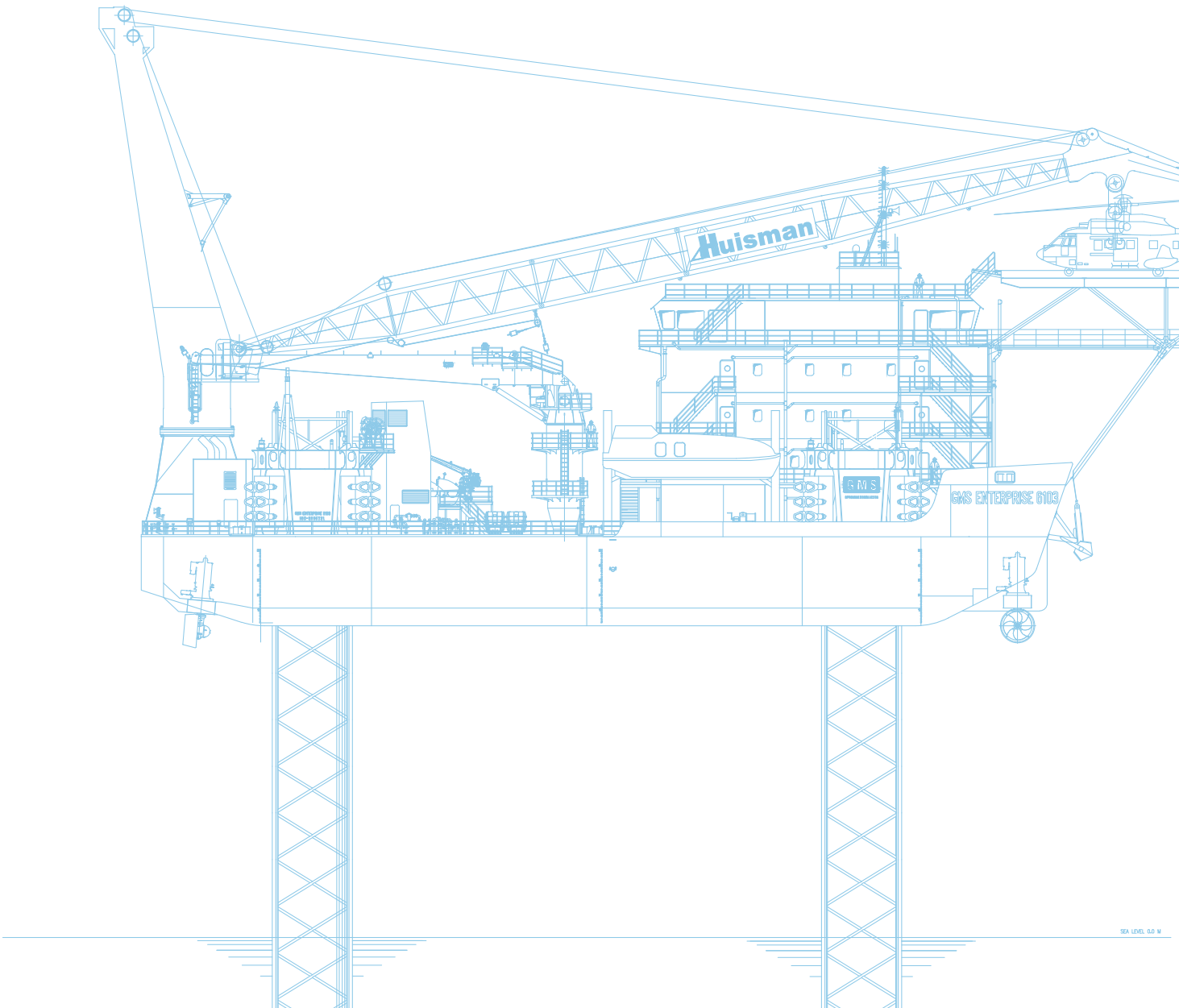
GMS
OFFSHORE CONTRACTOR

HSSEQ ANNUAL REPORT 2015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GMS
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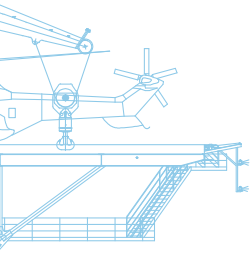


Message from the CEO

"I would like to take this opportunity to personally thank all our staff for their dedication to GMS and continued commitment to maintaining our high HSSEQ standards"

We are committed to Health, Safety, Security, Environment and Quality (HSSEQ), and it continues to be our top priority, with the lives of everyone with whom we work within GMS, and others who are impacted by our activities, dependent on us upholding our high standards. We take very seriously the requirement to provide both our employees and subcontracted personnel with a safe working environment. One of the ways we achieve this is by also including all our subcontractors, who number in excess of 500 people during heavy new build construction phases, in our HSSEQ coaching and performance monitoring.

We sustained a very good health and safety performance throughout 2015. While the number of man hours worked in 2015 rose quite significantly to 7.7 million (2014: 4.8 million) the Total Recordable Injury Rate (TRIR) for the year improved to 0.18 (2014: 0.25).

We have also maintained our strong focus on reducing the environmental impact of our operations. To support this area we introduced a number of key initiatives developed through our environmental monitoring programme targeting waste reduction and resource consumption. We also had another successful year with no pollution incidents occurring.

In 2015 we successfully integrated the simulator we launched the previous year into our bespoke command course for our Masters and Masters in Training; this is part of our strategy to ensure we have sufficient appropriately-skilled crew to command our vessels now and in the future. The simulator has increased training opportunities, operational efficiency and cost-savings and the first tranche of senior officers graduated during the year.

We are both the builder and operator of our own SESV fleet, with our well-established in-house build model enabling us to design, build, maintain and modify our vessels ourselves. 2015 was an exceptionally busy year for the new build, modifications and special project teams, and towards the end of 2015 we relocated our yard to a new, larger facility at Zayed Port in Abu Dhabi, and this will significantly increase our operational efficiency and will allow us to carry out more of our own fabrication work in-house. 2015 saw us increase our fleet to 13 SESVs, however, as of March 2016 this shall further increase to 14 with GMS Sharqi. The majority of the SESV's are located in the Middle East with two in Europe. The SESVs have been primarily engaged in well services and accommodation support in 2015.

Our people are at the very heart of our business. We employ personnel from more than 50 countries and are fortunate to benefit from the rich diversity this brings to GMS. However, with this diversity comes the challenge of ensuring we develop and maintain a consistent and advanced HSSEQ Culture, and we intend to focus our energies on achieving this.

I would like to take this opportunity to personally thank all our staff for their dedication to GMS and continued commitment to maintaining our high HSSEQ standards.

Duncan Anderson

1.0

Introduction

2015 again saw GMS record an impressive HSE performance. Compared with our 2014 annual performance we did have 2 Lost Time Injuries (LTIR) recorded, however, the Total Recordable Incident Rate (TRIR) was further reduced from 0.25 to 0.18 (per 200,000 man-hours worked). This was achieved within the background of ongoing growth in the company and the continued new build program for our new vessels.

Looking ahead, we are determined to continue our efforts to drive down our performance trends. We will seek to accomplish this in an environment of uncertainty within the industry as a whole, but we need to ensure that our personnel keep their focus on performing their duties safely and efficiently.

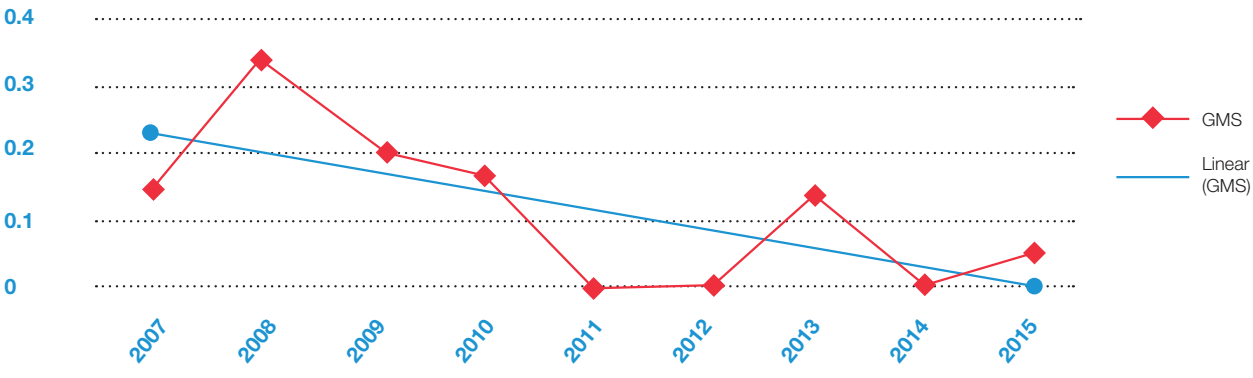
2.0

HSE Performance

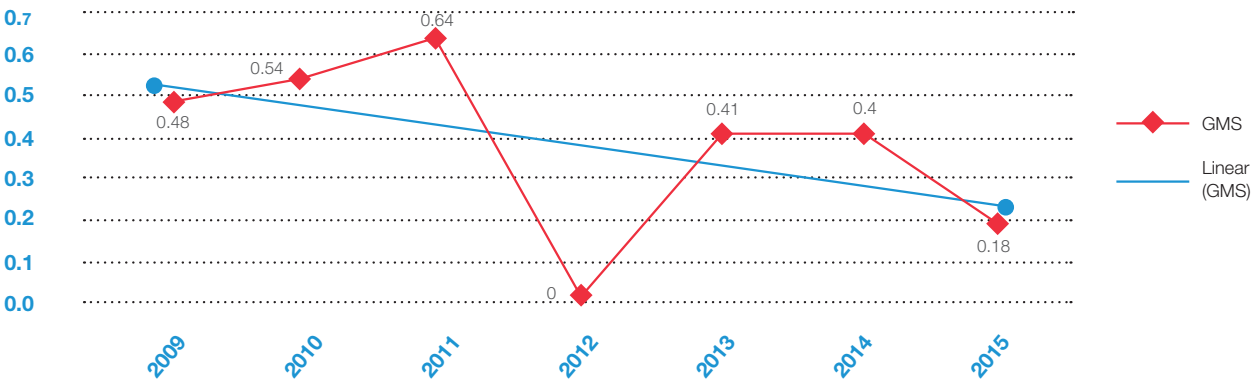
2.1

Lost Time and Total Recordable Injury Rate Performance

LTI / 200,000



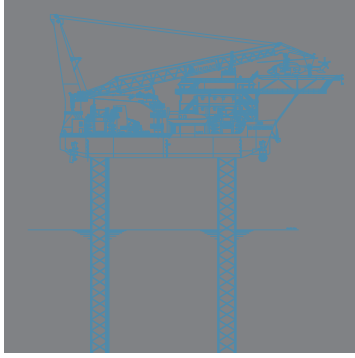
TRIR / 200,000



2.2

Corporate Statistics

Fatality 0	**Occupational Illness and Occupational Disease** 0	**Near Miss** 27
NON Work Related Injury 1	**Material/ Productivity Loss** 10	**HiPO** 1
Lost Time Injury (LTI) 2	**Pollution** 0	**Safety Critical Equipment/Failure** 2
Restricted Work Day Case (RWDC) 2	**Loss of containment** 1	**Technical Offhire** 0
Medical Treatment Case (MTC) 3	**Fire or Explosion** 3	**Vehicle Incident** 0
First Aid Case (FAC) 5	**Security** 0	**Man-Hours Worked** **7,655,087**
		Total Days Lost **13**



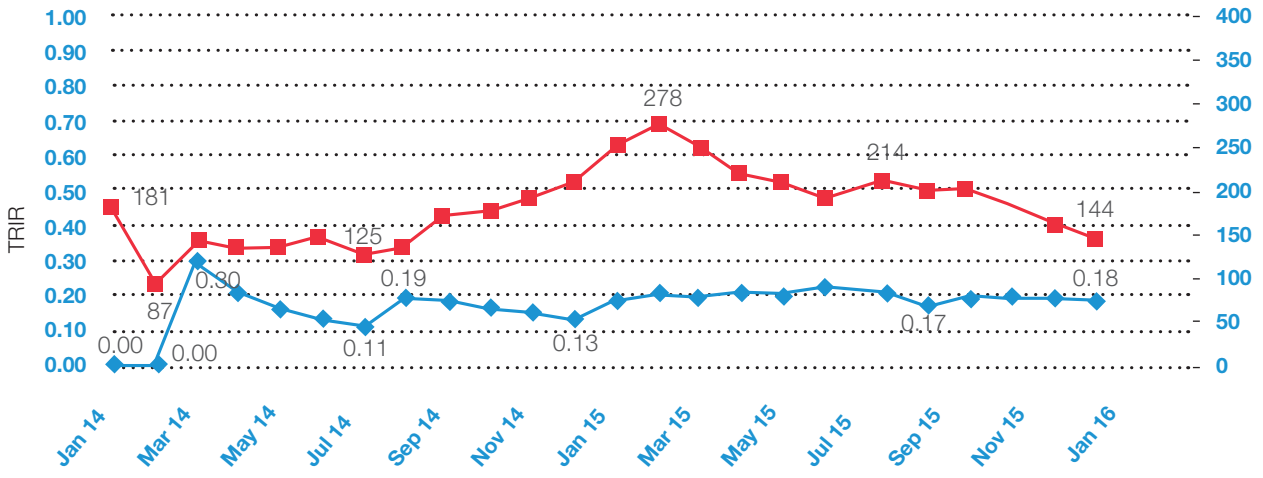
LTI Frequency (LTI Per 200,000 man hours)	0.05
Total Recordable Injury Rate (LTI+RWC+MTC per 200,000 man hours)	0.18

2.3

Potential Matrix Frequency (PMF)

As described in the 2014 HSSEQ Report GMS has begun measuring against the potential performance as well as the actual outcomes. The following graph shows how GMS performed had the potential of the incidents which occurred been realised.

Company Combined Jan 2014 - Dec 2015
TRIR v PMFR Per 200,000



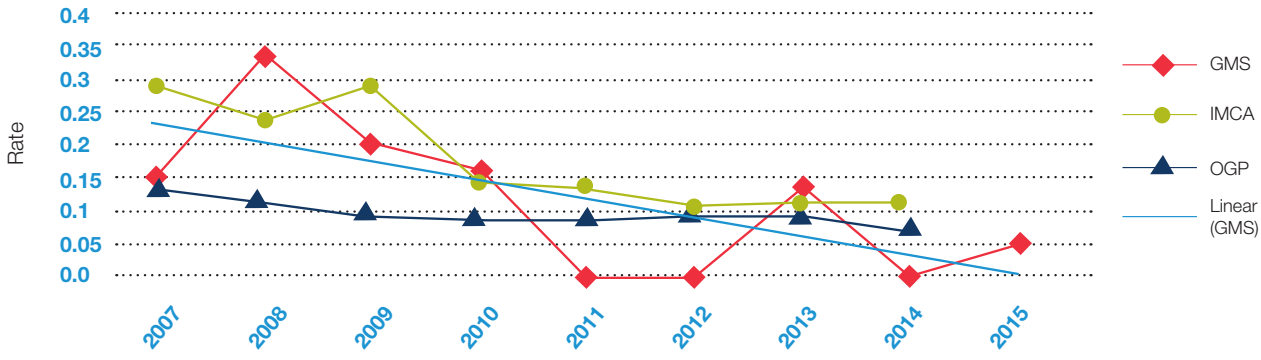
The above graph gives GMS a 2 year rolling picture of potential performance.

As can be seen, from August 2014 to the end of 2014 there was a steady upward trend which indicates that, although no actual recordables had been realised this could possibly be put down to fortune rather than managing the situations better. This reasoning is supported in January and February as we recorded 2 LTI's and a Recordable incident within the first 3 months of 2015. Following the introduction of this reporting initiative, GMS has concentrated on driving down the potential incident outcomes as well as focussing on actual incident outcomes, and the results of this can be clearly seen from the steady decline of the potential Matrix Factor (PMF) trend line and reduction in recordable incidents.

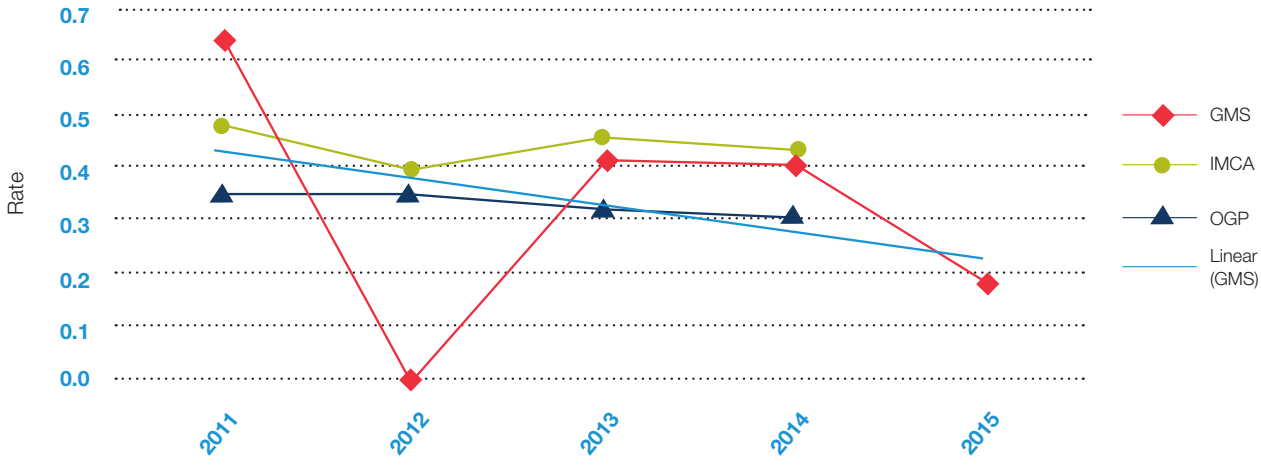
2.4

Lost Time Injury Frequency Rate Benchmark

LTI / 200,000



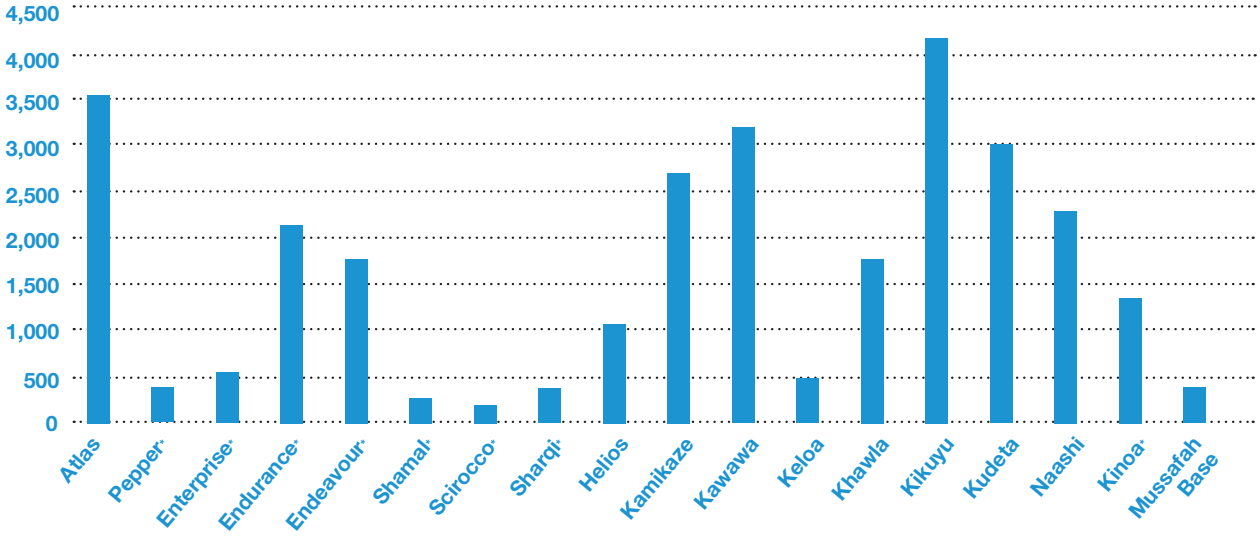
TRIR / 200,000



2.5

Vessel Days without LTI

Days Since last LTI (*days since starting operations)



Barge Kikuyu has operated for more than 4,000 days without an LTI since being first chartered in December 2004. This is an outstanding accomplishment given the majority of its service life has involved supporting well servicing and construction activities. This year barge Keloa also celebrated 1 million man-hours LTI free in conjunction with our client ADMA-OPCO.

3.0

Environment

This section has been prepared in accordance with our regulatory obligation in the United Kingdom to report greenhouse gas emissions pursuant to Section 7 of the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

We have reported on all of the emission sources required. These sources fall within our consolidated financial statement. We do not have responsibility for any emission sources that are not included in our consolidated statement.

In calculating our GHG emissions, we have used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition), the Climate Registry 2014, the IEA CO2 Emissions from Fuel combustion 2015 and emission factors from the UK Government Conversion Factors for Company Reporting 2015.

The table below shows the data points that are required under the UK Government regulatory requirements.

Global GHG emissions data for period 1 January 2015 to 31 December 2015

TONNES OF CO_2e		
	Current reporting year	**Comparison year**
Emissions from:	2015	2014
Combustion of fuel and operation of facilities	62,727	39,515
Electricity, heat, steam and cooling purchased for own use	1,447	1,038
Total (in tonnes CO_2e)	**64,174**	**40,553**
Total Revenue in the reporting period	**220,000,000**	**196,554,000**
Company's chosen intensity measurement: **Emissions reported above normalised to the ratio of tonnes of CO_2e per US$ 1000 of Group revenue**	**0.3**	**0.2**

The consumption of fuel during the operation of our vessels is the largest contributor to our GHG emissions. Although our vessels are leased to our clients on a long term basis, we have chosen to account for their GHG emissions within our footprint, in accordance with the 'operational control' approach to developing our GHG footprint. The increase in emissions from fuel from the previous year is due to an increase in vessel usage and acquiring more vessels to our fleet.

4.0

Quality Management

4.1

Risk-based Internal Audits

Internal audits are one of the management tools used to assure senior management whether the management system controls, described in the Standards and Procedures, are in place to provide effective means of compliance with the company's policies, applicable legislation and regulations and to ensure risks are controlled to ALARP.

Findings identified from audits are issued as non-conformances and are rated depending on how much they affect the company. Significant findings, which have the potential to threaten Safety and Environmentally Critical Elements barriers and/or controls, are escalated to the Executive Board Audit Committee to ensure senior management visibility is realized.

Although, all the departments and Assets in the company are subjected to audits, GMS follows a Risk based Internal Audit methodology, to ensure high risk/ highly critical areas are applied more audit resources than others and that no two audits are the same.

A high level description of the risk based internal audit methodology is explained in the flowchart below:

RISK PROFILE

Creation of a Risk Profile of different areas in GMS considering:

- ☐ Likelihood of risk occurring
- ☐ Magnitude of Impact
- ☐ Company's Priorities

AUDIT PLANNING

Identification and prioritization of those areas on which GMS requires objective assurance. This translates in a higher audit frequency to those critical areas vs lesser/non-critical areas.

AUDIT EXECUTION

Prior to audit execution, the data used to prepare the audit scope come from:

- ☐ Safety and Environmentally Critical Elements
- ☐ Safety Cases
- ☐ Incident Trend Analysis
- ☐ Non conformance trend Analysis
- ☐ Results of previous audits
- ☐ Applicable Procedures and manuals
- ☐ Applicable laws and regulations

This data helps build the audit scope which will be used to validate the process and identify the level of compliance and control deficiencies.

AUDIT RESULTS

Based on the observations, the final report includes:

- ☐ Control breakdowns
- ☐ Residual risks
- ☐ Level of compliance
- ☐ Recommended controls

FOLLOW UP

Ensure findings are being addressed

MONITORING

Monitor effectiveness of report through analyzing the areas of risk and assessing a positive or negative change in internal controls or determine the following audit

4.2

Audit Performance 2015

4.2.1

Planned vs. Executed

AUDIT TYPE	PLANNED	EXECUTED
Internal Audits (Onshore)	11 departmental	8 departmental
Internal Audits (Offshore)	14 vessel	13 vessel
Contractor Audits	10	6

Audit schedule was 77% completed. To improve the audit execution for 2016 Internal Audits will be incorporated into the schedule if they are carried out by the HSSEQ Department. Contractor's Audits will only be considered for companies based in the UAE.

4.2.2

External/Clients Audits

ENTITY	TYPE	REGION / VESSEL	SCOPE
TOTAL	Client	GMS UK	Operations, HSE
ZADCO	Client	GMS UAE	Marine, HSE, Quality
BSI	Certification body	GMS	All departments
ABS x 2	Classification	GMS UAE	Marine, HSE, Quality
ABS x 2	Classification	GMS UK	Marine, HSE, Quality

Of the 2 client audits undertaken in 2015, one was in the MENA region, with the other being the North West Europe (NWE) region. This assurance work was supplemented with a further 5 external audits being carried out. The scope coverage of the client audits focused on the evaluation of GMS's level of compliance within the contractual requirements laid down, as well as ensuring GMS's management system and processes fully complied with the standards we are expected to work within. Feedback assured the GMS Senior Management team that our clients are confident that GMS has sufficient controls in place to ensure risks are ALARP and quality systems are managed to satisfactory levels.

The BSI audit concentrated on the GMS Business Management System and processes with the aim of securing our Business Management System Certification – ISO 9001, 14001 and OHSAS 18001.

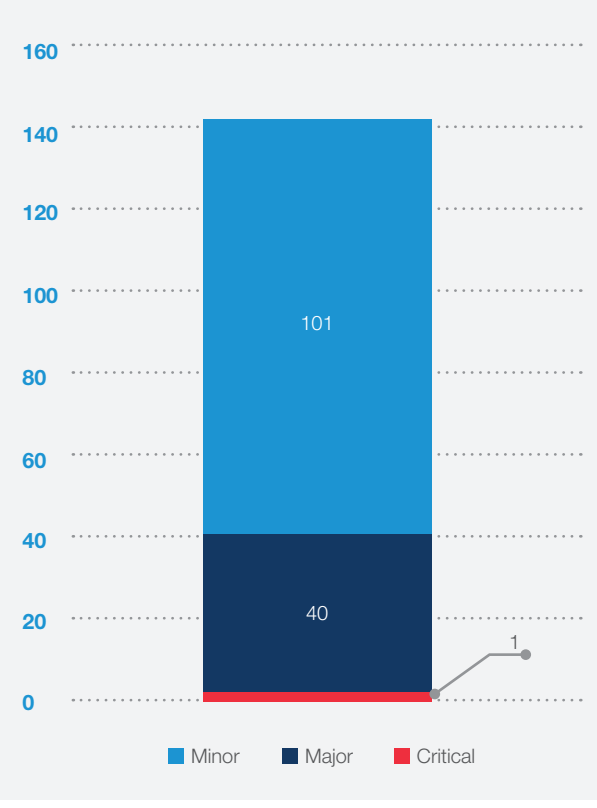
The final audits ensured GMS were within ISM Code compliance for Document of Compliance requirements. This classification allows us to maintain our continued operation offshore.

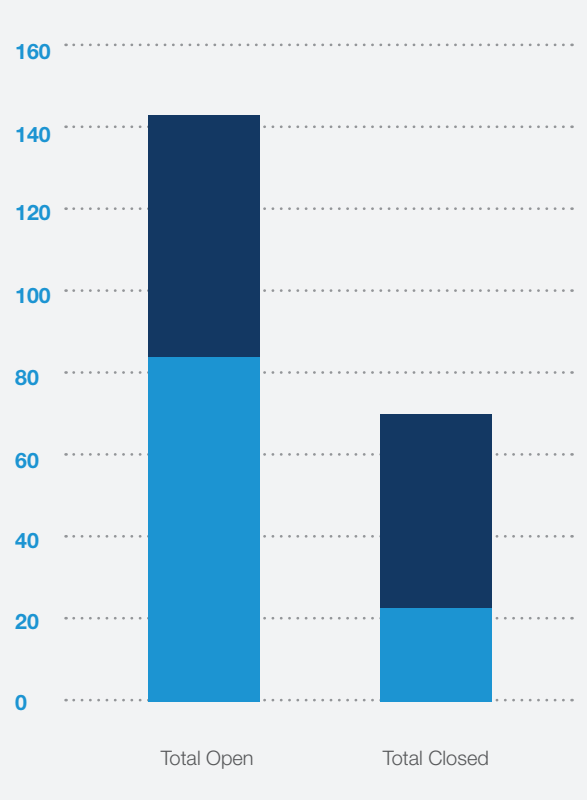
4.2.3

Report of Findings

Findings coming from Audits (Internal, External & Clients) are logged in the Action Tracker, investigated and corrective/preventive actions are put in place to prevent its reoccurrence.

These findings are also rated depending on how they can affect the company and its employees in terms of the safety, health and environment, and ultimately the company performance in general. In 2015, 142 actions were raised from a total of 28 audits and divided in the following way:





4.2.4

Customer Feedback

Customer satisfaction is collected by different means, and while a new feedback process started mid-2015, GMS has already collected a relevant number of positive feedback from its clients.

Positive feedback was received from ZADCO, OXY, ConocoPhillips, McDermott and L&T Hydrocarbon, they consist of letters of appreciation for excellent performance, recognitions for the work and professionalism displayed by our crew or simply being satisfied with the overall service offered by our assets.

As of today, GMS has yet to receive a formal complaint or a poor review by a client. However, motivated by the goal of both improving our systems, and with the aim of getting better client appraisals, we will be looking into capturing the client perception from other departments and areas.

5.0

Continuous Improvement Initiatives and Sharing Best Practice

5.1

Competence Development – GMS Leading the Way

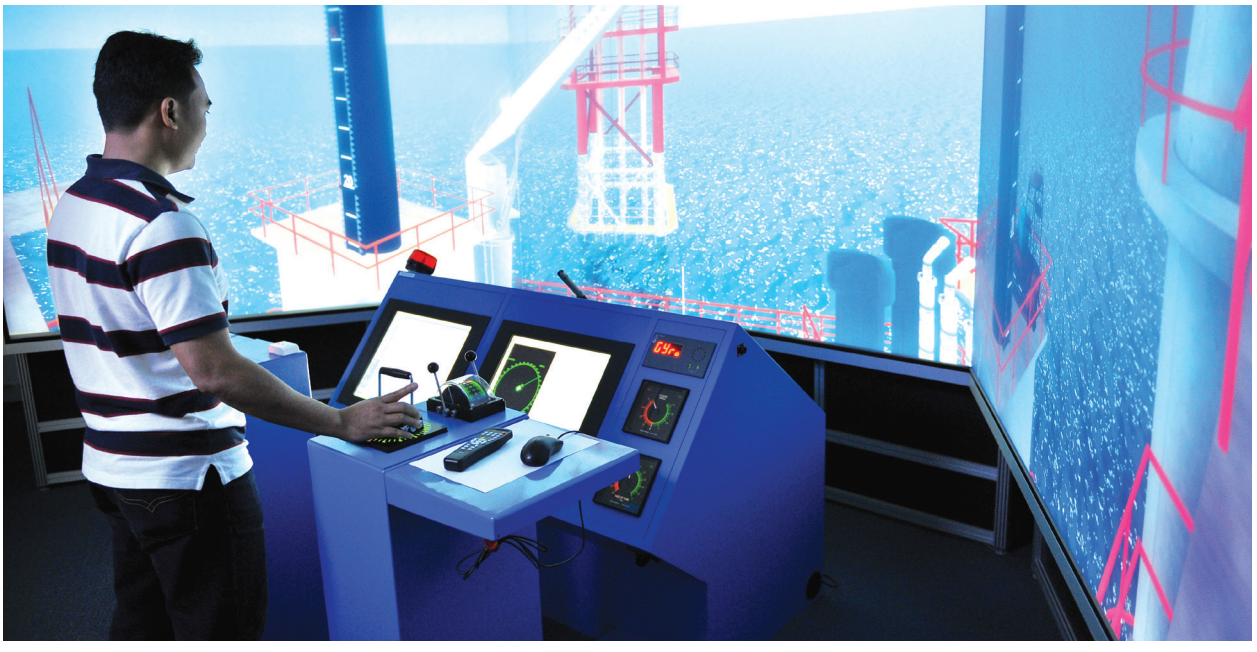
GMS continues to develop its Competence Management System (CMS) to ensure personnel are able to execute their roles/responsibilities safely. In 2015 Competence Assessments were developed specifically for each offshore role to include assessment of both behavioural and technical competence; these were rolled out across the GMS fleet and were well received. The results of these assessments are enabling us to identify high performers for inclusion on our Masters in Training (MiT) development programme.

Part of this programmes requirement is the successful completion of the GMS developed SESV Move & Positioning (Command) Course. Initially conceived in response to a recognized need to develop the specific competencies required of an SESV Master, this GMS initiative has led to the adoption in 2016 of this standard by the International Jack-Up Barge Owners Association (IJUBOA). Recognising that there currently exists little in the way of a fully recognized industry standard for Jack-up Barge Masters, with GMS, IJUBOA has developed a Competence Framework that designates the criteria by which Jack-up Barge operation shall be classified. Part of this process has been the development of five National Occupational Standards (NOS) that have been approved by the National Occupational Standards body within the United Kingdom (UK).

IJUBOA is currently chairing a Working Group comprising of GMS and STC (a well-regarded marine training establishment based in Rotterdam) that is seeking to have GMS' SESV Move & Positioning (Command) Course accredited by the Scottish Qualifications Authority (SQA). GMS had the option of maintaining its intellectual property rights and keeping the developed course content private, however, together with IJUBOA we seek to develop and formalise a recognized standard of competence in line with the principle of 'stewardship'.

The work thus far has been well received by not only the UK Health & Safety Executive, but also the Maritime & Coastguard Agency (MCA) and the G9 Offshore Wind Health & Safety Organisation (made up of the world's largest offshore wind power developers).

GMS is committed at all levels to not only the continual development of competence within the Company, but also actively seeking to develop competence, and therefore safety, across the Jack-Up Industry as a whole.



5.2

GMS in Association with ADMA-OPCO HSE Workshop

GMS and ADMA-OPCO together held the 5th re-alignment HSE workshop to boost HSE performance at Grand Millennium Al Wahda Hotel. The workshop which was very well received and was a great success, had over 60 representatives from ADMA-OPCO, GMS, NDC, SAIPEM and ENSCO, with each company making presentations giving an insight into specific HSE improvement initiatives.

ADMA-OPCO began with a presentation on Energy Management which outlined their plans for continually improving energy performance. This included ideas on how to improve energy performance in the short, medium and long term. The presentation concluded with details of the improvements in energy performance as a result of their new management system.

NDC also focused on energy management, highlighting the impact that poor energy management has on the environment as well as the challenges faced in implementing an effective management system and improving energy performance.

SAIPEM presented their new initiative in regards to improving safety and reducing incidents and accidents entitled, 'We Want Zero'. This initiative focused on identifying the key factors that hindered safety performance and aimed to improve this by challenging present culture in order to enhance the overall safety culture within the company.

The next presentation, which was from ENSCO, also revolved around achieving a safe zero-incident workplace, however, they were trying to achieve this through a different method. ENSCO are trying to achieve their goal by means of enhancing their Competency Management System which they believe shall improve the overall competency of their personnel and thus drive the safe zero-incident workplace philosophy.

Finally, GMS concluded the presentations by communicating the details of their Risk-Based Audit Management processes. The presentation identified that GMS has geared its audit process to a risk-based philosophy which directs the business to focus on areas which have been assessed as being high risk. This ensures that appropriate resources and time are allocated to assuring these risks are being managed as per the GMS management systems and ultimately will not be realised.

5.3

Innovation in Safety

The Gulf Marine Services (GMS) Scirocco 5602 was completed in September 2015. Construction began in China 6 months earlier where the hull and major steel work was completed. In total there more than 500,000 man-hours that contributed to the successful delivery of the vessel. During this period there were no Lost Time Injuries and a significant reduction in the Total Recordable Injury Rate. During this project hundreds of lifting operations ranging from routine to complex heavy lifts were undertaken, also many hours were spent working in confined spaces and at height and working through the hottest parts of the year in the UAE where temperatures can reach 50 degrees centigrade during the day. This achievement was only possible through the collaboration and teamwork of the entire project team and through effective engagement of the numerous subcontractors working on site.

GMS is in a unique position as a builder and operator that enables us to incorporate operational experience at the design stage of our Self Elevating Support Vessel's (SESV) in order to develop enhanced strategies for managing the risk from major accident hazards. To facilitate this process our Operations, Technical and HSE departments collaborate at the early stages of vessel construction all the way through until delivery.

Since the conception of the original K-Class SESV GMS has designed and built the E-Class Gusto NG-2500X, which was also the first GMS vessel to work in the North Sea and in doing so was required to be fully compliant with the United Kingdom Safety Case Regulations. The Safety Case Regulations require duty holders to assess major accident hazards and mitigate to As Low as Reasonably Practicable the risk of an accident occurring.

Incorporating the concept of inherent safety in the design of the vessel is an effective way of ensuring the cost of vessel modifications at a later date are eliminated or greatly reduced. This has led to a number of design improvements to the E-class SESV's which have now been carried over into the latest generation of SESV, the S-Class.

Examples of these design improvements are as follows:

- Positioning of escape and evacuation systems at the bow of the vessel so they are as far away as possible from well integrity hazards on platforms
- Incorporation of automated helideck firefighting systems so that personnel are not required to be in the immediate vicinity of a helicopter fire
- Dynamic positioning capability enabling easy positioning alongside platforms without the use of multiple tugs
- Complete fire and blast protection of the accommodation facilities so that personnel are safe from a fire or explosion event on the platform
- Strategic positioning of the cranes so there is no requirement to lift from supply boats over the vessel when lifting onto a platform
- Heating, Ventilation and Cooling optimisation so that there is no requirement to draw air from a potentially hazardous environment in the event of a gas release
- Incorporation of a Temporary Refuge inside the accommodation that is designed to be a safe haven for vessel personnel for up to an hour in the event of a major emergency.

  Such improvements are part of an ever evolving process within GMS and with each new vessel design we aim to further enhance the operational capability and inherent safety of the vessel.

5.4

Kamikaze gets the Cofferdam treatment

The GMS Kamikaze recently required some routine repairs to be undertaken on the leg connections with the spudcan (a cylindrical foot that supports the leg on the sea bed floor). Spudcans require regular inspections in case repairs are required due to sea water erosion, and normally the only way to undertake this would be by bringing the vessel into a dry dock. Although dry dock gives engineers easy access to the spudcans, the amount of time for going into a dry dock is not a cost effective solution. The inflated cost is mainly due to the lengthy process of securing, entering and exiting the dock, for what normally is a very quick operation,

GMS has therefore developed an alternative method to carry out the operation, which involves installing a cofferdam underwater to encapsulate the spudcan and seal to the bottom of the vessel hull. Engineers then enter the cofferdam and carry out the necessary works with the vessel alongside a jetty. However, a cofferdam operation comes with some very specific HSE challenges. Due to its tight space, with limited access and egress, and the fact that it relies on buoyancy to seal to the hull of the vessel, there are significantly more high risks for personnel working inside, therefore the planning and execution of this type of operation is critical.

GMS assembled a team of engineers, HSSEQ personnel and operational personnel. The team then carried out an extensive detailed risk assessment and emergency response analysis to identify possible difficulties the execution team might face. The process identified a number of measures required to ensure the overall safety of all personnel involved in the operation, which included specialist equipment to enter into the cofferdam once it was in situ, including the use of atmospheric monitoring equipment which would be required to keep a constant check for toxic or depleted gases. Divers would also need to inspect and continuously monitor the cofferdam seal to ensure its integrity. Finally, emergency escape equipment with panic alarms being linked directly to the response teams, who would be permanently on standby.

The outcome of the project was a great success, and was a testament to the teamwork of the three departments involved, as well as the crew of the Kamikaze. It took a total of 6 days to complete and just over 1,500 man-hours, but proved much more cost effective and efficient.

Gulf Marine Services

Our assets are engaged in a wide range of services throughout the total lifecycle of offshore oil, gas and renewable energy activities.

Our major services include:

- Enhanced oil recovery
- Diving support activities
- Drilling support, completions and testing
- Platform construction, hookup and commissioning
- Platform restoration and maintenance
- Well abandonment and decommissioning
- Well intervention and workover
- Wind turbine installation and maintenance
- Accommodation barges
- AHTS vessels

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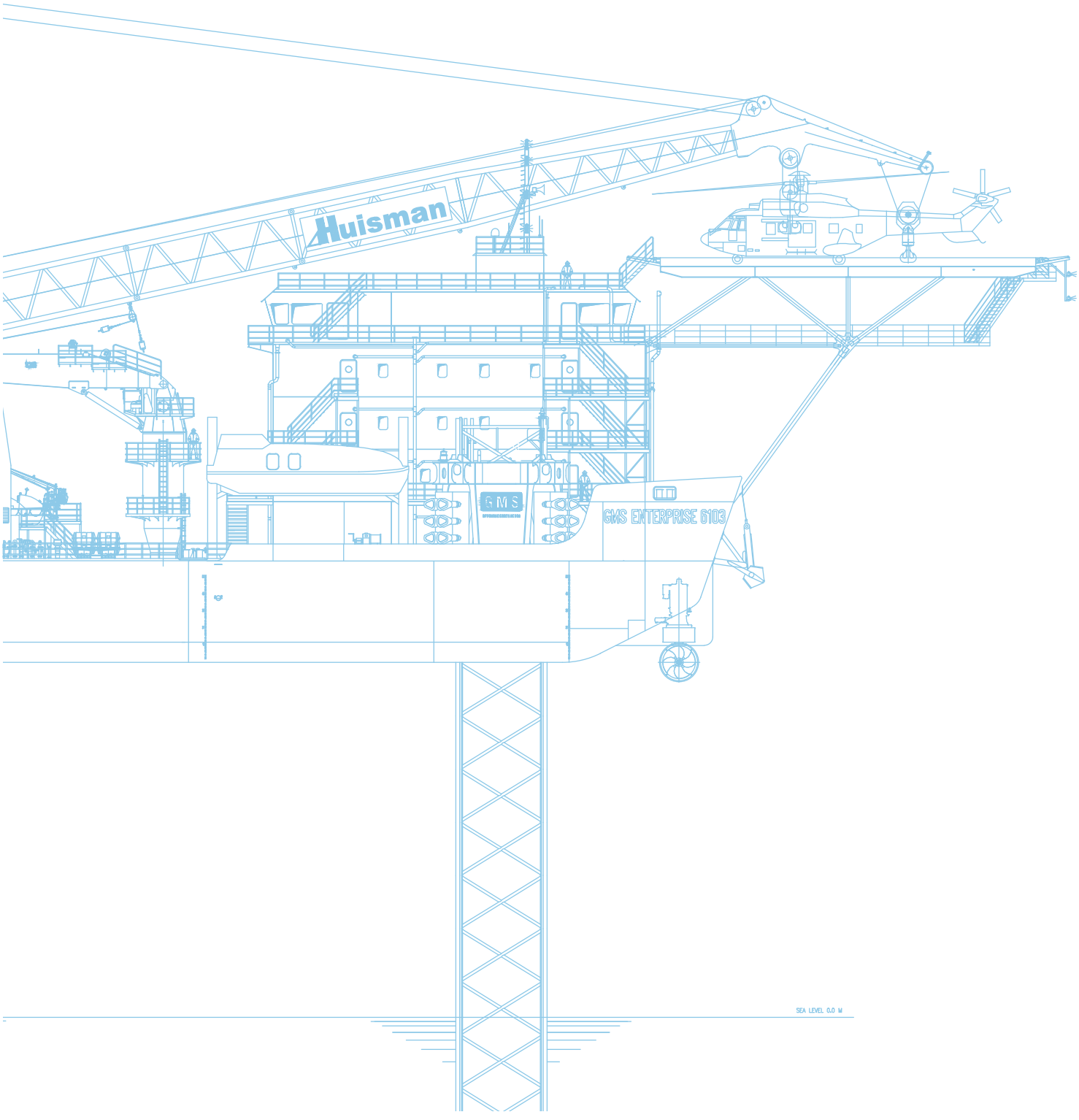
Vessels

K-Class – Kamikaze, Kawawa, Keloa, Kikuyu, Kinoa, Kudeta, Naashi
S-Class – GMS Shamal (2015)
E-Class – GMS Endeavour, GMS Endurance, GMS Enterprise
Accommodation & Maintenance Barge – Khawla
Anchor Handler – Atlas, Helios



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OFFSHORE CONTRACTOR

Gulf Marine Services

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