



Labyrinth
Management Group, Inc

Strategic Environmental, Safety & Health Solutions

**Annual Report on Consent Decree Compliance
During Calendar Year 2015
For
Transocean Operations
Conducted in Waters of the United States**

Prepared by:

**Lance S. Traves
Independent Consent Decree Compliance Auditor
Labyrinth Management Group, Inc.
239 South Court Street
Medina, OH 44256**

Submitted to:



**Transocean Deepwater, Inc.
Houston, Texas**

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Table of Contents

EXECUTIVE SUMMARY	III
1.0 INTRODUCTION	1
1.1 BACKGROUND INFORMATION	1
1.2 PREPARATION OF ANNUAL REPORT	2
1.3 INDEPENDENT AUDITOR'S ROLE	2
1.4 AUDITOR'S INDEPENDENCE	3
1.5 TRANSOCEAN'S COOPERATION AND TRANSPARENCY	3
2.0 METHODOLOGY AND SCOPE	5
2.1 REVIEW AND AUDIT TASKS	6
2.1.1 <i>Planning, Scoping, and Coordination Activities</i>	6
2.1.2 <i>Desk Audit Reviews</i>	7
2.1.3 <i>Review of Requested "Auditor Reference Materials"</i>	7
2.1.4 <i>Review and Audit Activities of the Houston Onshore office</i>	8
2.1.5 <i>Drilling Rig Field Audits</i>	9
2.2 CLASSIFICATION OF RESULTS	11
2.3 LIMITATIONS AND REPRESENTATIONS	12
3.0 FINDINGS	14
3.1 PUBLIC WEBSITE UNDERREPORTING OF OIL SPILLS FOR CY 2013 & CY 2014	14
3.2 LATE SUBMISSION OF TRAINING CLASS QUARTERLY SCHEDULE	15
3.3 ONE QUALIFIED WEEKLY RIG-BASED EMERGENCY REPOSE DRILL MISSED	16
3.4 LATE SUBMISSION OF ONE PRE-DEPLOYMENT BOP CERTIFICATION	17
3.5 LATE ERT MEMBER NOTIFICATION AND ASSIGNMENT OF TRAINING	17
3.6 DELAYED SUBMISSION OF CONFIDENTIALITY DISCUSSION DOCUMENT	18
4.0 CY 2015 OBSERVATIONS	20
4.1 CAMS PROGRAM SUBSEA PERSONNEL OEM-SPECIFIC BOP TRAINING	20
5.0 CY 2014 OBSERVATIONS FOLLOW-UP	22
5.1 RIG-SPECIFIC PROCEDURES	22
5.2 SAFETY CRITICAL DESIGNATED EQUIPMENT	23
5.3 COMPETENCE ASSESSMENT PROGRAM	24
5.4 LIST OF WELL CONTROL EQUIPMENT ON DRILLING RIGS	25
6.0 CONCLUSIONS	26
7.0 CERTIFICATION	27

**Appendix A: Summary of the Consent Decree and Performance Plan Requirements
Articles VI and VIII**

**Appendix B: Transocean Response to Independent Consent Decree Compliance Auditor
Annual Report for 2015**

EXECUTIVE SUMMARY

On February 19, 2013, Transocean Deepwater, Inc., Transocean Holdings LLC, and Triton Asset Leasing GmbH (herein after “Transocean”) entered into a Consent Decree with the United States (US) to resolve the Clean Water Act (CWA) and Oil Pollution Act (OPA) claims associated with the sinking of the Deepwater Horizon drillship and Macondo Well oil spill in the Gulf of Mexico. The Consent Decree required Transocean to retain an Independent Consent Decree Compliance Auditor (the “Independent Auditor”) to audit and report to the US each calendar year after the date of entry.

This report was prepared by Mr. Lance Traves with Labyrinth Management Group, Inc. (LMG) as the Independent Auditor’s annual report on Transocean’s compliance with the Consent Decree and an agreed-upon Performance Plan. A general summary of the requirements of the Consent Decree and Performance Plan is provided in Appendix A. The time period covered by this annual report is January 1, 2015, through December 31, 2015 (calendar year 2015).

The annual report is written as a summary of the identified exceptions to Transocean’s compliance (i.e., non-compliance) with the Consent Decree and Performance Plan. As an exception report, the detailed verification information on Transocean’s compliance with the large number of requirements specified in the Consent Decree and Performance Plan is not discussed.

METHODOLOGY AND SCOPE

The review activities and audit tasks used by the Independent Auditor to verify Transocean’s compliance with the Consent Decree and Performance Plan included five general components:

- Conducting planning, scoping, and coordination activities.
- Performing remote “desk audit” reviews of Transocean’s documents and information submitted to the US
- Reviewing a wide range of documents and information requested from Transocean as auditor reference materials that were not required to be submitted to the US
- Conducting a wide range of review and audit activities at Transocean’s US drilling operations office located in Houston, Texas.
- Performing field audits and inspections of Transocean’s drilling rigs operating in Waters of the US

The overall review, including auditing tasks and methods, was conducted in conformance with international auditing standards. Verification of Transocean's management system's compliance with Safety and Environmental Management System (SEMS) requirements was conducted consistent with federal regulations and Center for Offshore Safety (COS) guidance.

CALENDAR YEAR 2015 FINDINGS

Based on the results of the review and audit, Transocean was in full compliance with the large number of Consent Decree and Performance Plan obligations applicable to calendar year 2015, with the exception of the following six (6) deficiencies:

- Public website underreporting of oil spills to the waters of the US for CY 2013 and CY 2014. Specifically, eight (8) additional spills of less than 0.01 barrels (bbls) of oil occurred in CY 2014 and sixteen (16) additional very small spills of less than 0.01 bbls of oil occurred in CY 2013 that were not included in the reports Transocean posted on the public website. This underreporting was based on an employee error and the methodology used by Transocean to obtain oil spill information from the company's management system. After identifying the additional oil spills requiring reporting, Transocean promptly posted to the public website, the updated reports of Transocean's oil spills for CY 2013 and CY 2014.
- Late submission of an updated quarterly training course schedule to the US agency representatives. This updated schedule is to be specifically submitted within ten (10) days after the last day of March, June, September, and December of each year. The specific updated training schedule was due to the US by July 10, 2015. However, the submission was not made by Transocean until July 13, 2015. The late submission was the result of a Transocean employee oversight.
- Failure of one (1) rig to perform a weekly Emergency Response Drill that fully met the Consent Decree requirements during one (1) weekly time period. The missed "qualified" weekly Emergency Response Drill was the result of a one-time misunderstanding by Transocean personnel on a single rig.

The missed weekly Emergency Response Drill was a reoccurrence of a non-compliance finding in that missed weekly emergency drills also occurred in CY 2014. However, in the Independent Auditor's opinion, Transocean's management system and operational procedures were not a potential cause of the single missed drill. As corrective action, Transocean's onshore senior management clarified and reinforced the importance of performing "qualified" weekly Emergency Response Drills to the offshore senior managers [i.e., Masters and Offshore Installation Managers (OIM)] assigned to the rig.

- Late submission to the US of one (1) pre-deployment Blow-Out Preventer (BOP) certification. The time period associated with this late BOP certification was approximately two (2) days after the BOP was landed and latched to the well. Transocean had fully completed the Company's internal BOP pre-deployment verification process including Rig Manager signature prior to deployment of the BOP for the late submission.

The late BOP certification is a reoccurrence of a non-compliance finding associated with late BOP certifications that also occurred in CY 2014. However, in CY 2015 the delay in submission to the US was the result of a computer technology error related to the use of an iPad and an employee error that occurred at Transocean. Therefore, this reoccurrence does not appear to be a potential system problem with BOP certification submission process at Transocean.

- Late Emergency Response Team (ERT) member notification and assignment of oil spill and emergency response training. As part of Transocean's reorganization in CY 2015 the Vice President of Human Resources was appointed to the newly created position of Senior Vice President of Operations Integrity and HSE in June of 2015. The new Senior Vice President of Operations Integrity and HSE (New Senior Vice President) qualified as a replacement member of the ERT. However, this Transocean employee was not notified of this change and assigned his oil spill training obligation until September 14, 2015.

The late notification and assignment was the result of a Transocean employee oversight. As corrective action, Transocean established a new process whereby the Macondo Obligations team will be promptly notified by Human Resources when any potential change to an ERT position will be taking place due to corporate reorganizations, hires, or reassignments.

- Delayed submission of the confidentiality discussion document required for a Consent Decree document submitted to the US agency representatives. On May 14, 2015, when specific confidential Transocean documents were submitted for the Deepwater Asgard (DGD) drilling rig, the versions marked confidential were included but a supporting 14.c "discussion" document was absent. The late submission was the result of a Transocean employee oversight. As a corrective action, Transocean submitted the discussion document to the US. In addition, Transocean implemented a requirement that employees responsible for submissions have the submission reviewed by another employee no matter how routine the submission.

In the Independent Auditor's opinion, Transocean reported these Consent Decree non-compliance findings to the US in a timely and appropriate manner. In addition, the compliance deficiencies generally were not associated with Transocean's implementation and performance of the additional risk management provisions and programs for drilling operations required by the Consent Decree.

The deficiencies in CY 2015 were related to incomplete or late submissions of required information to the US, with exception of the failure to perform a single qualified weekly Emergency Response Drill. Furthermore, this deficiency was not a "systemic" problem but related to an unclear understanding by one (1) rig on what constituted a qualified weekly Emergency Response Drill.

In the Independent Auditor's opinion, these exceptions to the Consent Decree and Performance Plan compliance did not result in material deficiencies in Transocean's drilling rigs' Major Accident and Hazard Risk Assessments (MAHRAs) or operational oversight of drilling operations. In addition, based on the Independent Auditor's evaluation, the non-compliance findings do not indicate "systemic" management system deficiencies. Therefore, Transocean's current internal management system continued to comply with SEMS requirements in 30 CFR Part 250, Subpart S during CY 2015.

In accordance with Paragraph 22 of the Performance Plan, Transocean is to respond to any "deficiencies" noted in the Independent Auditor's draft report and develop a corrective action plan within 30 days of receipt of the draft report. The corrective action plan is then to be included with the final report that is to be submitted to the US by April 2, 2015.

Transocean's response to the identified compliance deficiencies for the calendar year 2015 is provided in Appendix B of this final report. This includes a discussion of the actions already undertaken and completed by Transocean or planned for implementation and completion to correct the identified compliance deficiencies.

CY 2015 OBSERVATIONS

During the review and audit, one (1) new observation was identified for inclusion in the CY 2015 Annual Report. As an observation, this finding was associated with practices, procedures, operations, or conditions that (1) do not represent a current compliance deficiency, but could potentially result in a future compliance deficiency or (2) represent potential process safety or drilling risk-management issues.

During CY 2015, Transocean records indicated that eight (8) Senior Subsea Supervisors and Subsea Supervisors had not completed CAMS-assigned specialized BOP maintenance training courses provided by the Original Equipment Manufacturers (OEMs) as of December 31, 2015. One of these eight did not complete this assigned training in 2014.

Transocean has developed and implemented a Competence Assessment Management System ("CAMS") to further ensure operational competence required by designated Transocean personnel that includes Drillers, Senior Subsea Supervisors, Subsea Supervisors, and Dynamic Positioning Officers. As part of CAMS, Transocean has assigned various specialized training courses for completion by these designated Transocean personnel, including the OEM's specialized BOP maintenance courses for Subsea Supervisors.

Transocean's training department has been working with the BOP OEMs in CY 2015 to address the availability of courses, course cancellations, and participant attendance issues. In addition, , Transocean has committed that all eight Senior Subsea Supervisors and Subsea Supervisors identified as lacking the assigned OEM BOP-specific training will have completed this training for their position by the end of March 2016. Meeting this CAMS training commitment will be subject to the Independent Auditor's review of CY 2016.

FOLLOW-UP ON CY 2014 OBSERVATIONS

As part of the CY 2015 review and audit, follow-up was conducted by the Independent Auditor on the observations noted in the CY 2014 Annual Report. Corrective actions and information related to selected CY 2014 observations are discussed in Transocean's CY 2014 Annual Report issued in April 2015. During CY 2015 Transocean also conducted additional actions for selected CY 2014 observations.

Based on the results of the review and audit, in the Independent Auditor's opinion, the CY 2014 Annual Report observations have been fully addressed by Transocean.

THE INDEPENDENT AUDITOR

US agency representatives approved Mr. Traves as Transocean's Independent Auditor on March 31, 2014. He is not an officer or employee of Transocean and has no executive, director, managerial, or supervisory role with Transocean. LMG and Mr. Traves have no other contracts with Transocean and have no other financial interest in Transocean that would or might be seen as impairing independence and objectivity.

TRANSOCEAN'S COOPERATION AND TRANSPARENCY

Transocean's senior management and all other company employees fully cooperated with the Independent Auditor during the review and verification of the company's compliance with the Consent Decree and Performance Plan. Transocean was also fully transparent regarding the information, documents, and observations used to verify compliance with the Consent Decree and Performance Plan for CY 2015. There is no reason to believe that Transocean knowingly made any misstatements or provided false information during the review and audit.

LIMITATIONS AND REPRESENTATIONS

All compliance reviews and audits involve performing tasks and undertaking procedures to obtain and review information or evidence determined to be necessary by the auditor for meeting the objectives of the audit. The tasks and procedures selected for this review depended, to a certain extent, on professional judgment which included an assessment of the risks of material misstatement of the findings.

Information required to complete the review and audit was primarily obtained from Transocean, and to a much lesser extent, external third-party entities. To the extent that the information and records from Transocean or other external sources were relied upon to verify compliance and form opinions; the information and records were assumed to be true, accurate, and complete. Certain provisions of the Consent Decree and Performance Plan are subject to potential interpretation because specific definitions are not provided within these documents. Compliance with these provisions was based on Transocean's interpretations unless specific interpretation information was provided by US agency representatives.

Transocean's submissions to the US, that were subject to regulatory agency review, were not reviewed for determinations of compliance with applicable regulatory requirements. In addition, the review and audit did not include a technical "expert" evaluation of the accuracy and content of Transocean's reports submitted to the US.

1.0 INTRODUCTION

This annual report on Transocean’s Consent Decree compliance for operations in waters of the United States (US) during Calendar Year (CY) 2015 is the second in a series of annual reports to be prepared by the Independent Consent Decree Auditor (Independent Auditor). The first annual report evaluated compliance during CY 2014 and can be found on Transocean’s website at <http://www.deepwater.com/macondo-us-consent-decree-compliance/reports-required-under-consent-decree>.

1.1 BACKGROUND INFORMATION

On April 20, 2010, a well control event associated with the completion of the Macondo Well in the Gulf of Mexico (GOM) caused a catastrophic fire and sinking of the Deepwater Horizon drillship. This event resulted in the release of hydrocarbons from the well for 87 days, resulting in a spill of national significance. Transocean Deepwater, Inc. was the owner of the Deepwater Horizon and the drilling contractor to BP Exploration and Production, Inc. (BP) for the Macondo Well at the time of the event. BP was the owner of the lease of the GOM area that contained the Macondo Well.

To resolve the Clean Water Act (CWA) and Oil Pollution Act (OPA) claims associated with these events, Transocean entered into a Consent Decree with the US that was filed on February 19, 2013.^{1,2} The Transocean Consent Decree also included an agreed-upon Performance Plan that set forth the implementation plan and schedule for the various requirements of the Consent Decree.

The Consent Decree provides in Paragraph 22.a. that Transocean:

“retain an Independent Consent Decree Compliance Auditor (the “Independent Auditor”) who shall audit and report to the United States each calendar year after the date of entry, by April 2 of the following year (Paragraph 31.a.) on the Transocean Defendants’ compliance with Articles VI (Measures to Improve Performance and Prevent Recurrence) and VIII (Reporting) of this Consent Decree.”

This annual report on Consent Decree compliance has been prepared by the Independent Auditor based on evaluation and audit work conducted in CY 2015. The Annual Report for CY 2105 is submitted to Transocean specifically to comply with the requirements of Consent Decree Paragraph 22.a. Transocean is to operate under the requirements of the Consent Decree and Performance Plan for a minimum of five (5) years.

¹ The specific parties to the Consent Decree were Transocean Deepwater, Inc., Transocean Holdings LLC, and Triton Asset Leasing GmbH.

² In Re: Oil Spill by the Oil Rig “Deepwater Horizon” in the Gulf of Mexico, on April 20, 2010, US District Court, Eastern District of Louisiana, MDL No. 2179, Section: “J” Judge Barbier.

1.2 PREPARATION OF THE ANNUAL REPORT

The Annual Report for CY 2015 was prepared by Mr. Lance Traves with Labyrinth Management Group, Inc. (LMG) as the Independent Auditor. The time period covered by this CY 2015 report is January 1, 2015, through December 31, 2015 (CY 2015).

In performing his duties as the Independent Auditor, Mr. Traves was supported by LMG staff, specifically including Mr. Charles Sisia, Senior Consultant with LMG. Mr. Sisia worked under the direct supervision of Mr. Traves at all times, and all findings contained within this report were reviewed and approved by Mr. Traves as the Independent Auditor.

The annual report is written as a summary of the identified exceptions to Transocean's compliance (i.e., non-compliance) with the Consent Decree and Performance Plan. As an exception report, verification information on Transocean's compliance with the large number of requirements specified in the Consent Decree and Performance Plan is not discussed.

A general summary of the requirements of the Consent Decree and Performance Plan is provided in Appendix A. Copies of the Consent Decree and Performance Plan are also available on Transocean's website at <http://www.deepwater.com/macondo-us-consent-decree-compliance>.

Transocean's website also contains additional reports prepared by Transocean and posted to the website to meet specific reporting requirements of the Consent Decree and Performance Plan for CY 2015. In addition, by April 2nd of each year, Transocean is required to post the Independent Auditor's annual report on Consent Decree compliance for the prior calendar year.

1.3 INDEPENDENT AUDITOR'S ROLE

The Consent Decree provides in Paragraph 22.a. that the Independent Auditor shall:

“Review documentation and take such reasonable measures as may be appropriate to verify the Transocean Defendants compliance with Articles VI (Measures to Improve Performance and Prevent Recurrence) and VIII (Reporting) of this Consent Decree.”

Based on this broad authorization, the Independent Auditor developed a review and audit methodology for CY 2015, including various work plans. These work plans were then implemented without any material changes or impediments to the review, audit, and verification of Transocean's compliance with the requirements of the Consent Decree and Performance Plan. Additional information on the methodology and scope of the CY 2015 review and audit is provided in Section 2.0.

The language of the Consent Decree provides that the Independent Auditor is not intended to have and does not have the responsibility to monitor or the authority to “exercise the regulatory, enforcement, or other role of the United States.”³ As a result, Mr. Traves, in his role as the Independent Auditor, did not verify the specific regulatory compliance (including technical merit) of selected documents, plans, or procedures that were submitted by Transocean to US agency representatives for review during CY 2014. In these instances, the documents, plans, or procedures were reviewed for compliance with the Consent Decree’s submission deadline and overall compliance with the Consent Decree’s general content or informational requirements.

1.4 AUDITOR’S INDEPENDENCE

The Consent Decree provides that the Independent Auditor must be approved by the US and “shall not have any executive or management functions” within Transocean or assume the role of any of Transocean’s officers, executives, directors, managers, or supervisors.⁴ Mr. Traves was proposed by Transocean to serve as the Independent Auditor in early 2014. US representatives approved Mr. Traves as Transocean’s Independent Auditor on March 31, 2014.

Mr. Traves is the President of LMG, a privately-held strategic environmental, health, and safety (EHS) compliance and risk management consulting firm located in Medina, Ohio. Mr. Traves is not an officer or employee of Transocean and has no executive, director, managerial, or supervisory role with Transocean. Transocean has retained Mr. Traves and LMG under a standard commercial contract to act as the Independent Auditor for the Consent Decree. LMG and Mr. Traves have no other contracts with Transocean and have no other financial interest in Transocean that would or might be seen as impairing their independence and objectivity.

1.5 TRANSOCEAN’S COOPERATION AND TRANSPARENCY

During CY 2015, Transocean’s senior management and all other company employees continued to fully cooperate with the Independent Auditor during the review and verification of the company’s compliance with the Consent Decree and Performance Plan. Transocean also has continued to dedicate a large amount of financial and employee resources to complying with the Consent Decree and Performance Plan.

Transocean’s cooperation in CY 2015 included responding to a large number of specific inquiries and follow-up requests for additional information and documents relevant to the wide range of requirements of the Consent Decree and Performance Plan. The additional information and documents requested by the Independent Auditor were always provided by Transocean on a timely basis, subject to normal working requirements.

³ See Paragraph 22.b of the Consent Decree.

⁴ Ibid footnote 3.

The Independent Auditor was provided full access to all Transocean employees and third-party contractors, including drill rig workers, managers, and subject matter experts as needed for interviews and follow-up. In addition, Transocean continued to provide unrestricted access to the work areas located on its drilling rigs (subject to health and safety restrictions). In CY 2015, Mr. Traves continued to shadow Transocean's internal management system auditors on drilling rigs during the performance of their assurance activities. Finally, Transocean provided employees to facilitate the Independent Auditor's continued access to and viewing of the Company's electronic management systems, internal tools, and documentation resources when requested.

Based on these and other actions, Transocean was fully transparent regarding the information, documents, and observations used to verify compliance with the Consent Decree and Performance Plan for CY 2015. There is no reason for the Independent Auditor to believe that Transocean knowingly made any misstatements or provided false information during the CY 2015 review and audit.

2.0 METHODOLOGY AND SCOPE

The CY 2015 review and verification of Transocean's compliance with the Consent Decree and Performance plan was conducted from January 1, 2015 through January 29, 2016. The methodology and scope used in conducting the review and audit were based on the following:

- knowledge and experience of the Independent Auditor,
- auditing standards and guidance from a number of organizations,
- compliance requirements of the Consent Decree and Performance Plan, and
- knowledge, experience, and information obtained during the CY 2014 review and audit.

The review, including auditing tasks and methods, was conducted in general conformance with International Standard ISO 19011: Guidelines for Auditing Management Systems.⁵ This included the use of an evidence-based approach and a systematic process.

Consistent with ISO 19011, the review and audit methodology also focused on identifying performance risks and then working to minimize them. These performance risks would be associated with inadequate preparation, ineffective implementation of auditing tasks, and incomplete review of information relevant to verifying Transocean's compliance with the Consent Decree and Performance Plan.

The CY 2015 review and audit methodology also generally conformed to ASTM International's Standard Practice for Environmental Regulatory Compliance Audits (Designation E2107-14) and the Standard Guide for Environmental Compliance Performance Assessment (Designation E2365-14). This conformance included the auditor's qualifications, the audit process, and the documentation and management of records.

Finally, verification of Transocean's management system's compliance with Safety and Environmental Management System (SEMS) requirements in 30 Code of Federal Regulations (CFR) Part 250, Subpart S, continued to be conducted in a manner consistent with these regulations and guidance from the Center for Offshore Safety (COS).⁶ This verification process included the following:

- 1) performing overnight field audits of Transocean's drilling rigs during normal drilling operations,

⁵ ISO (the International Organization for Standardization) 19011 Standard was issued in 2011 to provide "guidance" to users on establishing, implementing, and monitoring an audit program for management systems at private and public organizations.

⁶ COS (Center for Offshore Safety) guidance includes Publication COS-2-03 "Requirements for Third-party SEMS Auditing and Certification of Deepwater Operations" dated October 2012.

- 2) reviewing the results of a third-party SEMS compliance audit conducted for one (1) drilling rig, and
- 3) evaluating compliance based on the overall performance of the Transocean operational management systems.

2.1 REVIEW AND AUDIT TASKS

The review activities and audit tasks used to verify Transocean's compliance with the Consent Decree and Performance Plan included five general components:

- Conducting planning, scoping, and coordination activities.
- Performing remote "desk audit" reviews of Transocean's documents and information submitted to the US.
- Reviewing a wide range of documents and information requested from Transocean as auditor reference materials that were not required to be submitted to the US.
- Conducting a wide range of review and audit activities at Transocean's US drilling operations office located in Houston, Texas.
- Performing field audits of Transocean's drilling rigs operating in Waters of the US, specifically within the GOM.

Additional information on each of these components is provided below.

2.1.1 Planning, Scoping, and Coordination Activities

As a best management practice (BMP) in CY 2015, the Independent Auditor conducted monthly project coordination conference calls with Transocean's team of employees managing Consent Decree compliance. These project conference calls were organized around an agenda developed by the Independent Auditor with input by Transocean. Topics could include updates on Transocean operations, planning for review and audit activities, discussions of compliance submissions, and follow-ups on information and observations noted during the CY 2015 review.

The Independent Auditor also participated in monthly conference calls organized and conducted by Transocean to discuss and report on compliance activities to US agency representatives. In addition, Transocean and/or the Independent Auditor held focused conference calls with US agency representatives on a limited number of specific topics and observations. During CY 2015, the total number of Transocean Consent Decree compliance-related conference calls that the Independent Auditor participated in exceeded 25.

As part of the CY 2015 review and audit, work plans were again developed for the overall performance of the verification project, audits of the Houston office, and field inspections of drilling rigs operating in the GOM. Each work plan included a general discussion of the plan's objectives, scope of work, coordination and reporting methods, and proposed schedule.

The CY 2015 work plans were discussed with Transocean and US agency representatives. The work plans were implemented during the course of the review without material changes that would have adversely impacted the information and the results obtained.

2.1.2 Desk Audit Reviews

The Consent Decree and Performance Plan includes an extensive list of required “Milestones and Deliverables” as part of the Measures to Improve Performance and Prevent Recurrence, as well as Reporting, that require Transocean’s compliance. The required CY 2015 deliverables include certifications, updated company plans and manuals, reports, as well as the submission of various other types of information. In addition, Transocean’s Annual Report for CY 2014 was submitted to the US and posted to the Transocean website on or before April 2, 2015.

Therefore, Transocean’s CY 2014 Annual Report was included in the Independent Auditor’s verification of compliance for CY 2015.

As part of the CY 2015 review and audit, Transocean’s submissions to the US were also again verified for compliance with required milestone dates and specific deliverable requirements. The review of milestone dates included requirements for follow-up submissions within specified times for select requirements.

Review and verification of compliance with the deliverable requirements were based on whether, in the Independent Auditor’s opinion, the deliverable was generally responsive to the objective(s) of the Consent Decree and Performance Plan. Each deliverable was required to contain all specifically referenced information and/or documentation. Transocean is also required to post submissions to the company’s website (www.deepwater.com). Therefore, compliance with the public posting requirements was also included in the audit.

2.1.3 Review of Requested “Auditor Reference Materials”

In conjunction with the desk audit reviews of specific submissions to the US, a large number of “auditor reference materials” also were requested from Transocean again in CY 2015. These materials provided additional background and technical information on operations that were relevant to the requirements of the Consent Decree and Performance Plan. More importantly, the review and auditing of the requested auditor reference materials was often necessary to verify compliance.

The requested and reviewed auditor reference materials included Transocean’s updated operating manuals, plans, and procedures; employee training materials; operational alerts; meeting minutes; drilling rig and equipment maintenance, testing, and inspection records; internal audit reports; governmental inspection reports; and employee records. In CY 2015 Transocean also continued to provide a large amount of specific information relevant to Consent Decree compliance from the company’s electronic Global Management System (GMS) and Rig Maintenance System (RMS).

2.1.4 Review and Audit Activities of the Houston Onshore Office

Review and audit tasks in CY 2015 included conducting two (2) multi-day working meetings and in-person audits at Transocean's onshore offices in Houston, Texas. During the office audits, Transocean made a wide range of senior managers and employee experts available for interviews and to provide additional information. The additional information these experts provided was especially important for the (1) verification of the Consent Decree-required pre-deployment BOP inspection and testing activities and (2) follow-up on Transocean actions related to the CY 2014 Annual Report observations.

As discussed in Section 1.5, Transocean continued in CY 2015 to have employees facilitate live access and viewing of information maintained in and generated by the company's electronic management systems and internal recordkeeping tools including GMS and RMS. These electronic management systems and internal recordkeeping tools are used and relied upon by Transocean to demonstrate compliance with the majority of the Consent Decree and Performance Plan requirements.

The live access to these systems and tools enabled the continued random generation and/or selection of records for auditing in CY 2015. Transocean's extensive electronic management systems and records also allowed for a comprehensive review of Transocean's records, which was necessary to verify compliance with the selected requirements.

In CY 2015, the Independent Auditor also observed and participated in a five-day Transocean IADC-certified Supervisory Well Control course run by MAERSK that was held at the Houston Training Center. The Supervisory Well Control course was selected for observation because Transocean had recently transferred the course instruction to MAERSK. This specific course requires that employees classified as "drillers" pass as part of Transocean's competency assessment program (CAP) required by the Consent Decree.

The training observation event was used to verify the delivery of course content, the quality of the course instructor, the performance of simulator training, and the overall integrity of testing activities. Overall, based on the observation results, MAERSK's Transocean's Supervisory Well Control course had high quality content, effective delivery, and reliable assessments.

Finally, a review of the new MAERSK Houston training facility that included training equipment, course materials, and instructors that were acquired from Transocean was completed in December 2015. As part of this review, MAERSK employees provided a comprehensive tour and demonstration of the various training simulators at the facility. In addition, course materials and instructor qualifications were obtained and reviewed.

Based on the review of the new MAERSK Houston training facility, the acquisition of the Transocean offshore training assets by MAERSK has not adversely impacted the effectiveness of Transocean's training program. In addition, various improvements made by MAERSK in both selected training equipment and course instruction should enhance Transocean employee training in the future.

2.1.5 Drilling Rig Field Audits

In CY 2015, field audits of Transocean's drilling rigs were conducted again to provide for direct observation and verification that requirements of the Consent Decree and Performance Plan were being met during drilling operations. This continues to be essential for the Independent Auditor because selected requirements can only be independently and fully verified by direct observation and by review of the operating drilling rigs.

Three different drilling rigs operating in the GOM were field audited during CY 2015. In addition, a tour and limited inspection of a drilling rig that was in dry-dock and undergoing refurbishment was conducted. The drilling rig field audits ranged in duration from three to eight days. The audited rigs included three (3) Ultra-Deepwater Drillships with three (3) different Operators. The dry-dock rig that was inspected on a limited basis was a semisubmersible drilling rig.

The drilling rigs audited in the field were selected by the Independent Auditor based on criteria that included the type of rig, rig Operator, activities on the rig, and the length of time the rig has operated in the GOM. The dates of the field audits were coordinated with Transocean's internal management system audits and BOP pre-deployment inspection and testing operations. The Independent Auditor had the final decision on the scope and schedule of the drilling rig field audits.

The field audits enabled direct observation of two internal (i.e., Transocean) management system audits of the drilling operations. The internal management system audits are part of the "Audit-Review-and-Closeout-Process" that Transocean implemented and performs routinely to comply with Paragraph 15.a.1 of the Consent Decree and Performance Plan. Transocean also uses internal audits to fulfill the requirements of the International Safety Management (ISM) code. Direct, real-time observation of the performance of Transocean's internal audits increase the overall robustness of the compliance verification related to the requirement. In addition, the Independent Auditor's performance field audits concurrently with the internal audits increases the value of the field audits based on additional observations and information.

One field audit was also included the direct observation of Transocean's pre-deployment BOP inspection and testing activities. The inspection and testing activities were part of a 5-year BOP recertification process. The specific pre-deployment testing activities observed for conformance with Transocean procedures included, but were not limited to, surface stump pressure testing of the BOP, deadman surface testing, surface testing of the emergency disconnect system (EDS), and surface testing of the accumulator drawdown system.

As part of this field audit, the Independent Auditor also confirmed the use and familiarity with Transocean's operational test checklists and procedures by Subsea Supervisors and Senior Subsea Supervisors responsible for BOP pre-deployment testing and inspection activities. In addition, OEM personnel and third-party contractors supporting the testing activities were interviewed regarding their specific activities.

Field audits of the three (3) drilling rigs represented approximately 30% of Transocean's drilling rigs that operated in the waters of the US during the majority of CY 2015. For comparison purposes, the SEMS field audit requirements in 30 CFR Part 250, Subpart S, that reference to COS requirements, require that at least 15% of "the facilities operated" be audited.⁷

The scope of work conducted as part of the field audits generally included the following:

- Reviewing the rig's Safety Case, Major Accidents and Hazard Risk Assessment (MAHRA), Emergency Response Plan, most recent audit report of the internal management system, Bureau of Safety and Environmental Enforcement (BSEE) Incidents of Non-Compliance (INCs), and information on rig loss of containment (LOC) and/or lost work time (LWT) events.
- Observing Transocean's internal management system audit, including meetings, auditor's inspections, reviews of records, and employees' interviews.
- Participating in a tour of the rig followed by additional inspections of specific areas.
- Observing drilling and marine equipment testing, maintenance, and inspection activities.
- Reviewing permit-to-work (PTW) activities, written risk assessments (WRAs), and daily drilling and marine operational procedures.
- Conducting interviews with key personnel that included, but were not limited to, "Well Control Personnel" and "CAMS Employees," as defined within the Consent Decree and Performance Plan.
- Conducting interviews with Operator and Contractor personnel.
- Reviewing a wide range of rig-specific inspection and testing records for the maritime and drilling operations related to or required for compliance.

Transocean employees continued to cooperate fully during the planning and performance of the field audits in CY 2015. The Independent Auditor was provided access to attend rig operational meetings, meet with all employees, and obtain any records requested at the time of the fieldwork or as subsequent follow-up to the field audits of drilling rigs.

⁷ See "Requirements for Third-party SEMS Auditing and Certification of Deepwater Operations" COS-2-03, prepared by the Center for Offshore Safety and dated October 2012.

2.2 CLASSIFICATION OF RESULTS

Results of the review and audit of Transocean's compliance with the Consent Decree and Performance Plan requirements were classified into the following four categories:

- Compliance
- Compliance with System Exceptions
- Non-Compliance – Deficiency Finding
- Observations

This classification system is unchanged from that used for the CY 2014 review. The basis for these classifications is provided in the table below. The classifications were developed based on the Consent Decree requirements, auditing standards, and guidance from various organizations, as well as professional knowledge and auditing experience.

Classification of Review and Audit Results

CLASSIFICATION	DESCRIPTION
Compliance:	There is evidence that a requirement has been met with no exceptions by the Company or a representative sample.
Compliance with System Exceptions:	There is evidence of the development, implementation, and ongoing maintenance of required programs, processes, or systems; any identified exceptions to performance are <u>not</u> associated with "systemic" deficiencies, and all deficiencies have been corrected.
Non-Compliance – Deficiency Finding:	There is evidence of the failure to meet or fulfill a specific requirement by the Company or a representative sample. Or, There is evidence concerning a lack of development, implementation, or maintenance of required programs, processes, and systems, including the identification of "systemic" deficiencies in the implementation or maintenance of the required programs, processes, or systems.
Observations:	Evidence of current practices, procedures, operations, or conditions that (1) were not non-compliance related issues but could potentially result in future non-compliance issues or (2) represent potential process safety or drilling risk management issues.

As discussed in Section 1.1, detailed findings and verification information associated with Transocean's compliance with Consent Decree and Performance Plan requirements are not discussed in this report. This includes programs required by the Consent Decree and Performance Plan or systems that may have had exceptions identified but met the classification "Compliance with System Exceptions". For example, these exceptions may have included limited aspects of Transocean's SEMS program, internal Management System Audit (MSA) program, and Competence Assessment Program (CAP).

As provided in the ISO 19011 Standard on Guidelines for Auditing Management Systems, a "management system" is defined as a "system to establish policy and objectives and to achieve those objectives." During the review and audit of a "management system" or program for overall compliance, the identification of individual deviations and exceptions to strict conformance may not result in a non-compliance deficiency finding. A non-compliance "deficiency" finding for a management system or program requires evidence of a clear gap in the development, implementation, and maintenance of the systems or a program's major elements or aspects.

2.3 LIMITATIONS AND REPRESENTATIONS

As discussed in Section 1.3, Transocean's submissions to the US that were subject to regulatory agency review were not reviewed for determinations of compliance with applicable regulatory requirements. This approach was based on the Consent Decree's provisions for the role of the Independent Auditor.

The Independent Auditor's review and audit scope also does not include a technical "expert" evaluation of the accuracy and content of Transocean's reports submitted to the US. The verification of compliance focused on the milestone date and a review to determine if the report was generally responsive to the Consent Decree and Performance Plan requirements. These requirements could include specific content, incorporating and using prescribed factors (e.g., technical feasibility, applicability, cost benefits) in the preparation of the report, and following specific procedures. In cases where the information contained in required Transocean CY 2014 annual reports was limited by confidentiality issues, the Independent Auditor requested and Transocean made available for review, the detailed back-up information and analyses used as the basis for the submitted information.

In addition, all compliance reviews and audits involved performing tasks and undertaking procedures to obtain and review information or evidence determined to be necessary by the auditor to meet the objective of the audit. The tasks and procedures selected for this review depended, to a certain extent, on professional judgment, including an assessment of the risks of material misstatement of the findings.

In making those auditor risk assessments, Transocean's existing internal systems, procedures, and controls relevant to Transocean's compliance with the Consent Decree and Performance Plan requirements were considered. Consistent with generally accepted auditing practices, only a representative sample of Transocean's records or equipment may have been reviewed or inspected to meet the specific requirements of the Consent Decree and Performance Plan. For instance, when professional judgment was used to select samples for review and inspection, the objective was to minimize the risk of a material misstatement of the findings. Review and audit findings that required direct observation during field audits of the drilling rigs are also based on the onsite time periods.

Information required to complete the review and audit was primarily obtained from Transocean, including reports from the Company's electronic management systems; reports, plans, and procedures from the Company's document control system; and interviews of employees. To a much lesser extent, technical and regulatory information also was prepared by external, third-party entities. The external third-party information included pre-deployment inspection, maintenance, and testing verification records for well drilling operations. The information and records from Transocean or other external sources that were relied upon to verify compliance and form opinions were assumed to be true, accurate, and complete.

Certain provisions of the Consent Decree and Performance Plan are subject to potential interpretation because specific definitions are not provided within these documents. Compliance with these provisions was based on Transocean's interpretations, unless specific interpretation information was provided by US agency representatives. In cases in which Transocean's interpretations were used, these interpretations appeared to be reasonable and were generally fully disclosed to the US agency representatives.

Finally, selected interpretations associated with verification of compliance with the requirements of the Consent Decree and Performance Plan were discussed in the Independent Auditor's Annual Report for CY 2014. These interpretations continued to apply to the performance of the CY 2015 review and the preparation of this CY 2015 Annual Report.

3.0 FINDINGS

Based on the results of the review and audit, Transocean was in full compliance with the hundreds of Consent Decree and Performance Plan obligations applicable to CY 2015, with the exception of six (6) deficiencies. Five (5) of these exceptions to compliance were information submission and timing-related deficiencies. Only one (1) deficiency was due to a failure to conduct or perform a specific operational activity required under the Consent Decree.

Additional information on the exceptions to full compliance is provided below. The findings of non-compliance identified in this annual report should also be evaluated in the context of the large number of Consent Decree and Performance Plan compliance obligations that were fully met by Transocean in 2015. Transocean continued to be subject to more than 140 separate Consent Decree and Performance Plan requirements that often included multiple compliance items occurring throughout 2015.

More importantly, the 2015 compliance deficiencies were not associated with Transocean's implementation and performance of the additional risk management provisions and programs for drilling operations required by the Consent Decree. Instead, the deficiencies were related to incomplete or late submissions of required information to the US, with the exception of the failure to perform one (1) qualified weekly Emergency Response Drill. Furthermore, this deficiency was not a "systemic" problem, but caused by confusion on a single rig.

Furthermore, it is the Independent Auditor's opinion that the exceptions to compliance in CY 2015 did not result in material deficiencies in Transocean's drilling rigs' Major Accident and Hazard Risk Assessments (MAHRAs) or to operational oversight of drilling operations. In addition, the identified non-compliance findings do not indicate that material deficiencies are present in Transocean's internal management system(s) for drilling operations. Therefore, Transocean's internal management system continues to meet offshore Operator SEMS requirements contained in 30 Code of Federal Regulations (CFR) Part 250, Subpart S.

3.1 PUBLIC WEBSITE UNDERREPORTING OF OIL SPILLS FOR CY 2013 & CY 2014

Paragraph 21.b. (iii) and (vi) of the Consent Decree requires that Transocean post to the public website, no later than April 2 of each year, a list of all oil spills that reach waters of the US, including a summary of the hydrocarbon spills and volume. In May 2015, Transocean self-reported that the information initially posted to the public website on the number of oil spills that had reached waters of the US was not comprehensive for CY 2014 and CY 2013.

Specifically, eight (8) additional spills of less than 0.01 barrels (bbls) of oil had occurred in CY 2014 that were not included in the CY 2014 report Transocean initially posted on the public website on or before the April 2, 2015. In addition, sixteen (16) additional very small spills of less than 0.01 bbls of oil had occurred in CY 2013 that were not included in the CY 2013 report Transocean posted on the public website on or before the April 2, 2014.

After identification that the additional oil spills required reporting, Transocean notified US agency representatives of this error consistent with Consent Decree requirements and in a timely and appropriate manner. In addition, Transocean promptly posted to the public website the updated reports of Transocean's oil spills for CY 2013 and CY 2014.

Based on information provided by Transocean, the initial underreporting of these oil spills resulted from employee oversights and differing interpretation within the company on what represented an oil spill to waters of the US. In addition, Transocean's methodology for identifying oil spills recorded in the company's management system for Consent Decree reporting initially used a oil spill volume (in bbls) cut-off with 2 decimal points (0.00). Because the Consent Decree does not specify a minimum value for reporting oil spills, Transocean's updated reports used a 4 decimal point value (0.0000) for volume (in bbls) resulting in the identification of the additional very minor oil spills.

Finally, Transocean has fully implemented changes in employee procedures and the reporting methodology so that these errors will not reoccur. The methodology and accuracy of the oil spill reports for each year are also reviewed by the Independent Auditor.

3.2 LATE SUBMISSION OF TRAINING CLASS QUARTERLY SCHEDULE

Transocean is required to submit to the US its schedule of Houston training classes on a quarterly basis and invite the US agency representatives to participate. This schedule is to be submitted specifically within ten (10) days after the last day of March, June, September, and December of each year.

In July 2015, Transocean self-reported the late submission of an updated training schedule. Based on this review, Transocean reported this Consent Decree non-compliance to the US in a timely and appropriate manner. The updated training schedule was due to the US by July 10, 2015. However, the submission was not made until July 13, 2015. As a result, Transocean was three (3) days late on the training schedule submission.

According to information from Transocean, the late submission was the result of an employee oversight. In response, Transocean implemented a more formalized process to help ensure that all reporting due dates, in particular recurring periodic due dates, are tracked on a Consent Decree Obligations Outlook calendar. In addition, Transocean's new Outlook calendar reporting entries are understood to include a prior five-day automatic reminder to ensure time to prepare the required submission.

3.3 ONE QUALIFIED WEEKLY RIG-BASED EMERGENCY RESPONSE DRILL MISSED

Paragraph 17.d of the Consent Decree states that Transocean shall:

“Participate with Operator personnel in weekly rig-based Emergency Response Drills, which shall include the following types of scenarios: blowouts, gas on the surface, fire, vessel collisions, terrorist threats, and muster and evacuation. The Emergency Response Drills shall be documented in the drill records of the rig and made available to the United States upon request.”

As discussed in the CY 2014 Annual Report, a “qualified” weekly rig-based Emergency Response Drill is generally understood to require (1) a muster and evacuation and (2) at least one scenario that includes blowouts, gas on the surface, fire, vessel collisions, or terrorist threats. In addition, compliance with the “weekly” drill requirement is based on Transocean’s use of a calendar week and not occurring every seven (7) days.

In August 2015, Transocean self-reported that a single rig had missed conducting a drill that qualified as a weekly Emergency Response Drill for a single week even though the same rig had conducted numerous other drills that same week. The reporting of this Consent Decree non-compliance to the US was conducted in a timely and appropriate manner. In addition, based on the results of the Houston Office reviews and rig field audits conducted by the Independent Auditor, no additional occurrences of gaps in “qualified” weekly Emergency Response Drills were identified for CY 2015.

The missed weekly Emergency Response Drill was a reoccurrence of a non-compliance finding that also occurred in CY 2014. However, in the Independent Auditor’s opinion, the Transocean management system and operational procedures were not a potential cause of the missed drill.

To put the single missed “qualified” weekly emergency drill in context, Transocean reported that the entire fleet operating in waters of the US had, up to that date, conducted over 600 drills that qualified as weekly Emergency Response Drills under the Consent Decree and Performance Plan. The missed “qualified” weekly Emergency Response Drill, was the result of a one-time misunderstanding by Transocean personnel on the single rig.

As corrective actions, the Independent Auditor understands that Transocean’s onshore senior management clarified and reinforced the importance of the performance of “qualified” weekly Emergency Response Drill to the offshore senior managers [i.e., Masters and Offshore Installation Managers (OIM)] assigned to the rig. Based on field rig audits conducted by the Independent Auditor, Transocean onshore senior management has also clearly communicated to offshore rig managers the importance of compliance with and specific details of this Consent Decree requirement.

3.4 LATE SUBMISSION OF ONE PRE-DEPLOYMENT BOP CERTIFICATION

Paragraph 15.b. of the Consent Decree requires that Transocean submit a BOP certification to the US prior to the time of “initial deployment” of a BOP. In determining if a BOP “pre-deployment” certification was submitted late to the US, the Independent Auditor relied upon the definition of “initial deployment” used by Transocean in the submittals to the US. In these submissions, the Transocean definition criteria for “initial deployment” is described as when the BOP is landed and latched to the well.

Based on this definition, Transocean self-notified that the company was late in submitting a required pre-deployment BOP certification to the US for one (1) initial well operation event in 2015 due to a computer technology error related to the use of an iPad by the Rig Manager. On August 24, 2014, Transocean submitted a BOP certification to the US for the Discoverer Inspiration (DIN) rig. However, this BOP certification was late and should have been provided to US agency representative on or before August 23, 2015, the date on which the BOP was deployed (latched) to the well. .

The reporting of this Consent Decree non-compliance to the US was conducted in a timely and appropriate manner. The late BOP certification submission is a reoccurrence of Consent Decree non-compliance findings related to late BOP certification submissions that occurred in CY 2014. However, in the Independent Auditor’s opinion, Transocean has undertaken corrective actions to further ensure that late BOP certifications do not continue to occur in the future.

The late BOP pre-deployment certification for the DIN was also in full compliance with all technical requirements prior to deployment. In addition, according to Transocean, the DIN BOP certification was submitted to the United States on the same day that the Transocean personnel received the certification from the Rig Manager.

As corrective actions, Transocean senior management reminded Rig Managers and offshore senior rig personnel of the submission oversight during Operations Meetings and had individual discussions of the Consent Decree requirement for timely submission of the BOP certifications. Rig Managers were instructed to confirm that all emails containing BOP certifications are sent and received. This includes notifying their respective Operations Director that a confirmation of receipt of the certification for purposes of submission to the US has been obtained.

3.5 LATE ERT MEMBER NOTIFICATION AND ASSIGNMENT OF TRAINING

To comply with various US regulatory requirements, Transocean maintains an Emergency Response Team (ERT) to respond to oil spills and other emergencies that may occur during rig drilling operations. Under Paragraphs 16.a and 16.b of the Performance Plan, Transocean is required to “immediately notify” any new individual that becomes a new member of the ERT of the oil spill training curriculum and assign that training.

During a mid-year audit at the Houston Office, Transocean provided the Independent Auditor with information regarding a corporate reorganization that was occurring. As part of this reorganization, the Vice President of Human Resources was appointed to the newly created position of Senior Vice President of Operations Integrity and HSE in June of 2015. The new Senior Vice President of Operations Integrity and HSE (New Senior Vice President) qualified as a replacement member of the ERT. However, this Transocean employee was not notified of this and was not assigned his oil spill training obligation until September 14, 2015.

On November 5, 2015, Transocean self-notified the US that the company was late in notifying and assigning training to the new ERT Team Member. In the Independent Auditor's opinion, the reporting of this Consent Decree non-compliance was conducted in a timely and appropriate manner. This finding is based on this specific compliance issue not being fully understood and identified by the Independent Auditor and Transocean until October 27, 2015.

According to information from Transocean, the cause of the late notification and assignment of training was also because the Consent Decree requirement was the result of an error by the Transocean employee responsible for assigning the oil spill training. In addition, although the new ERT member was notified and assigned to training late on September 14, 2015, the Transocean employee did not remember that the new ERT Team Member should have been "immediately" notified under the Performance Plan until the Independent Auditor mentioned the issue of "immediate" notification during an October 27, 2015 conference call.

As corrective action, Transocean established a new process whereby the Macondo Obligations team will be promptly notified by Human Resources when any potential change to an ERT position occurs due to corporate reorganizations, hires, or reassignments.

3.6 DELAYED SUBMISSION OF CONFIDENTIALTY DISCUSSION DOCUMENT

Paragraphs 14.c.1.a.ii and iii of the Performance Plan provides for Transocean to protect themselves from public disclosure any document submission to the US that contains company confidential information. As part of the process to obtain this protection, Transocean is required to provide, along with the submission, a "discussion of how release of the marked information would fully result in substantial competitive or other business harm."

On May 14, 2015, when specific confidential Transocean documents were submitted to the US for the Deepwater Asgard (DGD) drilling rig, the versions marked confidential were included, but a supporting 14.c "discussion" document was absent. Transocean self-notified the US of this non-compliance issue on August 11, 2015. In the Independent Auditor's opinion, the reporting of this Consent Decree non-compliance was conducted in a timely and appropriate manner. According to Transocean, the omission of the required discussion document was not identified until August 7, 2015. There is no reason known to the Independent Auditor that Transocean would have delayed a notification.

As corrective action, Transocean submitted the discussion document to the US. In addition, Transocean implemented a requirement that employees responsible for submissions have it reviewed by another employee no matter how routine the submission.

4.0 CY 2015 OBSERVATIONS

Observations were also noted by the Independent Auditor during the review and audit of Transocean's compliance with the Consent Decree and Performance Plan. As discussed in the Annual Report for CY 2014, observations are defined as findings associated with practices, procedures, operations, or conditions that (1) are not a current compliance deficiency but could potentially result in a future compliance deficiency or (2) represent potential process safety or drilling risk-management issues.

As part of the CY 2015 review and audit, only one (1) observation has been included in the annual report. This observation is associated with a finding that could potentially result in both a future compliance deficiency and drilling risk management issues. Additional information on the observation is provided below.

It is important to note that additional observations based on the results of the CY 2015 review and audit activities have been discussed with both Transocean and US agency representatives but not specifically included within this annual report. The exclusion of these observations was based on the nature of the observations and Transocean's completion of follow-up actions for the observations during the CY 2015.

4.1 CAMS PROGRAM SUBSEA PERSONNEL OEM-SPECIFIC BOP TRAINING

As part of compliance with Paragraph 15.d.5 of the Consent Decree, Transocean has developed and implemented a Competence Assessment Management System (CAMS) to further ensure operational competence required by designated Transocean personnel that includes Drillers, Senior Subsea Supervisors, Subsea Supervisors, and Dynamic Positioning Officers. As part of CAMS, Transocean has assigned various specialized training courses for completion by these designated Transocean personnel.

As of December 31, 2015, Transocean records indicated that eight (8) Senior Subsea Supervisors and Subsea Supervisors had not completed CAMS-assigned specialized BOP maintenance training courses that are provided by the Original Equipment Manufacturers (OEMs). One of these eight did not complete this assigned training in 2014. This training gap⁸ was the basis for the following comment contained in Transocean's CY 2014 Annual Report:

"The Chief Compliance Officer was able to confirm that all individuals completed at least 85% of their assigned training (most over 95%) and each person in the designated job roles completed the essential training assigned for that role. Regarding one position, key courses had been assigned in 2014 and because the courses are provided by a third party, the availability did not allow for the

⁸ 2014 Consent Decree Annual Report, Appendix 15d.5 and 15d.6, prepared by Transocean and dated April 4, 2015.

courses to be completed. However, the individuals who could not complete will complete the specified courses in 2015.”

Based on discussions with Transocean, OEM delivered BOP-specific training courses continued to be difficult for Senior Subsea Supervisors and Subsea Supervisors to attend in CY 2015. These courses are provided on an infrequent basis, are closed to the public, and exclude all other companies. In addition, the courses can have minimum participant requirements resulting in the cancellation of courses without sufficient trainees. As a result, Transocean’s training department has been working with the BOP OEMs in CY 2015 to address participant access to courses, course cancellations, and participant attendance issues.

Transocean has committed that by the end of the March 2016; all Senior Subsea Supervisors and Subsea Supervisors identified as lacking the assigned OEM BOP-specific training will have completed this training for their position. Meeting this CAMS training commitment will be subject to the Independent Auditor’s review of CY 2016.

5.0 CY 2014 OBSERVATIONS FOLLOW-UP

As part of the CY 2015 review and audit, follow-up was also conducted by the Independent Auditor on the observations noted in the CY 2014 Annual Report. Corrective actions and information related to selected CY 2014 observations were discussed in Transocean's CY 2014 Annual Report issued in April 2015. During CY 2015 Transocean also conducted additional actions for selected CY 2014 observations.

For purposes of clarity, a summary of the corrective actions, follow-up review results, and/or additional information generated for each CY 2014 observation is provided below. Based on this information, all of the CY 2014 observations are classified as closed.

5.1 RIG-SPECIFIC PROCEDURES

As part of the SEMS program compliance review in CY 2014, an observation related to one exception to full conformance across all thirteen (13) SEMS Elements was identified in Transocean's internal management system's performance. The observation was specifically related to SEMS Element 4 – Management of Change (MOC). This non-conformance in MOC was specifically the creation and use of "Rig-Specific Procedures" (RSPs) on drilling rigs that pertained to elements of major hazard barriers in rig Safety Cases. In the Independent Auditor's opinion, these RSPs were not fully captured, controlled, and documented in Transocean's internal management system that is required to meet the SEMS MOC requirements.

Transocean undertook a corrective action to eliminate this deficiency by revising the Company's THINK process to incorporate any RSPs (including guidelines and operating practices) that "pertain to a Major Hazard Barrier as documented in the installation's Safety Case".⁹ These types of RSPs are now classified as Rig Recommended Practices (RRPs). Transocean's revised THINK process now also encompasses RRP and requires a written risk assessment (WRA) to be prepared and approved by the OIM as the Ultimate Work Authority (UWA). In addition, the "Departmental Supervisor" is to determine the appropriate level of risk assessment. Finally, the WRA and RRP are to be maintained in Transocean's HSE Toolbox, the electronic management system for Company risk assessment and HSE information.

Based on the results of the CY 2015 audit, the rig-specific RRP that pertained to Major Barriers were being maintained in Transocean's HSE Toolbox. In addition, a WRA document was generally linked to each RRP in the HSE Toolbox. Therefore, Transocean has implemented the corrective action and eliminated any prior gap in the company's MOC program related to rig-specific drilling procedures.

⁹

See Transocean USA Health and Safety Policies and Requirements "HSE-PP-01 Think Process" revised February 20, 2015

As requested, the IPSC's review completed in CY 2015 also incorporated an evaluation of the THINK process in the overall evaluation of Transocean's process risk management controls for offshore drilling operations.¹⁰ Based on the results of this evaluation, the IPSC concluded that "this outstanding item is recommended to be closed". Therefore, in the Independent Auditor's opinion, Transocean's process for the creation and use of RRP's is no longer deficient with respect to the SEMs Element 4 – MOC requirements.

5.2 SAFETY CRITICAL DESIGNATED EQUIPMENT

In CY 2014, an observation was noted that a limited number of pieces of equipment used for key well control and other drilling operations were not included on Transocean's list of Consent Decree safety critical equipment (SCE). Consent Decree SCE is required to be tracked by Transocean to provide for the annual reporting of the time out-of-service.

As discussed in last year's report, these omissions were generally consistent with Transocean's overall methodology for identifying SCE and appeared to be based on a reasonable technical rationale. However, the specific technical basis and rationale for not designating selected individual critical equipment identified in rig-specific MARHAs under major hazard barriers or primary hazard mitigation systems as SCE was sometimes limited.

As requested, the IPSC's review also incorporated an evaluation of Transocean's SCE designation methodology. This methodology used a Total Risk Number (TRN) rating approach to equipment. The review also evaluated a specific piece of well control-related equipment that was not listed as Consent Decree SCE.

Based on the results of the evaluation, the IPSC determined that the existing procedure "provides appropriate Safety Criticality Rating to all Well Control Items." In addition, an individual piece of well control equipment which was not identified as SCE was reasonably determined based on the function and operation of the equipment. Therefore, no major deficiencies in Transocean's methodology and the resulting identified Consent Decree SCE were noted.

Finally, as part of a continuous improvement process, Transocean began an internal reassessment of the methodology and identification of Consent Decree SCE in CY 2015. This reassessment resulted in a new approach with a focus on identification of safety critical systems (SCSs) and then the SCE that comprises each SCS. As part of the reassessment, Transocean categorized the SCSs into the following groups:

- Hazard Barriers
- Hazard Detection
- Hazard Mitigation

¹⁰ The confidential version of the initial report by the Independent Process Safety Consultant was issued in September 2015.

- Escape, Evacuation, and Rescue
- Third-Party Temporary Safety Systems

The critical equipment for the effective operation of these SCSs were then identified in each of these SCSs. As a result of this new process and methodology, when a system is identified as SCS, then critical equipment that make-up that SCS is tagged in Transocean's management system as Consent Decree SCE.

The Independent Auditor understands that Transocean anticipates that this new process will result in an expansion of equipment identified as Consent Decree SCE. Transocean is targeting the first quarter of 2016 for completion of the new SCS based process for identification of Consent Decree SCE. Based on these findings, in the Independent Auditor's opinion, the CY 2014 observation on SCE has been fully addressed by Transocean.

5.3 COMPETENCE ASSESSMENT PROGRAM

During the CY 2014 audit of Transocean's Competence Assessment Program (CAP), three scenarios were noted regarding the determination of CAP deadlines for employees new to a CAP position that may not have been previously contemplated under the Consent Decree. These CAP positions include Drillers, Senior Subsea Supervisors, Subsea Supervisors, and Dynamic Positioning Officers (DPOs).

In the first scenario, Transocean "temporarily" promotes an employee to a CAP position because of an unforeseen reason. The second scenario involves a Transocean employee being promoted to a CAP position on a drilling rig that is in shipyard and not operating or subsequently loses its contract and is "cold stacked." A third and final scenario includes the promotion of an employee to a CAP position and then sometime prior to CAP assessment the employee is placed on medical or military leave.

These three scenarios required additional discussion and clarification by Transocean with representatives of the applicable US agencies regarding interpretations of Consent Decree compliance. During CY 2015, Transocean and US agency representatives conducted an open discussion of the issues surrounding these scenarios. Based on this discussion, the Consent Decree compliance criteria for each of the scenarios were generally clarified. Therefore, in the Independent Auditor's opinion, the CY 2014 CAP compliance observation has been addressed by Transocean and US agency representatives.

5.4 LIST OF WELL CONTROL EQUIPMENT ON DRILLING RIGS

As discussed in the CY 2014 Annual Report, Paragraph 21.c. of the Consent Decree requires that Transocean enter into the National Response Inventory (NRI) database all “Well Control” and spill response equipment they “own, operate, or with which they contract”. This information is currently provided by Transocean to the US simply as of a specific date. As a result, the Independent Auditor observed that the well control and spill response equipment listed by Transocean as entered into the NRI database was often not located on a rig during future field inspection dates. In CY 2014, the missing items included, but were not limited to, spare BOP annular, spare upper and lower rams, spare LMRP connector, subsea test valves, and Yellow/Blue Pod MUX Connectors.

As requested, the IPSC’s review incorporated an evaluation of the significance of this observation for the overall risk management of drilling operations. As discussed in the IPSC report, the NRI database “does not appear to have a category for filing data on Well Control equipment”. More importantly, the IPSC CY 2015 report also notes that spill control equipment held on drilling rigs is “negligible” and that a Well Control equipment list is “unlikely to be of much benefit unless the program is mandated to include all drilling companies in a particular vicinity”. Furthermore, according to the IPSC, drillers have traditionally cooperated with each other to source spare parts in cases of HSE emergencies. As a result, the most efficient means to locate well control equipment in an emergency would be for US BSEE or US Coast Guard to contact all nearby drilling rigs by telephone and/or radio. Therefore, the IPSC concluded that “this outstanding item is recommended to be closed”.

Specific additional feedback from US agency representatives was not obtained on this observation in CY 2015. However, the IPSC’s initial report was submitted to US agency representatives including the US BSEE and US Coast Guard. As a result, in the Independent Auditor’s opinion, this CY 2014 observation has been fully addressed by Transocean.

6.0 CONCLUSIONS

Based on the Independent Auditor's review and audit, Transocean was in material compliance with the Consent Decree and Performance Plan in CY 2015. As discussed in Section 3.0, six (6) compliance deficiencies were identified as findings for CY 2015. In addition, the Independent Auditor noted one (1) observation for additional follow-up.

In the Independent Auditor's opinion, the six (6) deficiencies identified for CY 2015 were not associated with Transocean's implementation and performance of the risk management provisions and programs for drilling operations required by the Consent Decree. In addition, these non-compliance findings did not result in material deficiencies in Transocean's drilling rigs' MAHRAs or the Company's operational oversight of drilling operations. Furthermore, Transocean's current internal management system continues to generally comply with SEMS requirements in 30 CFR Part 250, Subpart S.

In accordance with Paragraph 22 of the Performance Plan, Transocean is to respond to any "deficiencies" noted in the Independent Auditor's draft report and develop a corrective action plan within 30 days of receipt of the draft report. The draft report was submitted to Transocean on February 1, 2016. The corrective action plan is then to be submitted with the final report that is to be submitted to the US by April 2, 2015.

Transocean's response to the identified compliance deficiencies for CY 2015 is provided in Appendix B of this final report. This includes a discussion of the actions already undertaken and completed by Transocean or planned for implementation and completion to correct the identified compliance deficiencies. Appendix B also includes Transocean's discussion of additional follow-up on the CY 2015 observation discussed within the final report.

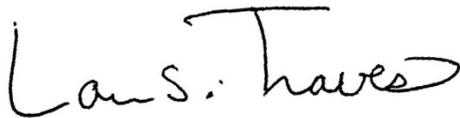
7.0 CERTIFICATION

The undersigned hereby certifies that:

The reported analyses, opinions, findings, and conclusions contained within this report are personal, unbiased, professional, and limited only by the assumptions and qualifications stated herein. Compensation was not contingent upon an action or an event resulting from the analyses, opinions, findings, or conclusions in, or the use of, this report. This project was performed in accordance with accepted practices prevailing in the health, safety, environmental, and quality (HSEQ) auditing and consulting industries.

The Independent Auditor, Mr. Traves, has more than 25 years of HSEQ experience, including acting as the Lead Auditor on SEMS and HSEQ compliance audits. He has conducted comprehensive SEMS, HSEQ compliance, and HSE system audit projects for more than 100 operations located both onshore and offshore throughout North America.

Prepared by:



Lance S. Traves
*Independent Consent Decree Compliance Auditor
Labyrinth Management Group, Inc.*

APPENDIX A

Summary of the Consent Decree and Performance Plan Requirements Articles VI and VIII

Appendix A

Summary of the Consent Decree Performance Plan Requirements – Articles VI & VIII*

Paragraph Reference	Topic	General Requirements
15.a.1.a	Drilling Operations - Audits	Do not conduct any Drilling Operations unless the Company designs, implements, and maintains an Audit-Review-and-Closeout Process overseen by Transocean's onshore management that: <ul style="list-style-type: none"> i. Ensures the follow up and closeout of rig-specific audits; and ii. Ensures that all material deficiencies related to rig's Major Accidents and Hazard Risk Assessment ("MAHRA") identified in an audit are corrected within sixty days of identification, unless Transocean's supervising auditor or manager agrees in writing to a longer time period
15a.1.b	Drilling Operations - SEMS	Develop a Management System which complies with Operators' Safety and Environmental Management System ("SEMS") for owned or operated rigs, vessels, and facilities operating in the Waters of the United States. Certify that a Management System is in place that complies with SEMs.
15.a.2	Stop Work Authority (SWA)	Do not conduct any Drilling Operations unless the Company establishes a Stop-Work Authority procedure that: <ul style="list-style-type: none"> i. Is consistent with International Safety Management ("ISM") code, SEMS, and federal regulatory requirements; and ii. Grants all personnel and contractors the responsibility and authority, without fear of reprisal, to stop work on Transocean's rigs, vessels, or facilities, or decline to perform an assigned task when such person perceives any significant risk or danger exists (including but not limited to: loss of well control, spill, blowout, and/or loss of life).
15.b	BOP Certification	Do not conduct any Drilling Operations unless the Company provides to the United States prior to the time of the initial deployment of the BOP on a well operation, written certification that: <ul style="list-style-type: none"> i. Scheduled preventive maintenance provided by API Standard 53 for the BOP to be utilized has been performed; ii. All repairs done to the BOP utilized only Original Equipment Manufacturer ("OEM") parts, unless the OEM cannot supply the necessary part, and were completed by Competent Personnel as defined in the Consent Decree. iii. All batteries used in the BOP emergency control systems (including, e.g., deadman, autoshear) have been maintained according to the OEM recommendations; and iv. The blind shear rams were surface tested in accordance with OEM specifications and regulatory requirements.

Appendix A

Summary of the Consent Decree Performance Plan Requirements – Articles VI & VIII*

15.d.1 & 15.d.2	Well Control Competency Assessments	<p>Develop, implement, and maintain documentation for a Well Control Competency Assessment plan for all Transocean personnel (including: Offshore Installation Manager (“OIM”), Senior Toolpusher, Toolpusher, and Driller) responsible for conducting or oversight of Drilling Operations on Transocean’s owned, operated, or contracted rigs (collectively “Well Control Personnel”) that:</p> <ul style="list-style-type: none"> i. Includes well control competency requirements for Well Control Personnel that exceed the competency requirements set forth in 30 C.F.R. §§ 250.1500-1510 (Subpart O); ii. Identifies skill sets and other competencies needed to recognize, evaluate, and respond to Well Control events; iii. Provides for the training and assessment of skills and competencies necessary for those events; and iv. Provides appropriate corrective actions for personnel who do not demonstrate the identified skills or competencies, including but not limited to, ensuring that any such personnel who have not demonstrated such skills and competencies shall work under direct
15.d.3	Training	<p>Require all offshore management who conduct or oversee Drilling Operations, specifically the OIM, Senior Toolpusher, Toolpusher and Driller (collectively, “Designated Employees”) to complete at least forty (40) hours of training each calendar year related to:</p> <ul style="list-style-type: none"> i. Outer Continental Shelf (“OCS”) well control operations; ii. Principles of process safety; or iii. Risk Management.
15.d.5	CAMS	<p>Implement and maintain a Competence Assessment Management System (“CAMS”) to develop standards of competence required across Transocean’s United States fleet for Drillers, Senior Subsea Supervisors, Subsea Supervisors, and Dynamic Positioning Officers (collectively, “CAMS Employees”) and to ensure that those job positions are receiving the correct training for their positions. The CAMS process shall:</p> <ul style="list-style-type: none"> i. Obtain third-party certification of its CAMS process from the Offshore Petroleum Industry Training Organization (“OPITO”); ii. Assess risks associated with CAMS Employees; and iii. Audit training and employee competency records to assure that CAMS Employees are adequately receiving the correct training for their positions.

Appendix A

Summary of the Consent Decree Performance Plan Requirements – Articles VI & VIII*

15.d.6	Competence Assessment Program	<p>Use a Competence Assessment Program (“CAP”) to assess the capability of Drillers, Senior Subsea Supervisors, Subsea Supervisors, and Dynamic Positioning Officers (collectively, “CAP Employees”) to operate at the CAMS established levels of competence. The CAP shall:</p> <ul style="list-style-type: none"> i. Establish a single standard of competency in each job; ii. Be reviewed semi-annually to identify any potential gaps in on-the-job training and/or classroom training programs; and iii. Be updated, changed, or supplemented at least once each calendar year.
15.d.7 & 15.d.8	Operational Alerts	<p>Develop and commence continuous operation of the Global Management System (“GMS”) to forward operational alerts issued at the corporate level to Transocean’s rigs operating in the Waters of the United States.</p> <p>Require confirmation from the Offshore Installation Managers (“OIMs”) that operational alerts have been received and that the required actions are being taken.</p>
15.f.	Records	<p>Maintain both offshore and onshore copies of all records related to the United States-required drilling and production tests of drilling equipment owned by Transocean.</p> <p>Submit the records to the United States upon request.</p>
15.g	Incident Tracking Report	<p>Annually prepare an Incident Tracking Summary Report documenting all corrective maintenance and inhibits (i.e., the temporary disabling) of safety critical designated equipment, stop-work events, near hits and serious near hit incidents, major loss of containment incidents, and any incidents involving Transocean’s employees or contractors that Operators are required to report under 30 C.F.R. § 250.188 (as modified to include reporting of property or equipment damage greater than \$250,000 in value). The Incident Tracking Report shall include trend analysis for the categories of incidents listed above.</p>
16.a,b	Oil Spill Training	<p>Provide training at least once per calendar year on the National Incident Command System (“ICS”) to Transocean’s personnel engaged in any function associated with emergency planning, preparedness, and response for any drilling rigs.</p> <p>This training requirement applies to the following personnel: Health, Safety, and Environment (“HSE”) Vice President (now titled Vice President of HSE), Vice President of the Americas, HSE Director (now split into Director HSE Field Support and Director HSE Services), HSE Manager, Sector Manager and General Manager (now titled Operations Director), Operations Managers, and Rig Managers (collectively, the “Emergency Response Team” or “ERT”).</p>

Appendix A

Summary of the Consent Decree Performance Plan Requirements – Articles VI & VIII*

17.b	Oil Spill Drills - Actual Notification	<p>Quarterly, by the last day of March, June, September, and December of each calendar year, with advance notice, and in coordination with the Operator, conduct one drill with actual notification to the National Response Center clearly identifying that the call is part of an exercise.</p> <p>b. The rig to perform the actual notification drill shall be selected at random by a Transocean Operations Director in the first week of each quarter.</p> <p>c. Transocean shall document the actual notifications in the drill records of the rig and make available those documents to the United States upon request.</p>
17.d	Weekly Emergency Response Drills	<p>Participate with Operator personnel in weekly rig-based Emergency Response Drills, which shall include the following types of scenarios: blowouts, gas on the surface, fire, vessel collisions, terrorist threats, and muster and evacuation. Where appropriate, Emergency Response Drills shall also include drills regarding the applicable OSRP for a particular scenario.</p> <p>Document the Emergency Response Drills in the drill records of the rig and make available those records to the United States upon request.</p>
18	Oil Spill Response Plan	<p>Submit to the United States, for review and approval, an addendum to the approved OSRP for each Operator with which it contracts. The addendum shall include the following:</p> <ul style="list-style-type: none"> i. A listing of all oil spill response equipment stored on each rig; ii. Information on the communication systems and compatibility with the Operator’s systems, including those in the approved OSRP; iii. A listing of Transocean employee positions responsible for assisting with an oil spill response pursuant to the OSRP, a description of those positions and duties, and a summary demonstrating that the employees filling the positions have the training or experience related to such positions and/or are engaged in a training program or on-the-job-training related to such positions. Transocean shall provide to the United States the names of employees filling the positions upon request; and iv. Action plans and duties relating to maintaining or regaining well control.
18	Oil Spill Response Plan	<p>Review and update its addendum to the Operator’s OSRP, if appropriate, based on any change to the Operator’s OSRP.</p> <p>The approved addendum, along with any updates based on changes to the Operator’s OSRP, shall be made part of the rig Emergency Response Plan (“ERP”).</p>

Appendix A

Summary of the Consent Decree Performance Plan Requirements – Articles VI & VIII*

19.b	Alarm System Safety	<p>Maintain current status records or fire/gas alarm inhibits on Rig & Onshore</p> <p>a. Maintain within maintenance system records an up-to-date status of all inhibits made to the fire and gas alarm systems of its rigs operating in the Waters of the United States.</p> <p>b. Record and maintain this information both on the rig and in a Transocean on-shore database located in the United States. This information shall be made available to the United States upon request.</p>
20	Innovation	<p>Transocean shall form a Technology Innovation Group (TIG) to focus on drilling safety and explore and develop next generation solutions to critical aspects of drilling. A minimum of \$10 million will be devoted to this effort. An annual report will be prepared for TIG efforts.</p>
21.a.	HSE Committee	<p>c. The HSE Committee shall be responsible for the Company’s reporting obligations under Paragraph 31.b. of the Consent Decree as follows:</p> <p>i. The HSE Committee shall meet at least quarterly.</p> <p>ii. The HSE Committee shall appoint a Compliance Advisor to prepare quarterly compliance reports regarding the status of Transocean’s compliance with each element of the Consent Decree (“Quarterly Compliance Report”). The Quarterly Compliance Report shall include discussion of, but not be limited to, all steps taken to comply, all problems or challenges encountered in attempting to comply, and any assistance needed from Transocean Ltd.’s Boards of Directors to help secure timely compliance of the Consent Decree.</p> <p>iii. The Quarterly Compliance Reports shall be provided to HSE Committee members prior to each quarterly meeting.</p> <p>iv. Following each quarterly meeting, the HSE Committee shall provide the Quarterly Compliance Report to TODDI’s and Transocean Ltd.’s Boards of Directors.</p>
21.b	Public Web Site	<p>b. To facilitate access to the Public Web Site, Transocean shall create a link to a “United States MACONDO Settlement Compliance Webpage” on Transocean’s web site, www.deepwater.com.</p>
21.c	National Resource Inventory	<p>a. For each calendar year after February 19, 2013, by April 2, provide to the USCG (via the National Strike Force Coordination Center), for entry into the National Response Resource Inventory database, a list of all Well Control and spill response equipment Transocean owns, operates, or for which it has contracted.</p>

Appendix A

Summary of the Consent Decree Performance Plan Requirements – Articles VI & VIII*

22	Independent Consent Decree Auditor	As part of its Performance Plan approved by the United States, retain an Independent Consent Decree Compliance Auditor who shall audit and report to the United States on Transocean's compliance with Articles VI ("Measures to Improve Performance and Prevent Recurrence") and VIII ("Reporting") of the Consent Decree.
23	HSE Committee	<p>TODDI shall form an HSE Committee. The HSE Committee shall fulfill the requirements of both Paragraph 21.a. and 23.a. of the Consent Decree.</p> <p>b. The HSE Committee shall evaluate Transocean's response/improvements in Transocean's safety and operational risk identification and management of risk, including Transocean's compliance with the process safety related aspects of the Consent Decree, specifically BOP testing and maintenance, training, and Well Control.</p> <p>The HSE Committee shall meet at least quarterly.</p> <p>Following each quarterly meeting, the HSE Committee shall report its findings and recommendations to TODDI's and Transocean Ltd.'s Boards of Directors</p>
23	Independent Process Safety Consultant	Retain an Independent Process Safety Consultant to review TO's BOP testing and Maintenance, Training, and Well Control
31.a	Consent Decree Annual Report	<p>For each calendar year after the Date of Entry, by April 2 of the following year, describe all measures taken to comply with each of the requirements of Article VI (Measures to Improve Performance and Prevent Recurrence) in a report.</p> <p>Post the annual report on the Company's public website.</p>
31.b	Quarterly Reports to Transocean Board of Directors	For each calendar year after the Date of Entry, beginning after the first full quarter following the Date of Entry, report in detail at least quarterly to the Board of Directors of Transocean Ltd. on the status (in each report for the most recently completed quarter) of the Company's compliance with each element of this Consent Decree.

Appendix A

Summary of the Consent Decree Performance Plan Requirements – Articles VI & VIII*

32	Report Incidents of Non-Compliance	In any report required by Article VIII (Reporting), the Transocean Defendants must describe any non-compliance with the requirements of this Consent Decree and provide an explanation of the likely cause and the remedial steps taken, or to be taken, to prevent or minimize such non-compliance. If any of the Transocean Defendants violates any requirement of this Consent Decree, the Transocean Defendants shall report to the United States such violation and its likely duration, in writing, within ten (10) business Days of the Day that any Sector Manager of Transocean Defendants (identified in the Performance Plan) first becomes aware of the violation, with an explanation of the violation's likely cause and of the remedial steps taken, or to be taken, to prevent or minimize such violation. If the cause of a violation cannot be fully explained at the time the report is due, the Transocean Defendants shall so state in the report. The Transocean Defendants shall investigate the cause of the violation and shall then submit an amendment to the report, including a full explanation of the cause of the violation, within thirty (30) Days of the Day any of the Sector Managers of Transocean Defendants (identified in the Performance Plan) becomes aware of the cause of the violation. Nothing in this Paragraph or the following Paragraph relieves the Transocean Defendants of their obligation to provide the notice required by Article X (Force Majeure) or their liability for stipulated penalties as set forth in Article IX (Stipulated Penalties).
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*The summary of Consent Decree Performance Plan Requirements provided as Appendix A is not a fully comprehensive list of all applicable requirements including numerous Transocean “annual report” submission obligations that were not applicable to the audit conducted for the Calendar Year 2014.

APPENDIX B

Transocean Response to Independent Consent Decree Compliance Auditor Annual Report for 2015

Appendix B

TRANSOCEAN RESPONSE TO INDEPENDENT CONSENT DECREE COMPLIANCE AUDITOR ANNUAL REPORT FOR 2015 [PREPARED BY TRANSOCEAN]

INTRODUCTION

Under Paragraph 22 of the Consent Decree dated February 19, 2013 (“Consent Decree”) entered into between certain affiliates of Transocean (“Transocean”) and applicable US government agencies (“United States”) and the related Performance Plan approved by the United States on January 2, 2014 (“Performance Plan”), Transocean provides this “2015 Response” to the Independent Consent Decree Compliance Auditor Annual Report for 2015 (“IA 2015 Report.”)

As required, this 2015 Response addresses any deficiencies noted in the IA 2015 Report, along with a summary of actions taken or to be taken to address such deficiencies. In addition, although not required under the Consent Decree or Performance Plan, this 2015 Response also provides comments to “Observations” identified in the IA 2015 Report.

Transocean is fully committed to complete compliance with the hundreds of individual obligations required under the Consent Decree and Performance Plan and welcomes the feedback and identification of any issues by the Independent Auditor or the United States. Transocean has a team of full time professionals (the “Obligations Team”) assigned to the management of the Consent Decree and Performance Plan obligations.

This 2015 Response is structured by referencing the 2015 Independent Auditor’s report section including the summary bullet point, Transocean’s response to the finding and actions that were taken or to be taken in response.

FINDINGS AND TRANSOCEAN’S RESPONSE

1. IA 2015 Report Section 3.1: Public Website Under-Reporting of Oil Spills to Waters of the United States for CY 2013 and CY 2014.

Response to Deficiency and Actions Taken or to be Taken: Transocean acknowledges the deficiency and reported the issue to the United States within ten (10) days of determining it occurred.

Transocean is required to post to the public website, no later than April 2 of each year, (vi) a list of all oil spills that reach waters of the United States, including (iii) a summary of hydrocarbon spills and volume. The report was timely posted. Subsequently, the Obligations Team realized that the report posted was an earlier draft of the report that was maintained on the hard drive of an Obligations Team member that did not include eight spills. The correct version for 2014 was immediately posted. In reviewing the 2013 report posted to confirm that it was accurate, there were a few minor issues identified, such as the exclusion of several very small spills because only spills to the second decimal point were viewed. Also, certain very small spills were not included in the report run if the small spill went into the rig’s moon pool area and was immediately skimmed up.

The Obligations Team immediately posted updated, corrected versions of the 2013 and 2014 reports. All future reports will include a review of any spill, even those to the lowest decimal points.

In addition, all reports and information relating to our compliance efforts, including working drafts, will always be maintained and clearly identified in one location. No Obligations Team member will use their hard drive to store documents.

2. IA 2015 Report Section 3.2: Late Submission of Training Class Quarterly Schedule.

Response to Deficiency and Actions Taken or to be Taken: Transocean acknowledges the deficiency and reported the issue to the United States within ten (10) days of determining it occurred.

Transocean is required to submit its schedule of training classes at the Houston Training Center and invite the United States to participate. This is to be submitted quarterly, within ten (10) days after the last day of March, June, September, and December of each year. The training schedule under the Section was due on July 10, 2015, which was a Friday. However, the submission was not made until the following Monday, July 13, 2015.

The Obligations Team has implemented a more formalized process to ensure that all due dates, in particular recurring periodic due dates, have been placed on the Macondo Obligations Team Outlook calendar in addition to the detailed obligations tracking chart where all due dates are tracked.

3. IA 2015 Report Section 3.3: One Qualified Weekly Rig-Based Emergency Response Drill Missed on One Rig.

Response to Deficiency and Actions Taken or to be Taken: Transocean acknowledges the deficiency and reported the issue to the United States within ten (10) days of determining it occurred.

Each rig is required to conduct a weekly emergency response drill as defined in the Performance Plan. During a periodic internal audit of compliance, it was discovered that one rig missed conducting an emergency response drill in a particular week even though it had conducted eleven (11) other types of drills in that week.

A reminder from the Vice President of Operations West was sent to all operations personnel, and specifically to each Rig Manager, that reminded everyone of this weekly emergency response drill obligation, and again explained what is required to have a qualifying drill under this obligation.

4. IA 2015 Report Section 3.4: Late Submission of One Pre-Deployment BOP Certification.

Response to Deficiency and Actions Taken or to be Taken: Transocean acknowledges the deficiency and reported the issue to the United States within ten (10) days of determining it occurred.

Transocean is required to submit a BOP certification prior to the time of initial deployment of a BOP on a well operation. A Rig Manager believed that he timely submitted the certification to the Obligations Team's mailbox late on a Friday, but his computer was not connected to the network. The Rig Manager realized the error on the following Monday morning and immediately sent it in. The certification was therefore submitted one day late.

During operations meetings and individual discussions, Rig Managers were reminded to confirm that these important submissions are sent. Also, if a certification is to be sent outside of normal business hours, a text message or call directly to one of the Obligation Team members is now required at the time the email is sent.

5. IA 2015 Report Section 3.5: Late Member Notification and Assignment of Training.

Response to Deficiency and Actions Taken or to be Taken: Transocean acknowledges the deficiency and reported the issue to the United States within ten (10) days of determining it occurred.

Transocean is required to notify a new member of the Company's Emergency Response Team ("ERT") of the oil spill training curriculum required under the Consent Decree and assign that training "immediately." In June 2015, the Vice President of Human Resources was appointed to the newly created position of Senior Vice President of Operations Integrity and HSE. The new Senior Vice President of Operations Integrity and HSE would qualify as a member of the ERT, but he was not notified of and assigned his oil spill training obligation until September 14, 2015.

However, importantly, any new member to the ERT is required under the Performance Plan to complete a "pro-rata" amount of required training for the year she or he becomes an ERT member. In this case, the new Senior Vice President of Operations Integrity and HSE was assigned the training pro-rata from June 2015 and completed the pro-rata training by the end of the year. Therefore, there was no training non-compliance. The non-compliance was limited to a delay in notification and assignment of the training.

The delayed assignment of the training and notification was due to an oversight by the Obligations Team member assigned to follow this obligation and ensure compliance. The Obligations Team member realized the non-compliance during a conference call with the Independent Auditor early October.

To meet the immediate notification and assignment requirement (the only such requirement under the Consent Decree), a new process has been put in place whereby the Obligations Team will be promptly notified by HR when any change to an ERT position occurs, for any reason.

6. IA 2015 Report Section 3.6: Delayed Submission of Confidentiality Discussion Document.

Response to Deficiency and Actions Taken or to be Taken: Transocean acknowledges the deficiency and reported the issue to the United States within ten (10) days of determining it occurred.

Throughout the term of the Performance Plan, Transocean has fully complied with the detailed requirements as to steps taken to mark and submit a document that contains Transocean confidential or proprietary information. During 2014 and in early 2015, Transocean submitted documents for fourteen (14) separate rigs, including a Major Area Hazard Risk Assessment, Tank or Non-Tank Vessel Response Plan, Emergency Response Plan and a proposed Communications Appendix. For

each of the fourteen (14) separate rigs, an accompanying “marked” submission was made along with a supporting document that discusses why the information is deemed confidential (“the Discussion Document”). On May 14, 2015, when the rig specific documents were submitted relating to a rig, the Deepwater Asgard, that recently entered waters of the United States, , the marked version was included but the discussion document was inadvertently not included. Once the mistake was realized by a member of the Obligations Team, the discussion document was immediately submitted.

In response, a new process was implemented that a second member of the Obligations Team must review each submission, however routine, prior to the submission being made to ensure that all required documents are included.

[THE FOLLOWING IS AN OBSERVATION, NOT DEFICIENCY OR NON-COMPLIANCE]

IA 2015 Report Section 4.1:

The one Observation noted by the Independent Auditor related to a Transocean internal requirement that Transocean employees who are Senior Subsea Supervisors and Subsea Supervisors complete specialized training courses provided by Original Equipment Manufacturers (OEMs).

At the end of 2015, eight (8) such employees had not been able to complete the training class because either the classes were provided by the OEM on an infrequent basis or the OEM cancelled the classes for various reasons such as small class size.

Transocean immediately began increased efforts to work with the OEMs to schedule the required classes and committed that the employees who had not completed the training are scheduled to do so by the end of the first quarter of 2016.

CONCLUSION

As referenced above, Transocean is fully committed to complete compliance with all aspects of Consent Decree and Performance Plan. Transocean and the Obligations Team communicated extensively with the Independent Auditor and United States representatives throughout the year and received a significant amount of feedback and ongoing questions. In all cases Transocean responded promptly and with full transparency, understanding that all parties, the Independent Auditor, the United States and Transocean, are focused on the same thing - safe and environmentally sound operations without incident.