

We have been carrying out the Costa Norte Project since late 2016, in partnership with the Federal University of Rio de Janeiro (UFRJ), the State University of Rio de Janeiro (UERJ) and the Federal University of Pará (UFPA), in addition to the Prooceano company. The goal is to evaluate whether the use of hydrodynamic and oil dispersion modeling are able to represent the movement of pollutants in the coastal and estuary region of the Foz do Amazonas and Pará-Maranhão marine sedimentary basins. In addition, the project will also identify characteristics found in coastal ecosystems to measure the vulnerability of mangroves in the region. Among activities executed in 2017 are field trips to classify mangrove forests, installation of tide sensors, water collectors and measurement of physical and chemical parameters, oceanic modeling on different scales and development of the initial version of an oil drift simulation tool. In addition to these activities, the vessel was inspected and equipment was imported that will be part of the monthly release of drifters in the Foz do Amazonas and Pará-Maranhão Basins. These campaigns will be carried out in 2018, along with high-resolution mapping in the study region. This research will be done through 2019 and will contribute to in-depth knowledge of pollutant movements in Amazonian coastal and estuary zones.

Ongoing R&D projects

Theme	Partner
Studies on artificial elevation and guaranteed distribution for production of ultra-viscous oil	Unicamp
Simulation of flowline conservation with diesel	Coppe/NIDF/LTFD
Analysis and development of a cyclonic valve	Coppe/NIDF/LTFD
Costa Norte Project	UFRJ, UERG, UFPA and Prooceano
High-resolution anisotropic stochastic seismic inversion aimed at estimating geomechanical properties	Invision Geofísica Ltda.
Technological development of a tool to analyze and select transshipment systems	USP/Technomar

Finalized R&D projects

Theme	Partner
Japi Project	UFBA/Fapex UFRJ/Coppe
Heavy oil testing	Unicamp
Geophysics: density inversion	Coppe/UFRJ-CGTEC
Impact of the morphology of grains and pores on petrophysical features of unconsolidated rocks	Ingrain

Innovation – our focus on having the latest knowledge and on innovation includes active participation on trade committees, in seminars and in dialogs with the National Organization of the Oil Industry (*Organização Nacional da Indústria do Petróleo* – Onip), the Federation of Industries of the State of Rio de Janeiro (*Federação das Indústrias do Estado do Rio de Janeiro* – Firjan), the Brazilian Institute of Petroleum, Gas and Biofuels (*Instituto Brasileiro de Petróleo Gás e Biocombustíveis* – IBP), the Brazilian Association of Petroleum Geologists (*Associação Brasileira de Geólogos de Petróleo* – ABGP), the Brazilian Society of Geophysics (*Sociedade Brasileira de Geofísica* – SBGF), the Society of Petroleum Engineers (SPE) and the American Association of Petroleum Geologists (AAPG), among others. At these forums, we debate topics of interest to the industry, as well as innovation and technical evolution along with industry management. [102-13](#)

Knowledge management – we take care and are responsible for documenting knowledge generated internally through technical reports and procedures – our way of preserving our knowledge. We furthermore seek to mix senior and junior professionals on the same projects, in an effort to convey knowledge and experiences to new generations.

Brand – we are a company in the Queiroz Galvão Group, which has a history of over 60 years in Brazil, operating in the engineering and construction, naval and offshore sectors, domestically and in over 15 countries. We began our operations as an offshoot of the group over 20 years ago, with formal establishment in 2010, adopting a management model and corporate governance practice that have given us operational and strategic independence.

Recognition

APIMEC – we have received the attendance award for five years of participation in the events of the Association of Capital Market Investment Analysts and Professionals (*Associação dos Analistas e Profissionais de Investimento do Mercado de Capitais*).

Excellence Award – given by the Society of Petroleum Engineers (SPE) Brazil, in the Young Professionals Category, to Petroleum Engineer Bárbara Cavalcante.

Brazilian Institute of Petroleum, Gas and Biofuels (IBP) – the organization recognized our “Unified Brazilian Coastline Protection and Cleaning Project” during Rio Oil & Gas 2016. An honorable mention was also given to HSE Manager Maria Eduarda Pessoa, for her presentation of a project to protect fauna in accidents involving oil leaks.

IBP – our volunteer group was also highlighted for their participation in the Entrepreneurial Trail program, carried out by the Junior Achievement Association of Rio de Janeiro.

National Confederation of Industries (Confederação Nacional das Indústrias – CNI) – the organization recognized our Japi R&D project for coastal mapping of cities in Bahia, in order to check the sensitivity to each type of coastal contour to potential oil spills.

ABGP Honors – the Brazilian Association of Petroleum Geologists (*Associação Brasileira de Geólogos de Petróleo* – ABGP) gave the Friends of the ABGP honorable mention to our CEO, Lincoln Rumenos Guardado. This was the first time the honor was given to a company.



2.

BUSINESS
AND OPERATING
MODEL

Operational performance

Notable among the measures that contributed to advancements in the oil and gas sector during the year were the resumption of bidding on exploration assets and opening of the market to new and various operators

National market

The year 2017 was marked by renewed investments in Brazil's oil and natural gas industry. There were significant regulatory advancements made in the industry, resulting in heightened interest among global companies to invest in the country. One example was the result of the 14th Round of Exploratory Block Bidding held by the ANP, which raised R\$3.84 billion in signing bonuses – a record for the bids, with average goodwill at 1,556.05%. In total, 17 companies gained exploration areas, seven of which are foreign. In partnership with ExxonMobil and Murphy Oil, we were awarded two blocks in the Sergipe-Alagoas Basin: SEAL-M-501 and SEAL-M-503.

The bid was the first major test by the government following a series of pro-market changes, incorporated into industry rules. This most notably included reduced demands for local content, extension of Repetro (special customs regime) and lifting Petrobras' exclusivity in pre-salt operations. A pluriannual calendar of bidding rounds was also established, according to which three rounds will be held per period in 2018 and 2019, involving areas with mature accumulations, one pre-salt round and one exploratory blocks round. These operations are expected to generate over US\$80 billion in new investments over the course of the contracts, more than US\$100 billion in royalties and thousands of jobs.

Factors driving the industry in 2017

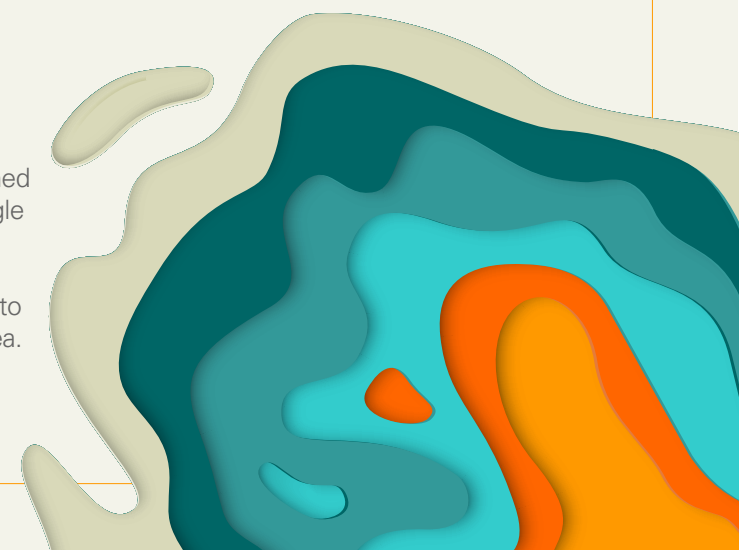
Local content – in February, the government approved a 50% reduction to the local content requirement for the largest oil field bids starting in 2017. This rule was simplified in order to prevent accrual of penalties – which were also slashed – and legal disputes. The mandatory quota for use of national components in onshore exploration will be 50%; for offshore exploration, 18%; for well construction, 25%; for the collection and distribution system, 40%; and for stationary production units, 25%. This decision makes the environment more favorable for investment.

Repetro – in December, the Brazilian Congress maintained an extension of the fiscal incentive in the Provisional Measure (or MP, its acronym in Portuguese) of the Repetro customs duty regime to 2040. In practice, this move suspends the levying of federal duties on equipment imported for use in the oil and gas industry, especially exploration platforms. The extension of Repetro is seen as fundamental by the oil industry in order to attract exploration investments to Brazil.

Unitization – this process occurs when a given oil and/or gas field extends beyond the boundaries of the area under contract. To prevent disorderly and predatory production, exploration and production operations are joined through formation of a partnership with a single operator. Regulation of these rules facilitated pre-salt bidding in 2017. There is currently a large volume of discoveries in areas adjacent to blocks awarded and located in the pre-salt area.

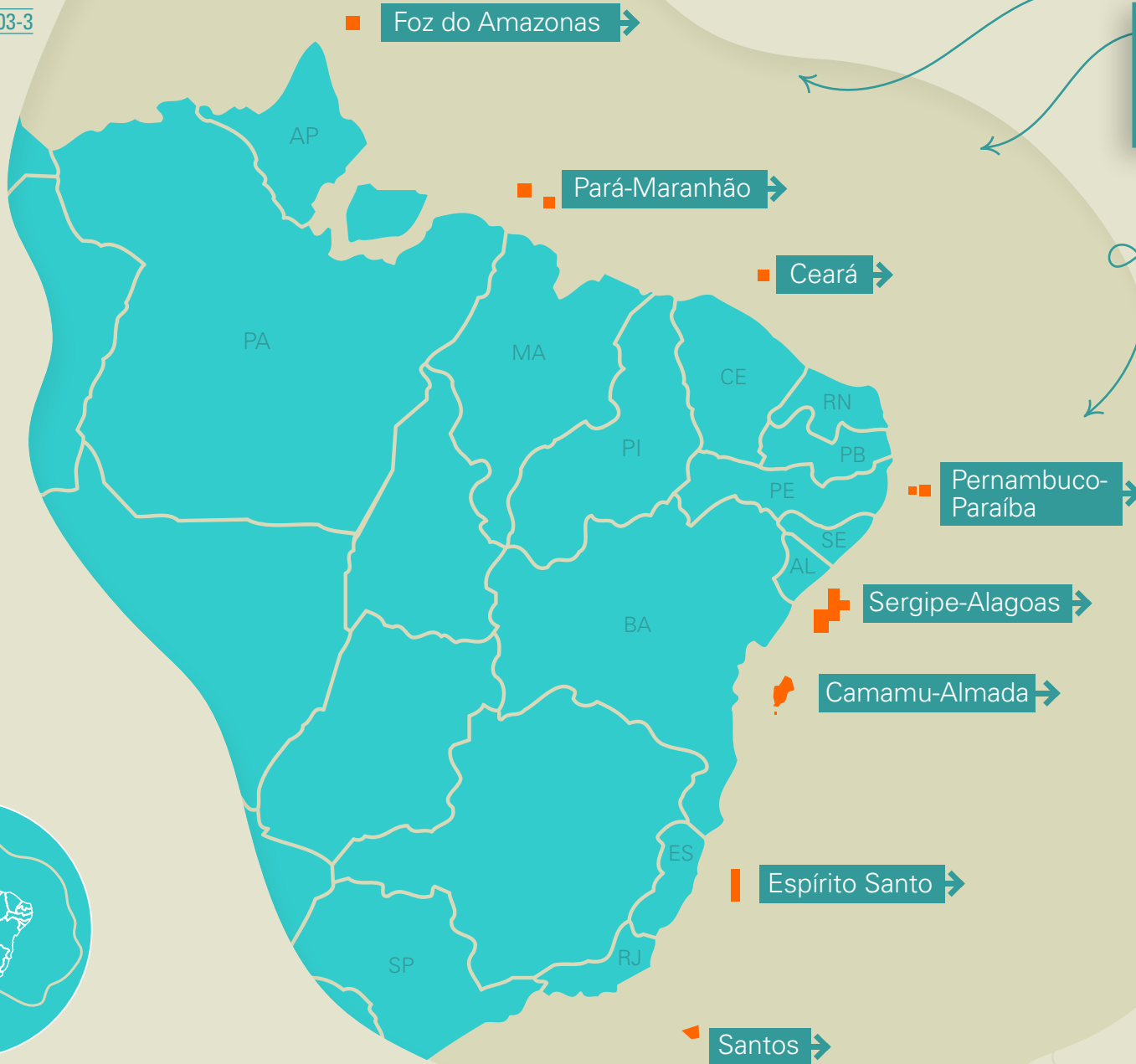
Multiple operators – in January, the Brazilian President signed a law lifting a requirement that only Petrobras is allowed to act as the sole operator in oil fields operating under a shared production regime. This opportunity to operate in an area with large oil volumes has drawn corporate investments and benefits to Brazil. Competition means higher bids during bidding and results in a greater number of projects. Moreover, this raises the possibility of the country developing cutting-edge technologies, which are important to overcome the technical and operational challenges of pre-salt exploration and production.

Exploratory block bidding and establishment of a calendar – a regular and predictable supply of new exploratory blocks allows for planning of investments. Upcoming ANP bids are scheduled for March 29 (15th Round of Bidding) and June 7, 2018 (4th Pre-Salt Round).



Operations [103-2](#) [103-3](#)

Click on the basin
for complete
information



Culture of safety [103-2](#) [103-3](#)

The safety of our operations, of our employees and our partners is crucial to us and is expressed in our Mission. With the start of EPS activities in the Atlanta Field, we are reinforcing this commitment and, in 2017, we published the Operational Safety Policy and Values. This institutional document is aimed at showing our commitment, from planning to execution of our activities, with the adoption of effective safety measures to prevent incidents and protect human life, the environment and company and third-party economic activities. We also created our Operational Safety Manual, in line with ANP regulations, which explains our guidelines for meeting operational safety requirements, including subsea systems and management of well integrity. The manual is part of our Integrated Management System (SGI), certified by the OHSAS 18001 (Health and Safety Management System) and ISO 14001 (Environmental Management System, version 2015) international standards. The SGI was recertified by ABS in October.

Audits of critical equipment or service suppliers are done to assess compliance with HSE requirements. Periodic HSE inspections and audits will be done for the Atlanta EPS. [OG13](#)

Enhancement of operational safety and prevention of incidents and occupational diseases are done through training, courses, talks and campaigns, among other activities. Training on Process Safety was one initiative that was started in 2016 and ended in 2017. It lasted 110 hours and gathered employees from various areas to discuss process safety management in the Atlanta Field. The training structure was based on the Risk-Based Process Safety management model, created and propagated by the Center for Chemical Process Safety (CCPS) and supported by 15 modules, considering the specific characteristics of the Atlanta EPS.

A workshop on startup of the Atlanta Field was held in January 2018, with participation by Teekay, a production service provider from whom we charter the FPSO Petrojarl, and various companies involved in the Field's operations. It covered various aspects of Operational Safety, with detailing of pre-startup procedures, our safety and simultaneous operations policy and other topics related to conducting Safe Operations during Field production.

Another action of the year was the Offshore Operational Safety Seminar, in which we participated with other companies, regulatory agencies and industry institutions. Promoted by the Society of Petroleum Engineers (SPE), the event was held over two days and included around 180 participants. In addition being a sponsor, our representatives were part of the organizing commission.

We also held talks on first aid during the year, in addition to vaccination campaigns, dental and psychological assessments for offshore QGEP personnel, health supplier audits as well as participating in various IBP Work Groups, among other initiatives.

Our structure also houses an Internal Accident Prevention Committee (CIPA, its acronym in Portuguese), on which 14 members serve from various hierarchical levels, seven of which represent the company and another seven representing and elected by all employees. [403-1](#)

Our Operational Safety policy and values, published in 2017, reinforce our commitment to protect life, the environment and company and third-party operations. Along these same lines, we created the Occupational Safety Manual during the year



Safety comes first at QGEP. We carry out audits of critical equipment or service suppliers to assess compliance with all of our HSE requirements

The collective bargaining agreements to which we are subject also contain 46 clauses covering topics of health and safety, corresponding to 15.22% of all content, as well as the CIPA, medical exams, first aid, safety standards, occupational medicine, uniforms and wage differentials. [403-4](#)

We also maintain a robust structure based on the Incident Command System (ICS) methodology for appropriate incident response. There is an Emergency Room for the Incident Management Team operations at the Rio de Janeiro office. Our emergency response plan was created in an effort to assure effective management of the resources involved in preparation for and response to emergencies, specifying emergency scenarios and the available resources to respond to each scenario identified. The members of the Organizational Response Structure are periodically trained to effectively act in the event of an emergency. In 2017, nine theoretical training sessions were held on the ICS methodology, in addition to practical training and tabletop simulations, with the goal of maintaining teams' proficiency.

There were no significant leaks in 2017. Our operational activities during the period were restricted to the AHTS Far Sagaris, AHTS BOS Turmalina and PLSV Skandi Niterói vessels working on the installation phase of the EPS in the Atlanta Field. [306-3](#)

Supply chain [102-9](#) [103-2](#) [103-3](#) [414-2](#)

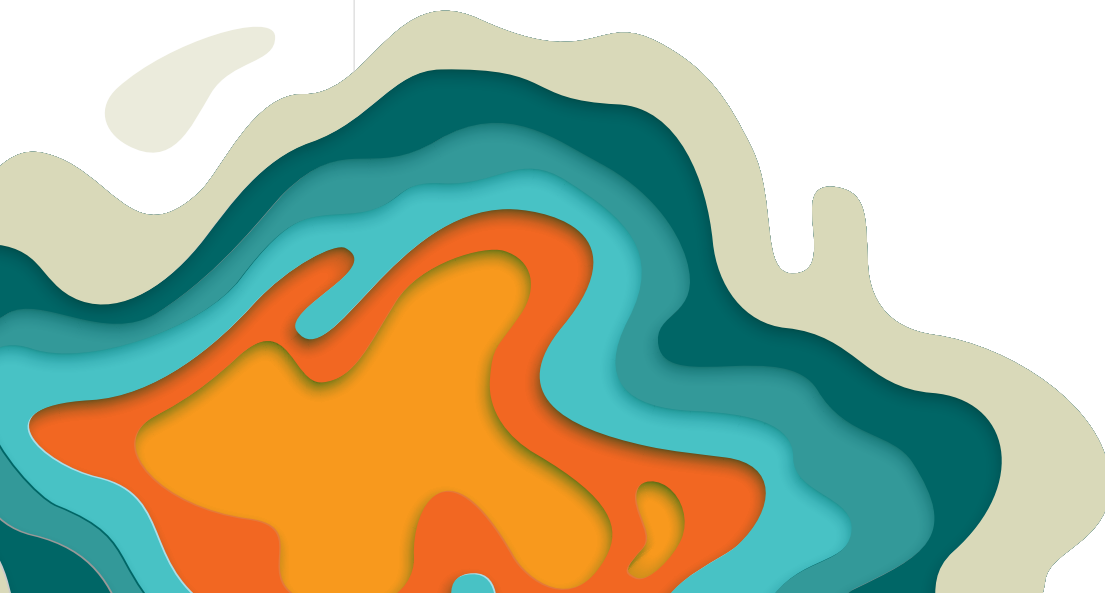
As the result of contract renegotiations – a guideline of our Supply Department – we lowered our expenses by 30% for the year. Over 100 contracts were renegotiated for the Atlanta project, where most of our demand is concentrated, and others in the administrative, IT and technical areas for various internal projects were revised.

We mostly use Brazil's National Organization of the Oil Industry (Onip) registry of suppliers of goods and services to select partners, since it contains information on companies with operations in Brazil and that are qualified for the oil and gas sector.

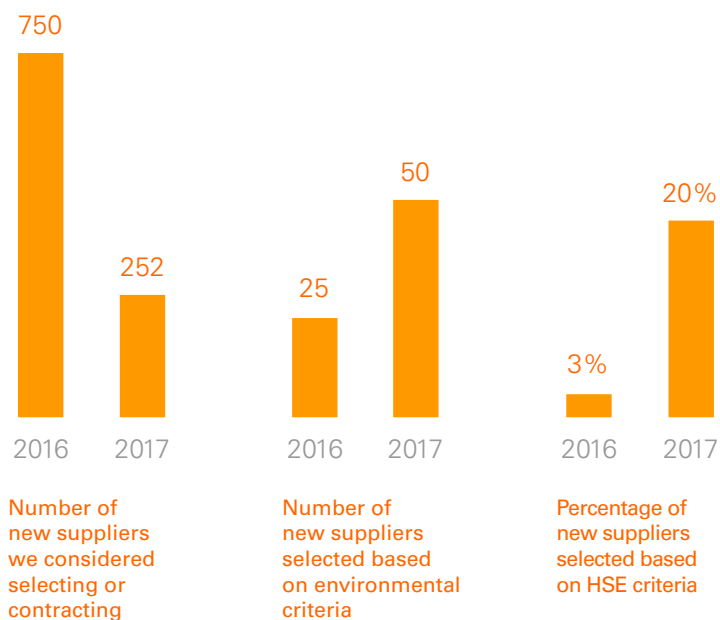
All of our suppliers must be registered in the system prior to contracting – at which time we verify their situation with agencies such as the Federal and State Revenue Services and, if necessary, carry out financial and HSE assessments. Only suppliers found to be suitable to supply products or services are considered. [102-9](#)

Most of our suppliers are concentrated in the southeast region of Brazil, especially in Rio de Janeiro. We currently have 765 active suppliers in the ERP and 231 effective contracts, totaling approximately R\$1 billion over the next three years. Foreign suppliers are headquartered in the USA, England, the Netherlands and Norway.

Although we have 1,002 suppliers registered, only 231 (or 23%) of this base provides regular service; of these, 32% are subject to assessments by the safety, health and environment area because of their critical status (representing over 65% of total services). In 2017, 21 suppliers were identified as critical following assessments and all were audited according to HSE aspects. Our fuel suppliers (marine diesel oil – MDO) are also audited in these same aspects. [308-2](#)



We maintain a commitment to local hiring based on the guidelines of ANP's Local Content rules as well as on our goal of contributing to the development of our surrounding communities. At the end of the period, we maintained regular contracts with 94% of our base in Brazil and 6% abroad – which account for 27% in terms of value. [308-1](#)



Financial sustainability [103-2](#) [103-3](#)

For our business, 2017 was a special year from various and important aspects, which is significantly reflected in our financial balance sheet. We improved our operational result, reduced exploratory expenses and had various records, such as net earnings of R\$357.4 million, more than doubling from the previous year, as well as our cash position, which closed the year at R\$2 billion. In addition, our average Ebitdax margin was 76%. This set of good financial results gives us a robust position as well as the conviction that we are on the right path and well-positioned for growth.

VAS (in thousands of R\$) [201-1](#)

	2017	2016	2015	2014	2013
Employees	51,440	55,242	58,915	60,973	57,462
Government	245,964	175,294	151,393	188,474	161,324
Interest	22,803	16,788	(3,934)	4,807	25,909
Shareholders	357,375	152,898	93,613	194,824	192,242
Added value for distribution	677,582	400,222	299,987	449,078	436,937

Net revenue

Net revenue was R\$501.7 million in 2017, up 5.3% year-over-year, mostly as a result of a readjustment in the price of gas from Manati at the start of the year, since production was steady in relation to 2016.

Operating costs

Operating costs totaled R\$227.7 million, 5.4% less than in 2016. They were primarily influenced by an 8.9% drop in maintenance costs, which include R\$11.6 million related to repairs on one of the Manati Field production lines.

Exploration costs

Exploration costs totaled R\$27.7 million, compared to R\$62.5 million the year prior. This reduction was due to fewer costs from acquisition and processing of seismic data.

+76%

Average Ebitdax margin 2017

R\$1.6 bn

Average cash balance 2017

+R\$1.2 bn

Average net cash 2017

General and administrative expenses

General and administrative expenses were R\$52.1 million, 5.1% more year-over-year, as a result of reduced allocation of expenses to partners in blocks where we are operators and also incentivized investments.

Ebitdax

Ebitdax was R\$407.9 million, up by 116.6% compared to R\$188.3 million in 2016. This was mainly the result of gains from the sale of our stake in the Carcará (Block BM-S-8) project, in the Santos Basin pre-salt, with an Ebitdax margin of 39.6%. When this non-recurring gain is not considered, Ebitdax would be equal to R\$258 million, 36.9% higher than in 2016, while the Ebitdax margin would be 51.4%.

Net financial result

Net financial result in 2017 was R\$92.3 million, nearly twice the R\$46.5 million posted the previous year. This growth is the result of increased revenues from fixed income instruments, along with a higher yield from the exchange rate fund.

Net income

Our net income was R\$357.4 million, a two-fold increase from 2016, when it was at R\$152.9 million. This growth is mainly a result of the sale of our stake in Block BM-S-8, along with a higher operational result and lower exploration expenditures. When gains from the sale of BM-S-8 are not included, net income would be equal to R\$232.0 million, up by 51.8% from 2016.

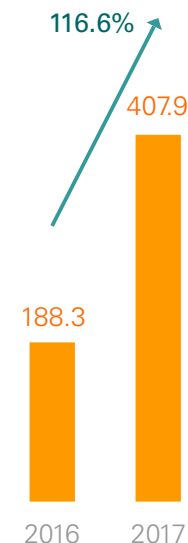
Capex

Capex made in 2017 totaled US\$42 million, with US\$19 million invested in the Atlanta Field and US\$22 million in acquisition and analysis of seismic data for the blocks in the 11th Round of ANP Bidding.

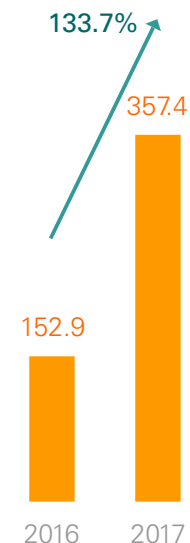
General and administrative expenses (R\$ million)



Ebitdax (R\$ million)



Net income (R\$ million)



We estimate that US\$70 million will be invested in 2018, an amount that includes US\$48 million for the Atlanta Field and US\$17 million in exploration activities, with US\$6 million aimed at activities in the Sergipe-Alagoas Basin and US\$5 million related to acquisition of seismic data for the blocks acquired in the 11th Round of ANP Bidding.

In 2019, we are planning to invest US\$30 million in the Definitive System to be implemented in the Atlanta Field, an amount corresponding to 65% of the total Capex planned for the year. The remaining amount corresponds to the start of exploratory drilling in Block CAL-M372.



Capex 2017-2019

2017
US\$42 MM

US\$19 MM
Atlanta Field

US\$22 MM
in acquisitions of
seismic data for
11th Round blocks

2018
US\$70 MM

US\$48 MM
Atlanta Field

US\$17 MM
in exploration
activities

2019
US\$46 MM

US\$30 MM
Atlanta Field

US\$11 MM
in exploration
activities

Cash position and indebtedness

We ended 2017 with a cash balance of R\$2 billion, above the R\$1.3 billion figure for 2016. Currently, 100% of our resources are invested in instruments denominated in Brazilian reals. On December 31, 2017, the average annual return on these investments was 102.1% of the Interbank Certificate of Deposit (or CDI, its acronym in Portuguese) and 78% of funds had daily liquidity.

Our debt is made up of financing from the Funding Authority for Studies and Projects (*Financiadora de Estudos e Projetos – Finep*) and lines of credit from Banco do Nordeste do Brasil. Total indebtedness on December 31, 2017, was R\$325.2 million, compared to R\$359.7 million at the end of 2016, reflecting payments made to the Finep, which began in September 2016.

The net cash position on December 31, 2017 was R\$1.7 billion.

Return on QGEP shares vs Ibovespa (Base 100)



QGEP performance x Ibovespa 2017

Share appreciation

The QGEP share price (B3: QGEP3) ended 2017 at R\$10.75, with a market value of R\$2.9 billion, which indicates a 96% increase in relation to the share price on December 31, 2016, while the main B3 index, the Ibovespa appreciated by 27% in this same period.

At the end of 2017, the Company was covered by nine investment analysts, representing banks and national and foreign brokers. Among these analysts, the recommendation of buy was given by three, hold by four and sell by two. The highest target price for the Company's shares was R\$13.60, and the lowest was R\$6.50, with an average target price of R\$9.49 per share.

In 2017, QGEP was listed in the theoretical IBrX-100 portfolio until the month of August. Participation in this index can contribute to increased liquidity of Company shares and raise the visibility of securities among capital market analysts in Brazil and abroad. The IBrX-100 is revised every four months.

Environmental security [103-2](#) [103-3](#)

We are committed to working transparently, minimizing environmental impacts and taking actions to prevent, mitigate and control the adverse impacts of our activities on the environment. In this sense, in 2017 we held an ecology hike in Tijuca National Park, in Rio de Janeiro, to celebrate World Environment Day. The event was attended by employees and their families and served as a chance for group integration outside of the company. The group crossed three kilometers on the Cachoeira das Almas Trail. At the end of the hike, which was led by a guide, members took part in a workshop on planting techniques and took home herb seedlings to grow.

During the year, we also worked on actions to prepare for the start-up of Atlanta EPS installation and operation activities, meeting the environmental licensing requirements of the General Coordinator for Environmental Licensing of Maritime and Coastal Ventures of the Brazilian Institute of the Environment and Renewable Natural Resources (or CGMAC/Ibama, its acronym in Portuguese) for this activity. Installation License No. 1103/16 was renewed, with renewal issued on October 26, 2017 and valid until October 16, 2019. With start-up on the installation phase in September 2017, environmental products were developed as a condition of Installation License No. 1103/16. During this phase, we also proactively began the Project to Monitor Impacts of the Early Production System of the Atlanta Field on Bird Life (or PMAVE, its acronym in Portuguese).

To enhance knowledge of oceanographic phenomena that influence the region in the Foz do Amazonas, Pará-Maranhão, Barreirinhas and Ceará Basins, in conjunction with other oil companies that hold exploratory blocks in these basins, we take part in the Metocean project – a one-year campaign to acquire meteoceanographic data. Meteorological moorings and buoys were installed in September 2016 and the campaign to remove this equipment ended in October 2017. Data collected are currently being analyzed and will provide up-to-date hydrodynamic information for the region.

Our focus on sustainability is furthermore expressed through actions to rationally and efficiently use resources. Our actions related to waste management are available on the intranet and on channels such as Jornal Mural, a newsletter, and they are discussed at quarterly HSE meetings. The service providers that clean the office have been trained on this topic. Likewise, all workers involved in Early Production System activities for the Atlanta Field undergo environmental training, which includes topics related to appropriate waste management.

With the start of installation activities at Atlanta and the operation to cut and remove the conductor pipe from the bottom of the sea in Block BM-J-2 – done in 2017, even though the block is no longer part of our portfolio – a greater volume of waste was generated the previous year than in the two preceding years, when there were no operational activities. This information can be found below, along with the discarded volume of effluents.

Total hazardous waste generated by disposal method [306-2](#)

Generating asset	Disposal method	Weight (kg)
BS-4	Depressurization/decharacterization	10
	Treatment station	7,550
	Reprocessing	535
	Re-refining	8,730
	Industrial landfill	1,621
	Cleaning/decontamination	539
	Processing	2,335
	On-site storage	6,722
BM-J-2	Treatment station	5,990
	Processing	155
	Cleaning/decontamination	45
	Re-refining	1,070
Total		35,302



Along with other operators, QGEP participates in the Metocean project – a campaign to acquire data to enhance knowledge of the Foz do Amazonas, Pará-Maranhão, Barreirinhas and Ceará Basins

Total non-hazardous waste generated by disposal method [306-2](#)

Generating operation	Disposal method	Weight (kg)
BS-4	Recycling	15,819
	Landfill	1,802
	On-site storage	1,956
BM-J-2	Recycling	3,055
	Landfill	60
	Composting	10
Office – RJ	Recycling	1,531
	Landfill	3,876
Total		28,108

 Hazardous waste (as defined by Brazilian law at the generation site) [306-4](#)

Disposal method	Weight (kg)
Decharacterization ¹	10.00
Effluent treatment station ²	13,450.00
Reprocessing ¹	535.00
Industrial landfill ¹	1,621.00
Re-refining ²	9,800.00
Decontamination ²	584.00
Processing ²	2,490.00
Temporary storage ¹	6,722.00
Total	35,302.00

1. Waste from BS-4.

2. Waste from BS-4 and BM-J-2

 Total volume of planned water discharges – in m³ [306-1](#)

Generating unit	Type of planned discharge	Volume of water discharged (m ³)	Destination of discharged water ¹
BS-4			
Treatment done onboard the AHTS Far Sagaris/ AHTS BOSTurmalina/ PLSV Skandi Niterói vessels	Oily water ²	66.10	Sea
BS-4			
Treatment done onboard the AHTS Far Sagaris/ AHTS BOSTurmalina/ PLSV Skandi Niterói vessels	Sanitary effluents ³	511	Sea
BS-4			
Material landed from the AHTS Far Sagaris/AHTS BOSTurmalina/PLSV Skandi Niterói vessels for treatment on land Amount listed in kg, pursuant to environmental law	Oily water	7,550	Effluent Treatment Station
BM-J-2			
Treatment done onboard the Olin Conqueror vessel	Sanitary effluents ³	30	Sea

1. Water not reused by another organization.

2. Quality of discarded water: Oil & Grease < 15 ppm.

3. Quality of discarded water: according to Conama Resolution No. 357/05.

Water consumption of BS-4 vessels [303-1](#)

Vessel	Water sources	Quantity (m³)
AHTS Far Sagaris	Municipal water supply or other water supply companies	824.00
AHTS BOS Turmalina		454.00
PLSV Skandi Niterói		1,010.00
Total		2,288.00

Energy [103-2](#) [103-3](#) [302-1](#) [302-2](#) [302-3](#) [302-4](#)

In 2017, we consumed a total of 131,965 GJ (energy consumed within the organization). Compared to previous years (2014: 502,160 GJ; 2015: 1,534 GJ; and 2016: 46,171 GJ) and considering that over 90% of our emissions come from operational activities, an abrupt drop can be seen in 2015 and 2016, precisely because these are periods with little operational activity. While a gradual increase in 2017 is the result of ramping up of operational activities, related to installation of pipelines and undersea equipment as part of the Early Production System (EPS in the Atlanta Field, Block BS-4, Santos Basin). Two AHTS-type support vessels were used for these activities along with one PLSV-type pipe laying vessel in 2017.

For 2018, there will likely be a considerable increase in energy consumption and, consequently, in emissions; this is due to the arrival of the FPSO Petrojarl I and the start-up of the Atlanta operation.

External energy consumption (outside of the organization) totaled 20,519 GJ, distributed as follows: goods and services acquired, 18,182 GJ; business travel, 2,333 GJ; and waste generated by operations, 4 GJ. This rate is higher compared to last year, when external consumption was 1,798.46 GJ, based on the same reasons that led to growth of internal consumption.

Our rate of energy intensity for the year was 1,240 GJ per employee. For the purpose of calculation, total consumption of fuel and electricity were considered, keeping in mind that of these totals, 87% was consumed within the organization and 13% externally.

		Unit of measure
Energy consumption inside the Company	131,965.00	GJ
Energy consumption outside of the Company*	20,518.71	GJ

* AHTS Far Sagaris, AHTS BOS Turmalina and PLSV Skandi Niterói.

Energy intensity

Approach	Rate	Formula for calculation	Unit of measure
Inside the Company	1,073	131,965.00 GJ/ 123 employees	GJ/employee
Outside the Company	167	20,518.71 GJ/ 123 employees	GJ/employee
Inside and outside the Company	1,240	152,483.00 GJ/ 123 employees	GJ/employee



Intensity of emissions (tCO₂e/man-hour worked)

2017
0.01974704

2016
0.00838496

2015
0.00054248

By maintaining operational activity, energy consumption and emissions rose substantially. However, when considering the last three years, 2016 had little operational activity and 2015 had no operational activity. In 2017, a spike was seen due to the reasons explained above.

There is a practically null year-over-year increase of 0.63% in energy consumed in GJ in 2017. Measures adopted to reduce consumption were therefore effective, since despite the increase, the number of employees, considering company workers and contractors, was higher than in 2016, which impacted the result because of more intensive use of computers, laptops and work station lighting.

Emissions [305-4](#) [305-5](#) [305-6](#) [305-7](#)

Our rate of emissions intensity is calculated in tons of tCO₂e (numerator) per man-hour worked (denominator). It is the result of the sum of hours worked by employees (company workers and contractors) during the year, considering the Rio de Janeiro (RJ) and Salvador (BA) offices and the activities of Block BS-4. Because we did not maintain operational activities in 2015, only man-hours worked in offices were considered. In 2016 and 2017, hours from activities related to BS-4 were included.

In relation to the years where there was intense operational activity, the indicator shows a sharp drop due to the fact that emissions rose considerably. Regarding 2015, a year when we had no operational activity, the indicator was higher, that is, intensity varied from 5.4×10^4 tCO₂e/man-hour worked to 83.8×10^4 tCO₂e/man-hour worked in 2016 – when we executed some operational activities. In 2017, with the support vessels and PLSV Skandi Niterói, this indicator also increased, reaching 1.97×10^2 tCO₂e/man-hour worked.

Also in 2017, there were no emissions of ozone depleting substances (ODS). We have adopted the GHG emissions factors available in literature and based on recognized and revised data, prioritizing emission factors that are local, recent and reflect the technology type for the activities in our value chain.

Because there were no operations in 2015, we did not monitor the indicator for this year. Ozone depleting substances are not used at offices. Despite some operational activity in 2016 and 2017, there were no emissions. Gasses consumed were hydrofluorocarbons (HFC), as an alternative to chlorofluorocarbons (CFC), because they do not contain chlorine and are therefore not prejudicial to the ozone layer.

- **R404A:** 68 kg (used to recharge the climate control system) – fugitive emissions/Scope 1
- **R407C:** 73 kg (used to recharge the climate control system) – fugitive emissions/Scope 1
- **R134A:** 5 kg (used to recharge the climate control system) – fugitive emissions/Scope 1

We encourage the use of cleaner technologies through contracts with our suppliers, which include guidelines for avoiding ODSs. Moreover, we control and monitor emissions using eClimas by Way Carbon, which is specific emissions management software.

In relation to NO_x, SO_x and other significant emissions, there was a substantial increase in 2017, which was also due to the activities concerning the two support vessels and the PLSV Skandi Niterói.

In addition to monitoring our rates of emissions, we keep tabs on national and international discussions regarding the transition to a low carbon energy model.

Biodiversity [OG4](#) [304-1](#) [304-2](#) [304-4](#)

We draft environmental studies for all of our operational activities, which identify and assess impacts on biodiversity. During the installation phase in the Atlanta Field, we proactively implemented the Project to Monitor the Impacts of the Early Production System of on Bird Life (PMAVE), aimed at keeping a record of all incidental events involving debilitated, injured or dead birds found at the maritime facilities associated with the EPS. It is also aimed at identifying agglomerations of bird life at these structures, while defining and executing, when necessary, procedures to capture, collect, transport or manage bird life in order to guarantee the welfare of the animals and the safety of the team and operation. This practice is in line with the Fauna Protection Plan (or PPAF, its acronym in Portuguese), the goal of which is to map priority areas and establish strategies to protect wildlife in relation to occurrences such as oil leaks, for instance.

Climate change [102-12](#) [102-13](#)

Since 2012, we have completed the annual questionnaire from the Carbon Disclosure Program (CDP) – an international organization that provides the largest and most complete global environmental reporting system. Over recent years, we have enhanced our atmospheric emissions management processes and, in addition to the annual inventories that have been drafted since 2011, we perform third-party verification. We have software that automates the collection of information and monitors indicators and we also create monthly reports on indicators, including GHG emissions. In association with the GHG Protocol, we make our inventory available in the public record of emissions. We recently began discussions on the use of internal carbon pricing, in an effort to get ahead of government policy. We also monitor risks associated with climate changes and maintain periodic measures to manage these risks.

Because we understand how important this topic is, we were a sponsor of the Climate Change and Impact on Society: a Geological Perspective workshop, organized by the Brazilian Petroleum, Gas and Biofuels Institute (IBP) and by the Brazilian Association of Petroleum Geologists (ABGP), held in March, in Rio de Janeiro, to debate Greenhouse Gas (GHG) emissions.

Risks related to climate change with the potential to impact activities, revenue or expenses [201-2](#)

Risk classification	Description of risk	Potential direct impacts of the risk	Management measures used
Regulatory	New regulations for atmospheric emissions that can be generated by the ANP and Ibama, in relation to burning of gas or oil. Restrictions on burning gas may occur, which will lead to reduced production.	Reduced company revenue due to paralyzation of production activity.	Monitoring of changes as a result of laws and participation on IBP subcommittees.
Physical	Temporary paralyzation of activities as a result of adverse meteorological conditions (wind, currents, waves).		Perform risk analyses at all project phases, always looking to foresee and mitigate consequences.
Financial	Higher production costs as a result of payment of new fees, taxes and penalties, for instance, for environmental compensation due to atmospheric conditions or because of a penalty for non-compliance with a legal requirement.	Lower profit margin for the company as a result of higher fees related to production activity (increased Opex).	Monitor changes resulting from legislation, in order to avoid payment of penalties and fees or taxes that are not included in the budget.

Although we do not adopt formal mitigation or compensation measures, our Sustainability Committee meets from time to time to discuss actions related to the inventory and reduction of CO₂ emissions, carbon credits, climate change and other issues related to the environment. During this current phase, when we are planning to start up oil production in the Atlanta Field, there are not yet any initiatives and investments in renewable energies. For record keeping and monitoring of our emissions, we use the eClimas software, allowing for real-time visualization of the inventory. [063](#)

GHG emissions (in tCO ₂ e)* 305-1 305-2 305-3	2017	2016	2015
Direct GHG emissions (Scope 1)	10,220.97	3,365.50	29.6
Indirect GHG emissions (Scope 2)	30.41	25.6	37.8
Indirect GHG emissions (Scope 3)	1,550.82	132.6	119

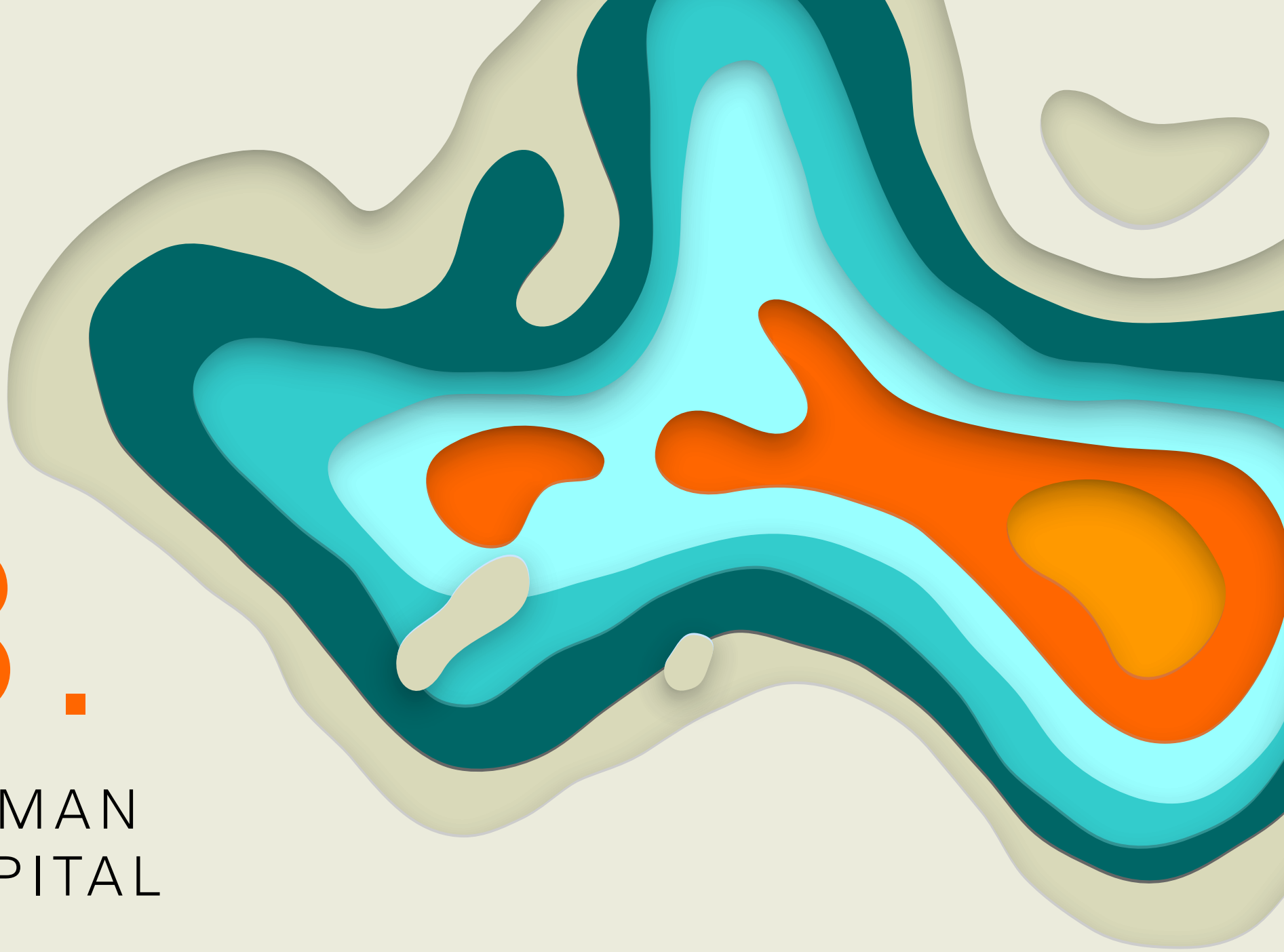
* Gasses included in the calculation: CO₂, CH₄, N₂O, HFC, PFC and SF₆.
Scope 1: Mobile Combustion and Fugitive Emissions/Scope 2: Acquisition of Electricity/Scope 3: Goods and Services Acquired, Waste Generated in Operations, and Business Travel.
Approach by operational control.
Methodologies adopted: NBR ISO 14064:2007, ABNT | GHG Corporate Protocol – PBGHGP – FGV | FGV/GVces; WRI, 2011.
Conversion factor sources: ABNT – NBR ISO 14064-1 | FGV/GVCES – WRI | GHG Protocol | 2006 IPCC Guidelines for National Greenhouse Gas Inventories | UKDEFRA – Greenhouse gas conversion factors for company reporting: 2012 guidelines | United Kingdom Department of Environment, Food and Rural Affairs, 2012.
Conversion factors from the GHG Protocol spreadsheets, 2017.

	2017	2016	2015
Biogenic emissions (burning or biodegradation of biomass) in tCO ₂ e	33.86	5.63	3.97



3.

HUMAN
CAPITAL



Personnel management

[102-8](#) [103-2](#) [103-3](#) [401-1](#)

Our workers are encouraged to enhance their knowledge by participating in courses and specialization programs, in addition to internal programs, such as Leader Development. Along with this, they receive a special package of benefits

A successful company is genuinely made up of people committed to the business. That is why we have qualified professionals with experience in the oil and gas market in Brazilian and international basins. At the end of 2017, there were 123 employees, of whom 69 were men and 53 were women under contracts with an indefinite term and one man under a fixed term contract. When contractors are included, the staff totals 159 people, with 96 men and 63 women.



Employees by contract type

	Total	Women (No.)	Men (No.)
Indefinite term	122	53	69
Fixed term	1	0	1
Total	123	53	70

Employees by employment type

	Total	Women (No.)	Men (No.)
Consolidated Labor Laws (CLT)	121	53	68
Statutory	2	0	2
Internship	4	0	4

Outsourced employees by region

	Total	Women (No.)	Men (No.)
Northeast	2	1	1
Southeast	157	62	95
Total	159	63	96

Employees by work contract and gender

	Total	Women (No.)	Men (No.)
Company employees	127	53	74
Third-party employees	32	10	22
Total	159	63	96

Employees by job category [405-1](#)

	2017		2016	
	Men (No.)	Women (No.)	Men (No.)	Women (No.)
Executive Board	2	1	2	1
Management/coordination/supervisory	23	11	24	11
Technicians	25	10	25	10
Analysts and other	20	31	20	35
Total	70	53	71	57



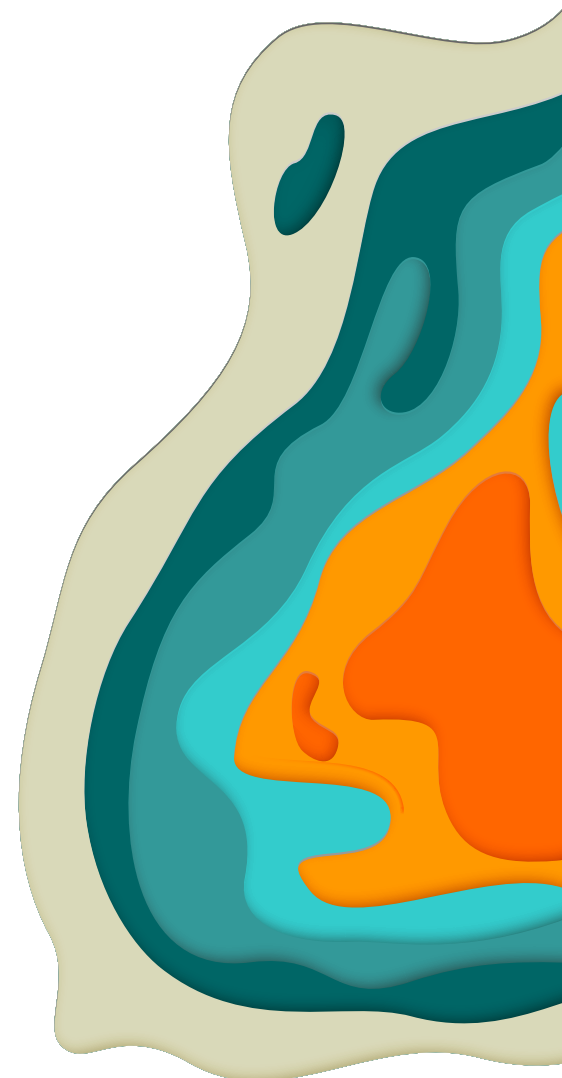
Education

- 33% MBA
- 31% B.S.
- 28% M.S.
- 8% PhD



Experience

- 38% over 30 years
- 8% 21 to 30 years
- 20% 11 to 20 years
- 34% 10 years



To keep the staff qualified, we held a training session during the year aimed at mapping the psychological profile of each staff member, geared towards improving personal and professional relations and, as a result, the workplace. Application of the Myers-Briggs Type Indicator (MBTI) tool began with a survey whose results indicated individuals' different characteristics, their strengths and aspects that could be further cultivated for their development. Seven professionals identified as having high potential took part in a talent development project aimed at self-awareness, in an effort to achieve professional and personal growth. The process ended with construction of a plan of action to continue the initiative.

Three years ago, all of our employees also underwent performance evaluations, which are a three-stage process: self-assessment, manager evaluation and feedback. Aspects related to practical application of our Values, sustainability, health, safety and the environment, individual skills and competencies were covered. Finalization of the performance evaluation for 2017 is set for the end of January 2018. [404-3](#)

In addition, the Goal Plan is launched at the start of each year, for which we use an online tool similar to the tool used for the performance evaluation, where employees complete at least three and at most seven goals, relying on material support to achieve them.

We also encourage enhancement of skills through actions such as defraying 100% of the costs of technical and behavioral training received in-company or at outside institutions. We moreover reimburse 80% of course costs for professionals studying for undergraduate and graduate degrees or taking language courses.

Other training programs are continually conducted, including Leader Development, where in-company behavioral training is done by institutions recognized in the market; Talent Development (High Potential), where groups recommended by managers and directors take advantage of coaching and self-awareness sessions; and Knowledge Diffusion, where employees recommended by managers and directors present their technical areas to the rest of the company in an effort to achieve alignment.

All of these actions during the year totaled and average of 59.34 training hours per professional, with an average of 40.14 hours per woman and 73.17 hours per man. [404-1](#)

Job category	Total employees (units)			Available training hours			Average hours attended		
	Men	Women	Total	Men	Women	Total	Men	Women	Total
Gender	70	53	123	5,495.25	2,207.25	7,702.50	78.50	41.65	120.15
Age – under 30	5	7	12	1,339.50	396.50	1,736.00	267.90	56.64	324.54
Age – 30 to 50	34	43	77	2,832.00	1,768.25	4,600.25	83.29	41.12	124.42
Age – over 50	31	3	34	1,323.75	42.50	1,366.25	42.70	14.17	56.87
Executive Board	2	1	3	4.00	4.00	8.00	2.00	4.00	6.00
Management/coordination/supervisory	23	11	34	469.50	376.00	845.50	20.41	34.18	54.59
Technicians (engineers and geologists)	25	10	35	2,084.00	675.75	2,759.75	83.36	67.58	150.94
Analysts (others)	20	31	51	2,937.75	1,151.50	4,089.25	146.89	37.15	184.03

Compensation and benefits [405-2](#) [201-3](#)

Our workers rely on a range of benefits, including a private pension plan, in which we invested over R\$1.2 million in 2017. Employee participation is voluntary and all workers are informed of criteria during the orientation process. They contribute up to a limit of 12% of their earnings, with the company matching up to 4%.

Ratio of basic salary and remuneration between men and women (R\$)

	Women/men ratio (average remuneration)	Women/men ratio (basic salary)
Directors	0.74	0.74
Management/coordination/supervisory	0.65	0.66
Technicians (engineers and geologists)	0.71	0.68
Analysts (others)	1.01	0.92
Total	0.72	0.71

Administrative units	Regular benefits extended to full-time employees 401-2
RJ and BA	Life insurance
	Health insurance
	Maternity/paternity leave
	Pension fund
	Employee stock purchase plan
	Others

The Collective Bargaining Agreement contains a clause regarding a salary supplement granted by the INSS (Brazil's Social Security agency) for up to 12 months of leave.



Maternity/paternity leave 401-3	Number of women	Number of men
Total number of employees entitled to maternity/paternity leave	53	70
Total employees that took maternity/paternity leave	6	2
Total employees that returned to work after taking maternity/paternity leave	6	2
Total number of employees that returned to work after maternity/paternity leave and remained employed 12 months after returning*	1	0

* Some employees have yet to complete 12 months since returning to work after taking maternity/paternity leave.

	Total employees	Total employees benefited by organization policies, agreements or contracts that contain maternity/paternity leave rights	Percentage of employees benefitted by organization policies, agreements or contracts that contain maternity/paternity leave rights (%)
Men	70	70	100
Women	53	53	100

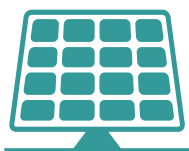
	Rate of return to work ¹		Rate of retention ²	
	Women	Men	Women	Men
	100	100	16.7	0

1. Some employees have yet to complete 12 months since returning to work after taking maternity/paternity leave.

2. All men who took paternity leave returned to work in 2017.



Out of all professionals on our team, 33% hold an MBA and 38% are over age 30



Supportive Energy is the name of the group formed during the year to create an internal volunteer program in line with SDGs

The oil and gas market is quite distinct in relation to gender. It is a predominantly male industry that has seen a rise in gender parity over the last decade. Nevertheless, it will still take some time for there to be an equal number of experienced women to men. Our staff of technical coordinators and managers is therefore made up of highly qualified men with over 35 years of experience. This profile is the reason for the imbalance in the men/women ratio. If we exclude technical professionals with over 35 years of experience from the calculation, we find a greater balance, since we only consider competency when deciding on compensation for our employees.

Private pension investments (R\$)	2017	2016
QGE ¹	1,183,493.72	1,299,824.85
QGEPP ²	93,535.26	92,826.56
Total	1,277,028.98	1,392,651.41

1. Queiroz Galvão Exploração e Produção S.A.
2. QGE Participações S.A.

Health and inclusion

Our entire team has access to clinical and lab exams in order to prevent illnesses and control their health. Employees in management positions and all employees over the age of 45 – regardless of hierarchical position – have access to a full yearly check-up, where over 20 exams are performed in a single day.

People with disabilities are assured suitable access to facilities and adapted restrooms and we also maintain wide hallways to allow for safe movement. This commitment to inclusion is guaranteed in the Integrated Management System Policy (SGI) and in the Code of Conduct, as well as being covered by the Global Compact, to which we are a signatory.

Volunteerism

We encourage employees to engage in corporate volunteering. Following seven years of developing institutional initiatives, in 2017 we undertook the challenge of creating our own Volunteer Program. In partnership with the Argilando NGO, we organized and trained a group of 11 employees, which we call Supportive Energy (*Energia Solidária*). Their mission is to create a pilot project in line with our institutional guidelines and Sustainable Development Goals (SDGs).

Along these same lines, during the year we signed a partnership agreement with the Brazilian Petroleum, Gas and Biofuels Institute (IBP), Junior Achievement and the Rio de Janeiro State Education Secretariat, to apply the Entrepreneurial Trail – Advantages (*Trilha Empreendedora – Vantagens*) volunteer program to keep kids in school. There were over 1,500 high school sophomores/tenth graders and 83 volunteers, six of whom were part of our team. The Entrepreneurial Trail Project should be expanded in 2018.

We also continued the Letter & Career (*Carta & Carreira*) Project, in partnership with the Atados NGO, which took place in 2016 with the hiring of a young apprentice from the project. We also promoted actions such as the Sweater Drive, which in 2017 raised 2,227 items and included four institutions in the state of Rio de Janeiro.

(Read more about volunteerism in the Social Performance chapter. Information related to employee health and safety can be found in the Business and Operating Model block, under the HSE item.)

Social performance

Care for the communities neighboring our operations is provided through support for social and environmental projects, strict compliance with health and safety standards and impact assessments in relation to our activities

We are a socially responsible company and we establish ethical relationships with the communities in the areas where we operate, investing in socio-environmental projects and in management practices that help to minimize impacts of operations. We are also a signatory to the Global Compact and a member of the GHG Protocol. [102-12](#) [102-13](#)

Because we believe in collaborative work, we encourage our workers to participate in associations, operational committees and other organizations that cover topics related to social and environmental responsibility, such as the Brazilian Petroleum, Gas and Biofuels Institute (IBP), National Organization of the Oil Industry (Onip), the Federation of Industries of the State of Rio de Janeiro (Firjan), the Brazilian Association of Petroleum Geologists (ABGP), the Society of Petroleum Engineers (SPE) and the Brazilian Society of Geophysics (SBGf). [103-2](#) [103-3](#)

In addition, we include clauses related to compliance with labor and environmental laws in contracts with suppliers and service providers, as well as performance criteria related to aspects of health and safety. Partners affirm their awareness of and are compliant with the guidelines of the SA 8000 Social Accountability Standard, the Universal Declaration of Human

Rights, the United Nations Convention on the Rights of the Child, and International Labour Organisation (ILO) Conventions and Recommendations.

HSE and social responsibility goals, targets and programs are moreover compatible with the Integrated Management Policy – which covers minimization of environmental impacts – and are revised or reassessed by Upper Management on an annual basis. They undergo assessment at SGI Critical Analysis Meetings to ensure suitability. In 2017, we therefore mapped civil society organizations connected to small-scale fishing and environmental education projects in the Atlanta Field's area of influence, in order to learn about and better understand the dynamic of these regions. Needs and the current projects developed were refined, as were organizations operating in this area. Information will be compiled in a management document which will support choice and decision processes.

During the year, we also continued to monitor our main stakeholders in the equatorial margin in relation to our operations in Blocks FZA-M-90/PAMA-M-265/PAMA-M-337. In Atlanta, we have already begun interference with communities in the area of influence and mitigating projects will be implemented.

Likewise, social and environmental impact assessments are conducted when creating studies for all activities in which we act as operators. Projects are public documents and are available at the environmental licensing agency. When applicable, environmental impact reports (or Rimas, as they are known in Brazil) are distributed to stakeholders in the area of the activity's influence. In 2017, development programs based on local community needs were only developed in Manati – the Operator is Petrobras.



Our suppliers must remain aligned with a series of guidelines and international agreements



Demands received from communities, by e-mail and by phone, are processed until a satisfactory response is provided



To generate value for our stakeholders, we set aside R\$1.95 million every year to support sports, culture and health projects

We take proactive action in community relations to therefore learn about, respond to and meet the demands of the communities surrounding our units. In addition to the process related to environmental licensing, as a practice we maintain accessible channels, foster open dialog and provide precise and clear information. All demands received are processed until the response is considered satisfactory. There is a channel for direct contact by phone and by e-mail. The hotline takes collect calls and is available during business hours. No grievances or complaints were received from local communities in 2017.

Our exploration activities are licensed under the auspices of CGMAC-Ibama, following creation of a specific environmental study that considers the social and environmental impacts on traditional local communities, such as dispute for maritime space and small-scale fishers. At the end of 2017, no disputes had been registered between the company and the communities neighboring our operations. Any occurrence of this kind that is received is classified as significant, it is registered and it is processed.

Based on a commitment to the safety and advancement of communities in relation to respect for human rights and preservation of natural resources, local culture and their values, our management of environmental impacts, mitigation and compensatory measures, social and environmental projects and relationship channels are integrated and systemic. We therefore seek to achieve satisfactory economic results and generate value for stakeholders.

Notable among initiatives along these lines are those developed under the auspices of federal tax incentive laws, such as the Sports initiative, Audio-Visual initiative, Child and Adolescent initiative, Pronon (oncology)/Pronas (people with disabilities) and the Elderly Fund. These provisions allow us to conduct projects in which we invested record funds in 2017: R\$1.95 million, which will make the following actions viable in 2018: [201-4](#)



Sea Ahoy (Mar à Vista) (Audio-Visual Act) – a documentary series that will feature five episodes, looking at major current issues involving the ocean in Brazil, based on UN Sustainable Development Goal number 14 – conserve and sustainably use the oceans, seas and marine resources for sustainable development. The series, which will be shown on TV Cultura and GloboPlay, will feature partnerships with Unesco, the Brazilian Navy, Oceanfilmes and France Press. It will also be shown at outdoor viewings to communities in the Atlanta Field's area of influence.

Volleyball Network (Vôlei em Rede) – Rio de Janeiro (RJ) (Sports Act) – a continuing sports education project developed with municipal schools that has served over 1,100 public school students since 2010. Its partner is Instituto Compartilhar and it operates in 19 public schools in the city of Rio de Janeiro.

Barretos Cancer Hospital (Elderly Fund) – a project geared towards free oncology care for the elderly at the Cancer Hospital in Barretos (SP), which is a reference in cancer treatment.

Hospital Pequeno Príncipe (Child and Adolescent Act) – funds make it possible for the institution located in Curitiba (PR) to provide cancer care for children.

Professional training program (Pronon) – a project involving healthcare workers across education levels – high school graduates and technical and college degree holders – from the Northern Rio Grande do Sul League Against Cancer (*Liga Norte Rio-grandense Contra o Câncer*), providing for development of team skills, attitudes and competencies, aimed at improving care.

Sustainable Development Goals (SDGs) [102-12](#)

We are part of a group of companies that analyzed and contributed to the public consultation for the Mapping the Oil and Gas Industry to the Sustainable Development Goals: Atlas document, through the Social Responsibility Commission of the Brazilian Petroleum, Gas and Biofuels Institute (IBP). This material was drafted for the international oil and gas industry and shows the targets most applicable to the industry under the auspices of the 17 Sustainable Development Goals (SDGs) launched by the Global Compact in 2015.



GRI content summary

This report has been prepared in accordance with the GRI Standards:

Comprehensive option [102-54](#) [102-55](#)



General disclosures	Item	Page	Omission	SDG	Global compact
GRI 101: Founded 2016					
Organizational profile					
GRI 102: General disclosures 2016	102-1: Name of the organization	10	-		
	102-2: Activities, brands, products, and services	10	-		
	102-3: Location of headquarters	65	-		
	102-4: Location of operations	11	-		
	102-5: Ownership and legal form	10	-		
	102-6: Markets served	10	-		
	102-7: Scale of the organization	12	-		
	102-8: Information on employees and other workers	40	-	8	6
	102-9: Supply chain	28	-		
	102-10: Significant changes to the organization and its supply chain	14 In 2017, we began to participate in Blocks SEAL-M-501 and SEAL-M-503, acquired in the ANP's 14 th Round of Bidding in September. Our 10% stake in Block BM-S-8 was sold to the Statoil company. In relation to the company's capital, neither the controlling shareholder nor the number of total and free float shares changed. At the end of the period, our shareholder base was made up of around 62% foreign free float shareholders	-		
	102-11: Precautionary principle or approach	20	-		
	102-12: External initiatives	37, 46 and 48	-		
	102-13: Membership of associations	23, 37 and 46	-		

General disclosures	Item	Page	Omission	SDG	Global compact
Strategy					
GRI 102: General disclosures 2016	102-14: Statement from senior decision-maker	6 and 8	-		
	102-15: Key impacts, risks, and opportunities	14 and 20	-		
Ethics and integrity					
GRI 102: General disclosures 2016	102-16: Values, principles, standards, and norms of behavior	11	-	16	10
	102-17: Mechanisms for advice and concerns about ethics	16	-	16	10
Governance					
GRI 102: General disclosures 2016	102-18: Governance structure	18	-		
	102-19: Delegating authority	18	-		
	102-20: Executive-level responsibility for economic, environmental, and social topics	18	-		
	102-21: Consulting stakeholders on economic, environmental, and social topics	18	-	16	
	102-22: Composition of the highest governance body and its committees	16 and 18	-	5 16	
	102-23: Chair of the highest governance body	18	-	16	
	102-24: Nominating and selecting the highest governance body	18	-	5 16	
	102-25: Conflicts of interest	16 Conflicts of interest are reported annually by May 31 under item 12.5 of the Reference Form, available at our website and on the website of Brazil's Securities and Exchange Commission (CVM)	-	16	

General disclosures	Item	Page	Omission	SDG	Global compact
Governance					
GRI 102: General disclosures 2016	102-26: Role of highest governance body in setting purpose, values, and strategy	14 and 18	-		
	102-27: Collective knowledge of highest governance body	18	-	4	
	102-28: Evaluating the highest governance body's performance	18	-		
	102-29: Identifying and managing economic, environmental, and social impacts	16 to 18	-	16	
	102-30: Effectiveness of risk management processes	16, 18 and 20	-		
	102-31: Review of economic, environmental, and social topics	18	-		
	102-32: Highest governance body's role in sustainability reporting	4 and 18	-		
	102-33: Communicating critical concerns	18	-		
	102-34: Nature and total number of critical concerns	We do not report on critical concerns communicated to the Board of Directors	-		
	102-35: Remuneration policies	Information on compensation policies is reported annually by May 31 under item 13 of the Reference Form, available at our website and on the website of Brazil's Securities and Exchange Commission (CVM)	-		
	102-36: Process for determining remuneration	Information on the process for determining compensation is reported annually by May 31 under item 13.1 of the Reference Form, available at our website and on the website of Brazil's Securities and Exchange Commission (CVM)	-		

General disclosures	Item	Page	Omission	SDG	Global compact
Governance					
GRI 102: General disclosures 2016	102-37: Stakeholders' involvement in remuneration	All employees are covered by Collective Bargaining Agreements and are invited to take part in the process that establishes the annual salary readjustment, with the agreement being approved by a general meeting called by the union	-	16	
	102-38: Annual total compensation ratio	5.8	-		
	102-39: Percentage increase in annual total compensation ratio	0.15	-		
Stakeholders engagement					
GRI 102: General disclosures 2016	102-40: List of stakeholder groups	4	-		
	102-41: Collective bargaining agreements	100% of employees are covered by collective bargaining agreements	-	8	3
	102-42: Identifying and selecting stakeholders	4	-		
	102-43: Approach to stakeholder engagement	4	-		
	102-44: Key topics and concerns raised	4	-		
Reporting practice					
GRI 102: General disclosures 2016	102-45: Entities included in the consolidated financial statements	3 and 17	-		
	102-46: Defining report content and topic Boundaries	4 and 5	-		
	102-47: List of material topics	4 and 5	-		
	102-48: Restatements of information	3	-		
	102-49: Changes in reporting	3	-		
	102-50: Reporting period	3	-		

General disclosures	Item	Page	Omission	SDG	Global compact
Reporting practice					
GRI 102: General disclosures 2016	102-51: Date of most recent report	3	-		
	102-52: Reporting cycle	3	-		
	102-53: Contact point for questions regarding the report	3	-		
	102-54: Claims of reporting in accordance with the GRI Standards	49	-		
	102-55: GRI content summary	49	-		
	102-56: External assurance	3	-		

Specific disclosures	Item	Page	Omission	SDG	Global compact
Economic performance					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	4 and 5	-		
	103-2: The management approach and its components	29	-		
	103-3: Evaluation of the management approach	29	-		
GRI 201: Economic performance 2016	201-1: Direct economic value generated and distributed	29	-	1 2 5 7 8	
	201-2: Financial implications and other risks and opportunities due to climate change	37	-		7
	201-3: Defined benefit plan obligations and other retirement plans	43	-		
	201-4: Financial assistance received from government	47	-		
Anti-corruption					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	4 and 5	-		
	103-2: The management approach and its components	16 and 20	-		
	103-3: Evaluation of the management approach	16 and 20	-		
GRI 205: Anti-corruption 2016	205-1: Operations assessed for risks related to corruption	Operations currently subject to assessment for risks related to corruption are: benefits granted (gifts, meals, travel, lodging, entertainment and urgency fees), philanthropic donations and sponsorships. Moreover, we carry out assessments of the reputations of intermediary agents with whom we intend to establish contractual relationships and who will act on our behalf, advocating for our interests	-	16	10

Specific disclosures	Item	Page	Omission	SDG	Global compact
Anti-corruption					
GRI 205: Anti-corruption 2016	205-2: Communication and training about anti-corruption policies and procedures	100% of upper management and 100% of employees were notified and trained in anti-corruption policies and procedures	-	16	10
	205-3: Confirmed incidents of corruption and actions taken	There were no confirmed cases of or court cases related to corruption in 2017	-	16	10
Environmental standards					
Energy					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	4 and 5	-		
	103-2: The management approach and its components	35	-		
	103-3: Evaluation of the management approach	35	-		
GRI 302: Energy 2016	302-1: Energy consumption within the organization	35	-	7 8 12 13	8
	302-2: Energy consumption outside of the organization	35	-	7 8 12 13	8
	302-3: Energy intensity	35	-	7 8 12 13	8
	302-4: Reduction of energy consumption	35	-	7 8 12 13	8 9
	302-5: Reductions in energy requirements of products and services	In 2017, there were no reductions in energy consumption in our activities	-	7 8 12 13	
Setorial supplement O&G – Energy 2016	OG2: Energy	We did not make investments in renewable and alternative energies in 2017	-		
	OG3: Energy	38	-		
Water					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	4 and 5	-		
	103-2: The management approach and its components	32	-		
	103-3: Evaluation of the management approach	32	-		

Specific disclosures	Item	Page	Omission	SDG	Global compact
Water					
GRI 303: Water 2016	303-1: Water withdrawal by source	35	-	6 8 12	7 8
	303-2: Water sources significantly affected by withdrawal of water	We did not withdraw water from significantly affected sources. Water used in operational activities comes from the public supply system	-	6 8	8
	303-3: Water recycled and reused	We do not use recycled water or reuse water	-	6 8 12	8
Biodiversity					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	4 and 5	-		
	103-2: The management approach and its components	32	-		
	103-3: Evaluation of the management approach	32	-		
GRI 304: Biodiversity 2016	304-1: Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	37	-	6 14 15	8
	304-2: Significant impacts of activities, products, and services on biodiversity	37	-	6 14 15	8
	304-3: Habitats protected or restored	There is no protected or restored habitat area around our installations	-	6 14 15	8
	304-4: IUCN Red List species and national conservation list species with habitats in areas affected by operations	37	-	6 14 15	8

Specific disclosures	Item	Page	Omission	SDG	Global compact
Emissions					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	4 and 5	-		
	103-2: The management approach and its components	32	-		
	103-3: Evaluation of the management approach	32	-		
GRI 305: Emissions 2016	305-1: Direct (Scope 1) GHG emissions	38	-	3 12 13 14 15	7 8
	305-2: Energy indirect (Scope 2) GHG emissions	38	-	3 12 13 14 15	7 8
	305-3: Other indirect (Scope 3) GHG emissions	38	-	3 12 13 14 15	7 8
	305-4: GHG emissions intensity	36	-	13 14 15	8
	305-5: Reduction of GHG emissions	36	-	13 14 15	7 8
	305-6: Emissions of ozone-depleting substances (ODS)	36	-	3 12 13 14 15	7 8
	305-7: Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	36	-	3 12 13 14 15	7 8
Efluentes and waste					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	4 and 5	-		
	103-2: The management approach and its components	32	-		
	103-3: Evaluation of the management approach	32	-		

Specific disclosures	Item	Page	Omission	SDG	Global compact
Efluentes and waste					
GRI 306: Effluents and waste 2016	306-1: Water discharge by quality and destination	34	-	2 3 6 12 13 14 15	8
	306-2: Waste by type and disposal method	33 and 34	-	2 3 6 12 13 14 15	8
	306-3: Significant spills	28	-	2 3 6 12 13 14 15	8
	306-4: Transport of hazardous waste	34	-	2 3 6 12 13 14 15	8
	306-5: Water bodies affected by water discharges and/or runoff	There are no bodies of water significantly affected by our discharges	-	6 12 13 14 15	8
	OG5: Efluentes and waste	26 Camamu-Almada Learn more about Manati	-		
	OG6: Efluentes and waste	26 Camamu-Almada Learn more about Manati	-		
	OG7: Efluentes and waste	There was no drilling activity in 2017. Therefore, there was no discharge of drill mud or cuttings	-		
Environmental compliance					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	4 and 5	-		
	103-2: The management approach and its components	32	-		
	103-3: Evaluation of the management approach	32	-		
GRI 307: Environmental compliance 2016	307-1: Non-compliance with environmental laws and regulations	We did not find any non-compliance with environmental laws and/or regulations during 2017	-	13 14 15 16	8
Supplier environmental assessment					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	4 and 5	-		
	103-2: The management approach and its components	28	-		
	103-3: Evaluation of the management approach	28	-		

Specific disclosures	Item	Page	Omission	SDG	Global compact
Supplier environmental assessment					
GRI 308: Supplier environmental assessment 2016	308-1: New suppliers that were screened using environmental criteria	29	-		2 3 4 5 8
	308-2: Negative environmental impacts in the supply chain and actions taken	28	-		2 3 4 5 8
Social standards					
Employment					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	4 and 5	-		
	103-2: The management approach and its components	40	-		
	103-3: Evaluation of the management approach	40	-		
GRI 401: Employment 2016	401-1: New employee hires and employee turnover	40	-	5 8	6
	401-2: Benefits provided to full-time employees that are not provided to temporary or part-time employees	43	-	8	
	401-3: Parental leave	44	-	5	6
Occupational health and safety					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	4 and 5	-		
	103-2: The management approach and its components	40	-		
	103-3: Evaluation of the management approach	40	-		

Specific disclosures	Item	Page	Omission	SDG	Global compact
Occupational health and safety					
GRI 403: Occupational health and safety 2016	403-1: Workers representation in formal joint management–worker health and safety committees	27	-		
	403-2: Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	12	-	3 8	
	403-3: Workers with high incidence or high risk of diseases related to their occupation	We do not have workers whose job or workplace is controlled by us that are involved in occupational activities with a high incidence or high risk of specific illnesses. Our 2017 Occupational Health Medical Control Program (or PCMSO, its acronym in Portuguese) found no activities with specific risk	-	3 8	
	403-4: Health and safety topics covered in formal agreements with trade unions	28	-	8	
Training and education					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	4 and 5	-		
	103-2: The management approach and its components	40	-		
	103-3: Evaluation of the management approach	40	-		
GRI 404: Training and education 2016	404-1: Average hours of training per year per employee	42	-	4 5 8	6
	404-2: Programs for upgrading employee skills and transition assistance programs	We did not maintain a transition assistance program	-	8	
	404-3: Percentage of employees receiving regular performance and career development reviews	42	-	5 8	6

Specific disclosures	Item	Page	Omission	SDG	Global compact
Diversity and equal opportunity					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	4 and 5	-		
	103-2: The management approach and its components	40	-		
	103-3: Evaluation of the management approach	40	-		
GRI 405: Diversity and equal opportunity 2016	405-1: Diversity of governance bodies and employees	19 and 41	-	5 8	6
	405-2: Ratio of basic salary and remuneration of women to men	43	-	5 8 10	6
Non-discrimination					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	4 and 5	-		
	103-2: The management approach and its components	40	-		
	103-3: Evaluation of the management approach	40	-		
GRI 406: Non-discrimination 2016	406-1: Incidents of discrimination and corrective actions taken	There were no incidents related to discrimination in 2017	-	5 8 16	6
Freedom of association and collective bargaining					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	4 and 5	-		
	103-2: The management approach and its components	40	-		
	103-3: Evaluation of the management approach	40	-		
GRI 407: Freedom of association and collective bargaining 2016	407-1: Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	We did not find any cases of significant risk to the exercise of freedom of association or violation of collective bargaining in supplier assessments	-	8	

Specific disclosures	Item	Page	Omission	SDG	Global compact
Child labor					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	4 and 5	-		
	103-2: The management approach and its components	40	-		
	103-3: Evaluation of the management approach	40	-		
GRI 408: Child labor 2016	408-1: Operations and suppliers at significant risk for incidents of child labor	17	-	8 16	
Forced or compulsory labor					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	4 and 5	-		
	103-2: The management approach and its components	40	-		
	103-3: Evaluation of the management approach	40	-		
GRI 409: Forced or compulsory labor 2016	409-1: Operations and suppliers at significant risk for incidents of forced or compulsory labor	17	-	8	
Supplier social assessment					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	4 and 5	-		
	103-2: The management approach and its components	28	-		
	103-3: Evaluation of the management approach	28	-		
GRI 414: Supplier social assessment 2016	414-1: New suppliers that were screened using social criteria	We did not find any social impact in management on supplier assessments. We do not use social due diligence; however, new suppliers are contracted using various social criteria, such as those listed in the HSE attachments and human rights	-	5 8 16	2
	414-2: Negative social impacts in the supply chain and actions taken	28	-	5 8 16	

Specific disclosures	Item	Page	Omission	SDG	Global compact
Socioeconomic compliance					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	4 and 5	-		
	103-2: The management approach and its components	46	-		
	103-3: Evaluation of the management approach	46	-		
GRI 419: Socioeconomic compliance 2016	419-1: Non-compliance with laws and regulations in the social and economic area	In 2017, no significant non-monetary penalties or sanctions were applied due to violation of laws and/or regulations in the social and economic area	-	16	
Setorial supplement – oil and gas					
Economic category					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	4 and 5	-		
	103-2: The management approach and its components	26	-		
	103-3: Evaluation of the management approach	26	-		
Reserves 2016	OG1: Volume and type of estimated proved reserves and production	26 Camamu-Almada Learn more about Manati	-		
Setorial supplement O&G Environmental category					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	4 and 5	-		
	103-2: The management approach and its components	32	-		
	103-3: Evaluation of the management approach	32	-		
Ecosystem services including biodiversity 2016	OG4: Ecosystem services including biodiversity	37	-		

Specific disclosures	Item	Page	Omission	SDG	Global compact
Setorial suplement O&G Social category					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	4 and 5	-		
	103-2: The management approach and its components	46	-		
	103-3: Evaluation of the management approach	46	-		
Involuntary resettlement 2016	OG12: Operations where involuntary resettlement took place, the number of households resettled in each and how their livelihood were affected in the process	No activity related to resettlement was carried out in 2017. We do not work with the expectation of performing any kind of resettlement of people as a result of operational activities	-		
Setorial suplement O&G Social category					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	4 and 5	-		
	103-2: The management approach and its components	27	-		
	103-3: Evaluation of the management approach	27	-		
Asset integrity and process safety 2016	OG13: Number of process safety events, by business activity	27	-		
Setorial suplement O&G Product responsibility category					
GRI 103: Management approach 2016	103-1: Explanation of the material topic and its boundary	4 and 5	-		
	103-2: The management approach and its components	27	-		
	103-3: Evaluation of the management approach	27	-		
Fossil fuel substitutes 2016	OG14: Volume of biofuels produced and purchased meeting sustainability criteria	We did not make investments in renewable and alternative energies in 2017	-		

Corporate information

QGEP 102-3

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