

# 2013 Consent Decree Annual Report

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## 2013 CONSENT DECREE ANNUAL REPORT

### A. INTRODUCTION

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On February 19, 2013, a settlement was entered into between certain affiliates of Transocean (Transocean) and the US Department of Justice (DOJ) relating to the 2010 Macondo incident. An important part of that settlement is a detailed Consent Decree that describes the terms of the civil settlement and includes the imposition of specific obligations on Transocean.

One obligation is for Transocean to file this Annual Report under Paragraph 31(a) of the Consent Decree. Paragraph 31(a) requires Transocean to submit an Annual Report describing measures taken to comply with each of the obligations of Article VI (Measures to Improve Performance and Prevent Recurrence). The report must be organized to show the measures taken to meet each individual obligation, whether the measures were taken timely, and whether the measures amounted to compliance with the obligation.

Under Paragraph 31(a), each report shall meet the requirements of the Performance Plan (Performance Plan) and shall identify items including, but not limited to: status of any construction, purchase, installation, or other compliance measures; completion of milestones; problems encountered or anticipated together with implemented or proposed solutions; status of permit applications; operation and maintenance; and reports to federal and state agencies.

During 2013, Transocean, the DOJ and the other respective US government agencies involved in administering the Consent Decree spent a significant amount of time and effort finalizing the specific terms of the Performance Plan. Both Transocean and the US agencies involved (United States) understood the importance of having a detailed and substantive Performance Plan that throughout the Consent Decree term could be closely adhered to by Transocean and all aspects of compliance could be verified by the United States and designated Consent Decree Auditor.

The Consent Decree Performance Plan was finalized and agreed to as of January 2, 2014. Most of the obligations contained in Article VI of the Consent Decree are applicable to Transocean's obligations under Performance Plan related paragraphs. Therefore, this Annual Report will only address the relatively few Article VI obligations that were required to be met by Transocean during 2013. Annual Reports for future years will specifically address the many Article VI obligations contained in the agreed to Performance Plan.

Another obligation under Consent Decree Section 33 requires that each report include a specified certification by a senior officer holding a position of Vice President or higher. Attachment A is the required certification for this report. In addition, under Section 20.a.6, a technology innovation group (TIG) created by Transocean must provide a report to Transocean's Board and the United States. Attachment B is a copy of the TIG 2013 Annual Report.

## **B. OBLIGATIONS REQUIRED IN 2013**

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The following are the Consent Decree obligations Transocean was required to comply with in 2013. The obligations are listed in sequence based on the Article VI Consent Decree paragraph numbers.

### **1. Paragraph 14.e: Performance Plan must be submitted within 120 days**

- a. Obligation. Transocean was obligated, no later than 120 days of date of entry of the Consent Decree, to file a detailed Performance Plan for approval by the United States. Transocean was obligated to consult with the United States in preparation of the proposed Performance Plan and the Plan had to specifically address a number of requirements.
- b. Summary of measures taken. Transocean executive management created a team of experienced compliance and operations professionals to lead the development of Transocean's proposed Performance Plan. The team, named the Macondo Obligations Team (Obligations Team), is led by the Transocean global Chief Compliance Officer (CCO). Transocean submitted its proposed Performance Plan to the United States on June 14, 2013. Members of the Obligation Team met with United States representatives in-person and by teleconference periodically throughout the remainder of 2013 for discussion and consultation purposes.
- c. Were obligations timely met? This obligation was timely met. 120 days after the date of entry of the Consent Decree was June 19, 2013 and the proposed Performance Plan was submitted by Transocean on June 14, 2013.
- d. Did measures taken comply with obligation? The measures taken by Transocean fully met the requirements of this obligation.

### **2. Paragraph 21.a: Creation of Board committee to oversee compliance**

- a. Obligation. A specific committee of the Transocean Offshore Deepwater Drilling Inc. (TODDI) Board of Directors was required to be designated to assume responsibility for Transocean compliance and reporting obligations under the Consent Decree.
- b. Summary of measures taken. On February 28, 2013, the TODDI Board of Directors passed a resolution designating the TODDI Health, Safety and Environmental (HSE) Committee as the Board committee to be responsible for ensuring that all Consent Decree compliance and reporting obligations were met. The Obligations Team has prepared written quarterly reports for the Committee and the Transocean CCO has provided quarterly in-person compliance updates. In addition, members of the HSE Committee discuss with the Transocean CCO any issues or questions that may arise from time to time.
- c. Were obligations timely met? Although there was no specific date which the designation of responsibility was to occur, such designation occurred on February 28, 2013. The designation of the HSE Committee and subsequent meetings and reports were important for Transocean's compliance with Consent Decree paragraph 31.b requiring quarterly reporting to Transocean Ltd.
- d. Did measures taken comply with obligation? The measures taken by Transocean fully met the requirements of this obligation.

### **3. Paragraph 21.b: Creation of Public Website**

- a. Obligation. Transocean was obligated to create a Public Website to contain 7 categories of specific information. The information must be posted and updated annually for each calendar year following the Date of Entry of the Consent Decree by April 2<sup>nd</sup> of the following year.
- b. Summary of measures taken. During 2013, the Obligations Team, working with Transocean's internal Communications Department, facilitated the creation of a new webpage to be accessed by the public through the Transocean [www.deepwater.com](http://www.deepwater.com) website by clicking on the [U.S. Consent Decree Compliance](#) link on the [www.deepwater.com](http://www.deepwater.com) homepage. The Obligations Team began working on gathering or creating the necessary information that is required to be posted on the site by April 2, 2014.
- c. Were obligations timely met? Although the Performance Plan referenced that the Public Website was to be created after approval of the Performance Plan, the site was available to the public on or about October 1, 2013. The required information is scheduled to be posted by April 2, 2014.
- d. Did measures taken comply with obligation? The measures taken by Transocean fully met the requirements of this obligation.

### **4. Paragraph 23.a: Creation of TODDI Board HSE Committee**

- a. Obligation. TODDI was required to create an HSE Board Committee to 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 aspects of the Consent Decree. Specifically, BOP testing and maintenance, training and well control. The HSE Committee was to meet at least quarterly beginning the first full quarter following the Consent Decree date of entry, and report its findings and recommendations to the TODDI Board and Transocean Ltd.'s Board of Directors.
- b. Summary of measures taken. On February 28, 2013, TODDI created an HSE Committee pursuant to a Board resolution. The HSE Committee met quarterly on February 28, 2013, April 23, 2013, July 29, 2013, and October 16, 2013. Based on the quarterly reports created by the Obligations Team and discussions led by Transocean's Senior Vice President, Americas (who is also the Chairman of the TODDI Board and HSE Committee), the HSE Committee evaluated the issues specified above. In addition, the required reports were received by the TODDI Board as a quorum of the Board participated in the HSE Committee meetings. Written reports of the HSE Committee deliberations were prepared by the CCO and provided to the Transocean Ltd. Board of Directors.
- c. Were obligations timely met? Although there was not a specific date by which the HSE Committee had to be created, the Committee was created on February 28, 2013. In addition, the quarterly meetings were held as required on the dates specified above. The creation of the HSE Committee and subsequent meetings and reports were important for Transocean's compliance with Consent Decree paragraph 31.b requiring quarterly reporting to Transocean Ltd.
- d. Did measures taken comply with obligation? The measures taken by Transocean fully met the requirements of this obligation.

## **C. SUMMARY AND CONCLUSION**

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This Annual report describes the Consent Decree compliance obligations required of Transocean in 2013. Although other obligations may have been applicable to Transocean (such as those described in paragraphs 24 through 29), the situations in which those obligations would be specifically applicable did not occur.

As previously indicated, numerous Consent Decree obligations are related to the Performance Plan which became effective on January 2, 2014 and therefore did not have to be addressed in this 2013 Annual Report.

Based on the above, Transocean is in full compliance with all aspects of the Consent Decree. Transocean remains committed to such compliance throughout the term of the agreement.

ATTACHMENT A

**OFFICER CERTIFICATION**

**2013 Consent Decree Annual Report**

As required by paragraph 33 of the Consent Decree, I certify under penalty of law that this document and any attachments were prepared under my direction or supervision in accordance with a system designed to assure that qualified personnel properly gather and evaluate the information submitted.

Based on my inquiry of the person or persons who manage the system, or those persons directly responsible for gathering the information, the information submitted is, to the best of my knowledge and belief, true, accurate, and complete.

I am aware that there are significant penalties for submitting false information, including the possibility of fine and imprisonment for knowing violations.

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Dated: April 2, 2014

A handwritten signature in black ink, appearing to read 'Michael F. Munro', written over a horizontal line.

Michael F. Munro  
Vice President, Deputy General Counsel and  
Chief Compliance Officer

**ATTACHMENT B**

**2013 Technology and  
Innovation Group (TIG)  
Annual Report**

## 2013 TECHNOLOGY AND INNOVATION GROUP ANNUAL REPORT

### A. INTRODUCTION

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On February 19, 2013, a settlement was entered into between certain affiliates of Transocean (Transocean) and the US Department of Justice (DOJ) relating to the 2010 Macondo incident. An important part of that settlement is a detailed Consent Decree that describes the terms of the civil settlement and includes the imposition of specific obligations on Transocean.

One obligation is for Transocean's Technology and Innovation Group to file this Annual Report under Section 20.a of the Consent Decree. Section 20.a requires Transocean's Technology and Innovation Group to submit an Annual Report describing efforts to explore developments in drilling safety and the Company's compliance with various other TIG related obligations.

### B. OBLIGATION

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#### 1. Paragraph 20a.6: Annual Technology and Innovation Group (TIG) Report:

a. Obligation. For each calendar year after the Date of Entry, by April 2 of the following year, the TIG shall provide a report to the Transocean Board of Directors and the United States in the Annual Report (Paragraph 31.a.) and post the report on Transocean's Public Web Site. The report shall document compliance and amounts expended, results and developments required by Paragraph 20.a.

b. Summary of measures taken.

**i. Identify areas where drilling safety could be improved, including enhancements to blowout preventers;**

Limited innovation has been applied to Blowout Preventer (BOP) systems over the past 90 years, presenting a clear and timely necessity to develop innovations that will achieve step-change improvements in performance and reliability that can be retrofitted to the current BOP designs.

The current focus of the TIG in relation to drilling safety improvement is the development of a fault tolerant and failure resistant BOP control system.

**ii. Identify new technologies that could improve drilling safety in those areas;**

TIG has identified the BOP control system as a candidate for a drilling safety improvement area that presents the greatest opportunity to introduce mature technologies with a high Technology Readiness Level, already proven in other industries. The

development of an improved system will increase operational integrity through reliability, availability and improved overall performance.

In 2013 Transocean submitted a total of 19 provisional patents related to BOP Control System improvements.

**iii. Identify other companies that could assist with research and development of the new technologies;**

Transocean has partnered with Shell in a Joint Development Agreement to develop a fault tolerant and failure resistant BOP control system.

**iv. Research the effectiveness of these technologies;**

TIG has performed field research and produced a detailed statistical causal analysis on Transocean's BOP performance, hosted multiple Ideation sessions with world renowned technology experts, commissioned several technology feasibility and BOP state-of-the-art surveys, and developed a Systems Engineering plan for a fault tolerant and failure resistant BOP control system.

The program will effectively introduce mature technologies with a high Technology Readiness Level, already proven in other industries.

**v. Where appropriate, propose for testing or piloting promising technologies;**

The development program is designed to deliver a Beta prototype that has been fully tested and ready to be installed on a BOP in less than three years.

**vi. Where appropriate, evaluate tested or piloted technologies based on feasibility testing procedures and economic evaluation procedures;**

The program evaluation of technology and feasibility testing strategy is based on employing a Technology Selection Process where the following factors for each component are considered:

- a) Employ only technologies with proven high readiness levels in industrial environments (Technology Readiness Level 6 or above as usually termed by other organizations such as the US Department of Defense and NASA).
- b) Execute a proof of concept for each major technology group in order to allow the adaptation of such technologies to subsea environmental conditions.

Subsea field verification is planned following the first installation onto an existing BOP.

**vii. Evaluate and account for how funds were spent during the prior calendar year and how the projects are progressing;**

TIG 2013 spend was \$3.4MM which accounts for personnel costs and those associated with project research and analysis through to the signing of the Joint Development Agreement and project start-up in the last quarter of 2013.

**viii. Budget and set goals for the coming year;**

TIG's goal is to augment safety, reliability and performance of all Transocean business activities by creating products and service that will support operational goals through:

- Technology Intelligence;
- Causal Analysis;
- Reliability studies; and
- Product development activities.

The 2014 budget to achieve the goal is \$13MM.

c. Were obligations timely met? This obligation was timely met.

d. Did measures taken comply with obligation? The measures taken by Transocean fully met the requirements of this obligation.

## **C. SUMMARY AND CONCLUSION**

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This Annual report describes Transocean's Consent Decree compliance obligation required of Transocean's Technology and Innovation Group in 2013.

Based on the above, Transocean is in full compliance with such obligation and Transocean remains committed to such compliance throughout the term of the agreement.