



OFFSHORE CONTRACTOR

HSSEQ ANNUAL REPORT 2016



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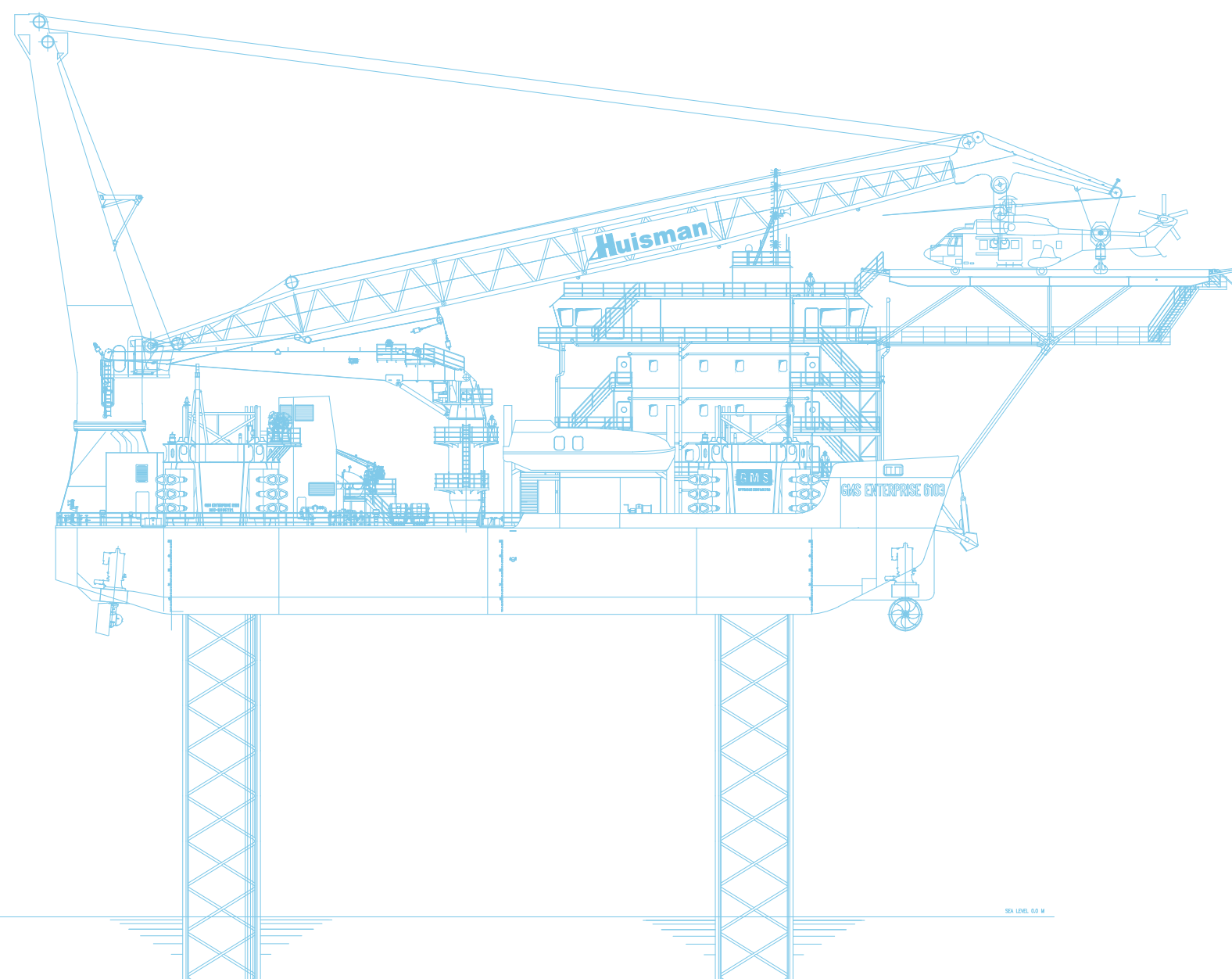
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Message from the CEO

“We continued to maintain our strong focus on reducing our environmental impact from our operations.”



Our priority for 2016, in the challenging market conditions, was maximizing vessel utilization whilst also maintaining our impressive Health, Safety, Security, Environment and Quality (HSSEQ) record. As in previous years we are committed to 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.

2016 saw us deliver another strong performance, with a Lost Time Recordable Incident Rate (LTIR) of 0.03 per 200,000 man hours worked as well as a Total Recordable Incident Rate (TRIR) of 0.2.

We continued to maintain our strong focus on reducing our environmental impact from our operations, and with the key initiatives developed for 2016 we saw a benefit across all our operations through our environmental monitoring programme. 2016 maintained our record of another successful year with no pollution incidents occurring.

Our SESV new build programme to expand the fleet by six vessels was completed within budget and on schedule at the end of 2016, with the Mid-size Class GMS Sharqi being delivered in Q1, and the larger Class GMS Evolution being delivered in Q4, however the latter still has installation and testing work to be undertaken on the cantilever system.

GMS has been at the forefront of technological innovation in its industry for many years. As both a builder and operator we have expanded and enhanced our fleet for the future, ensuring our vessels can meet the technical and operational specifications identified as being especially useful for our anticipated clients' requirements. This has included the introduction of our Large Class and Mid-Size SESVs. During 2016 we

also took significant steps to further expand our well services capability through our pioneering cantilever system. We designed and developed the system, in partnership with Dwellop A.S. with a well workover unit and top drive. The system, which is expected to be ready for operations in Q2 2017 following the completion of sea trials, will allow us to provide a greater range of services from the vessel and to compete for well workover activity that was previously only able to be carried out from more expensive and less efficient non-propelled jack-up drilling rigs. GMS shall be the first to introduce this capability on an SESV.

The strategic decision to expand the fleet has significantly increased the scope of GMS's offering, with future development of the fleet likely to focus on the extension of our service offering with the further installation of additional cantilever systems on all our large class vessels in time. We are however cognisant that with the extension of our service offering we need to maintain a very high focus on asset integrity and marine assurance, and whilst the market remains in a challenging market condition we ensure that our off-hire vessels are kept in readiness for swift deployment. We will continue to innovate and seek to differentiate our offering from our competitors.

As always our people are at the heart of our business and I would like to thank our highly skilled and dedicated workforce for their contribution to GMS during this challenging period. The support and continued commitment of all our staff to maintaining our high HSSEQ Standards is very much appreciated.

Duncan Anderson

Introduction

This annual report is created in order to summarise the GMS Health, Safety, Security, Environmental and Quality (HSSEQ) performance for 2016. We place the highest priority on managing the risks inherent to our operations and comply fully with National and International HSSEQ Standards. We employ an integrated management system which covers all the aspects of HSSEQ principles and objectives of our business, which is implemented throughout our offshore and onshore operations. This aims to provide innovative and sustainable solutions to monitor our HSSEQ performance and continuously improve the necessary safeguards to protect our employees and minimize the impact on the environment.

Our performance for 2016 again saw GMS record an impressive HSE performance compared with our 2014 & 2015 performances, with the Lost Time Injury Rate (LTIR) being improved upon versus the 2015 performance, however, we still recorded 1 LTI towards the end of the year which blemished our overall record for 2016.

Again, although a reduction in man-hours was realized through a very tight market environment, there was still a considerable amount of activity including the completion of our third Mid-Size (S) Class – GMS Sharqi and fourth Large (E) Class vessel – GMS Evolution, with the latter being kitted out with a Cantilever and Well Work Over unit.

Looking ahead, we are determined to continue our efforts to drive down our performance trends. We will need to accomplish this in a continuing background 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.

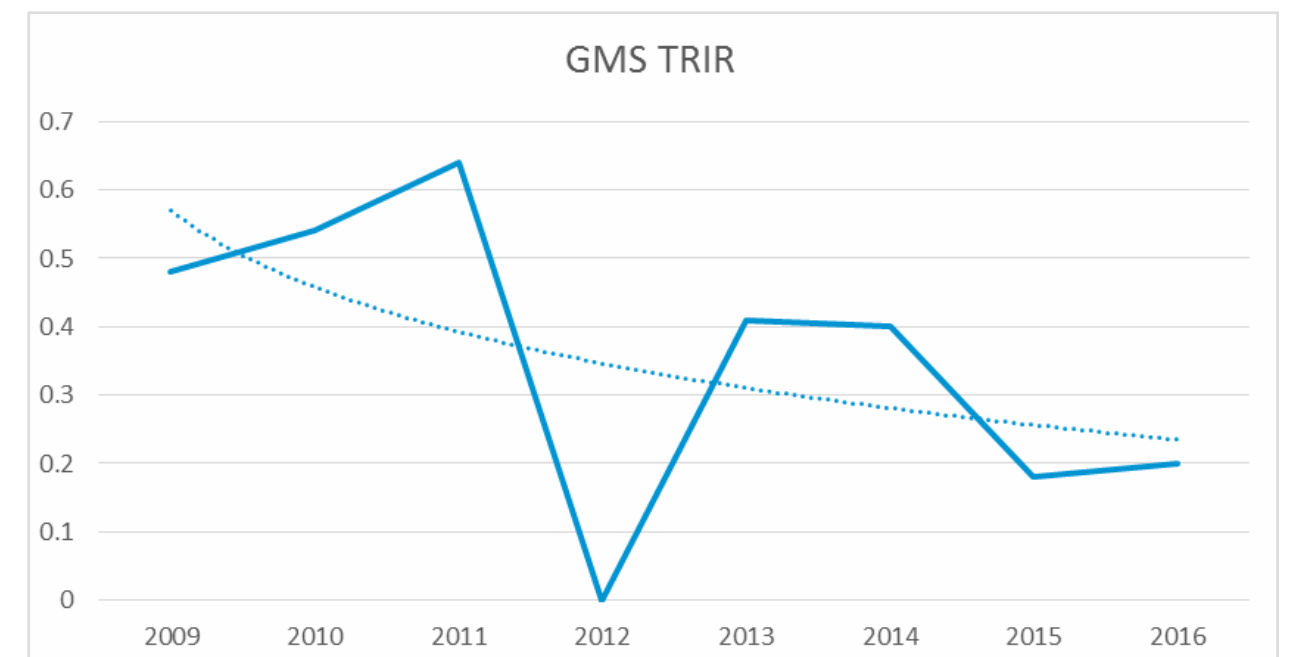
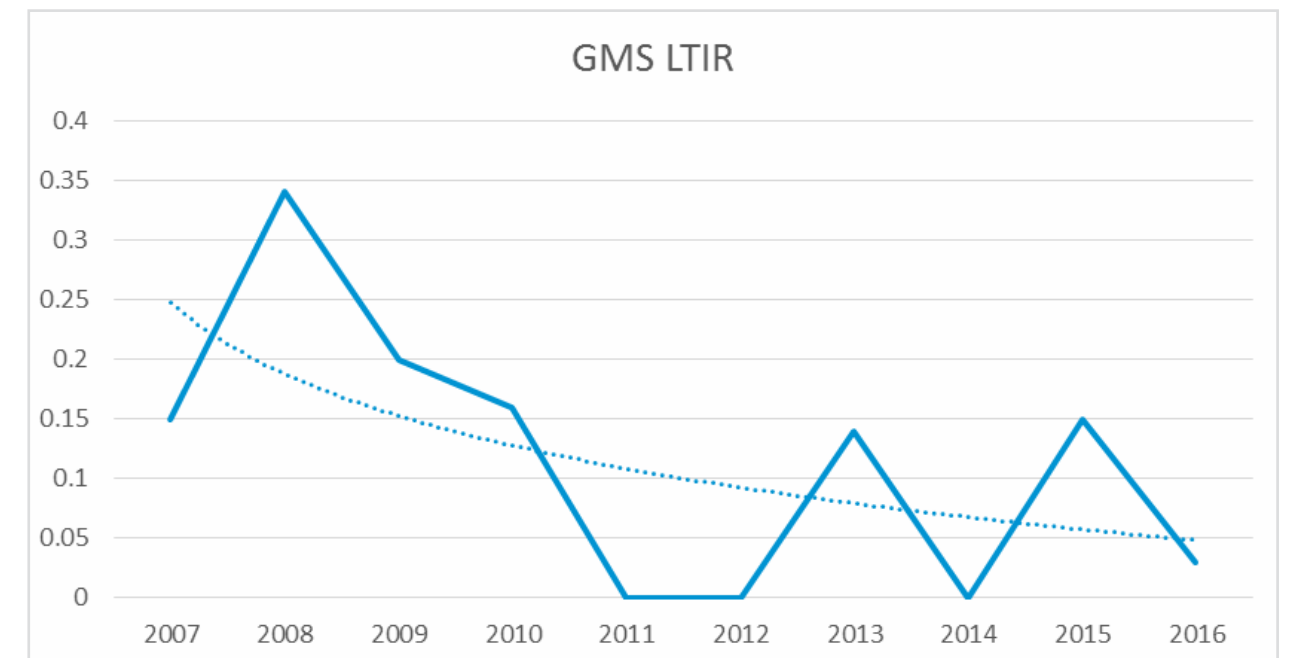
This report is divided into the following sections;

- **H&S Performance**
 - Lost Time and Reportable Injury Rate Performance
 - Lost Time and Reportable Injury Rate Benchmarks
 - GMS Potential Matrix Factor (PMF)
 - Corporate Statistics and Trends
 - OH&S Conclusion
 - GMS Asset days without LTI
- **Environment**
 - Global GHG emissions data
- **Quality Management**
 - Audit Performance 2016
 - Report on Findings
 - Customer Feedback
- **Continuous Improvement Initiatives and Sharing Best Practice**
 - Competence Development – OIM Emergency Management Bespoke Assessment
 - Continual Improvement Driven via Business Diversity
 - Successful Attainment & Retention of our Legislatively Driven Safety Cases
 - Lighting up ADIPEC with the GMS EVOLUTION

Stephen Reid

HSE Performance

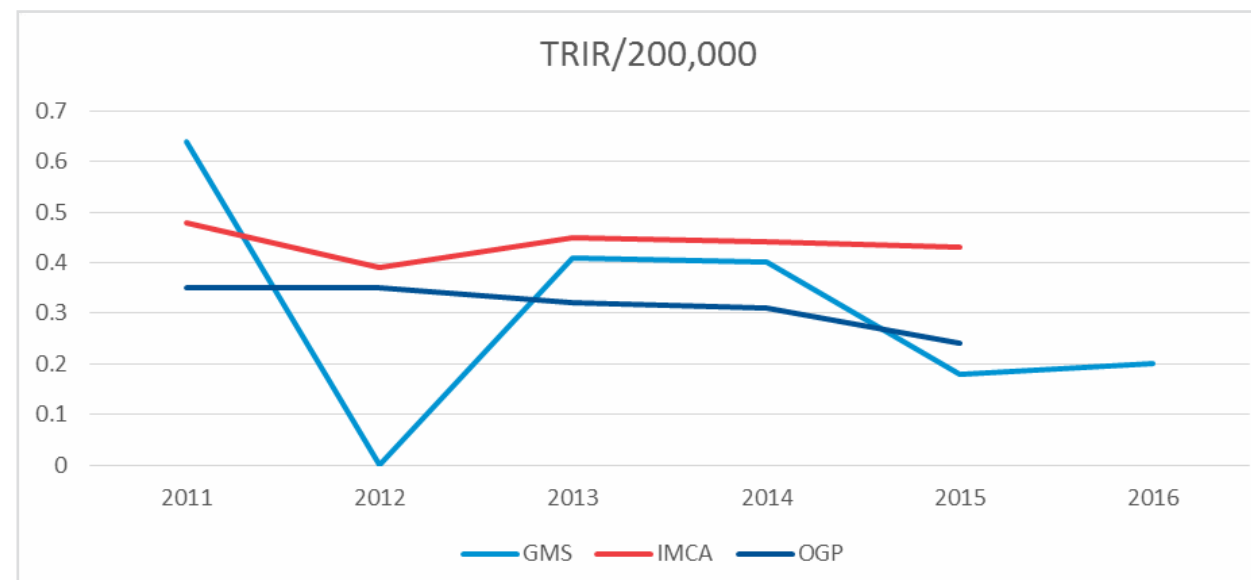
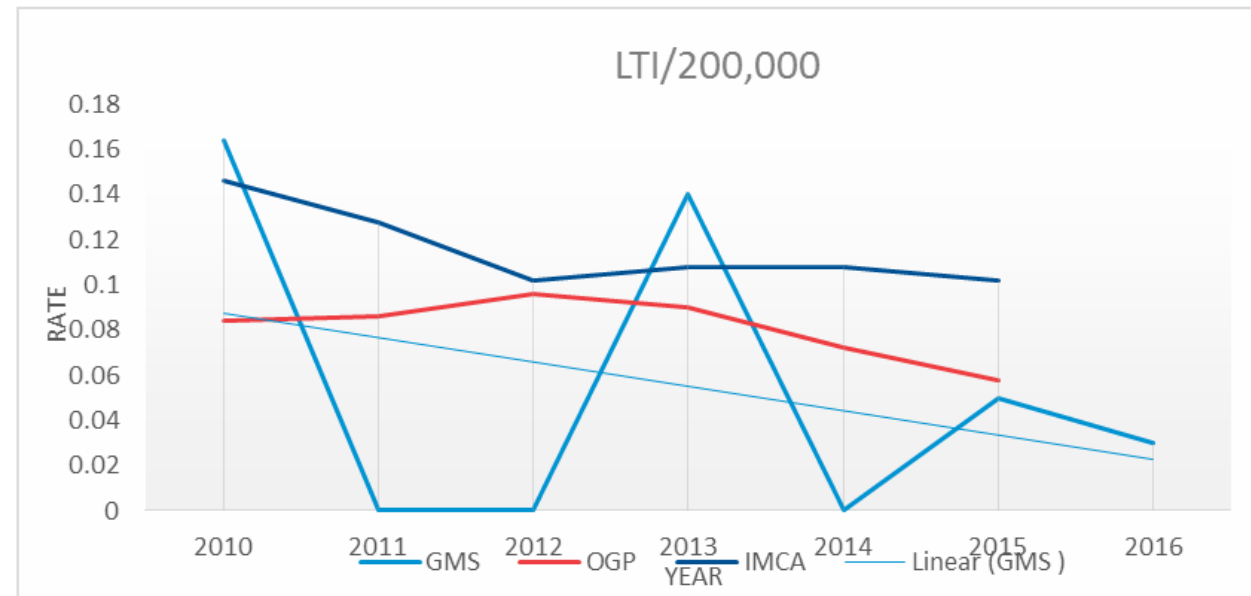
Lost Time and Total Recordable Injury Rate Performance Annual Comparison



The Total Recordable Incident Rate (TRIR) would appear at first glance to have risen versus 2015 - 0.18 to 0.2 (per 200,000 man-hours worked), however, the explanation to this is through the vastly reduced man-hours rather than a dip in performance – 6 Million Man-hours worked in 2016 versus 7.6 Million Man-hours worked in 2015.



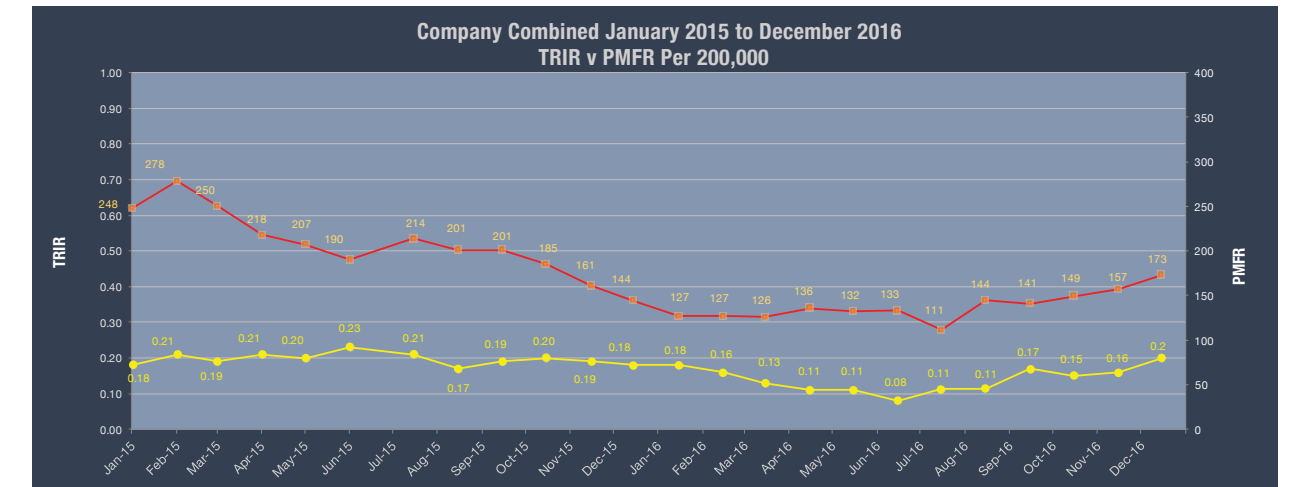
Lost Time & Total Recordable Injury Frequency Rate Benchmarks



GMS is still outperforming the 2 groups which we benchmark against – International Marine Contractors Association (IMCA) and The Oil and Gas Producers (OGP)

GMS Potential Matrix Frequency (PMF)

The following graph shows how GMS has performed during the period between January 1st 2015 until December 31st 2016 – Potential Incident Outcomes (Red) versus Actual Incident Outcomes (Yellow)



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

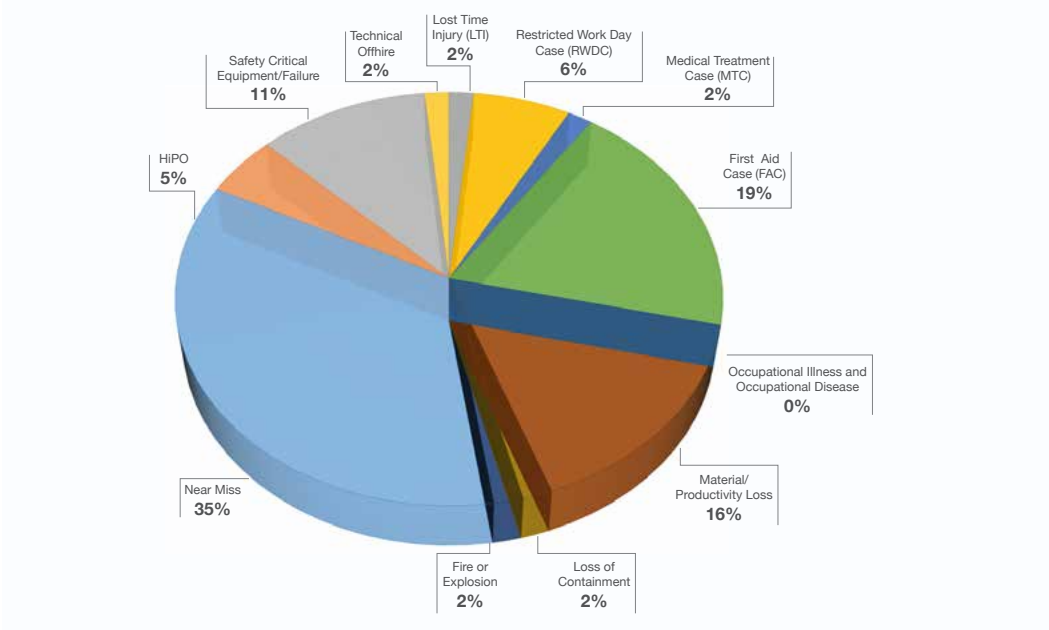
As can be seen, following a steady downward trend for a 12 month period from August 2015, August 2016 saw the potential trend line heading back up. Although the early warning signs were there, we were unable to prevent 4 recordable events occurring in the latter stages of the year which resulted in the actual TRIR performance (graph line in yellow) finishing at 0.2/200,000 man-hours worked.



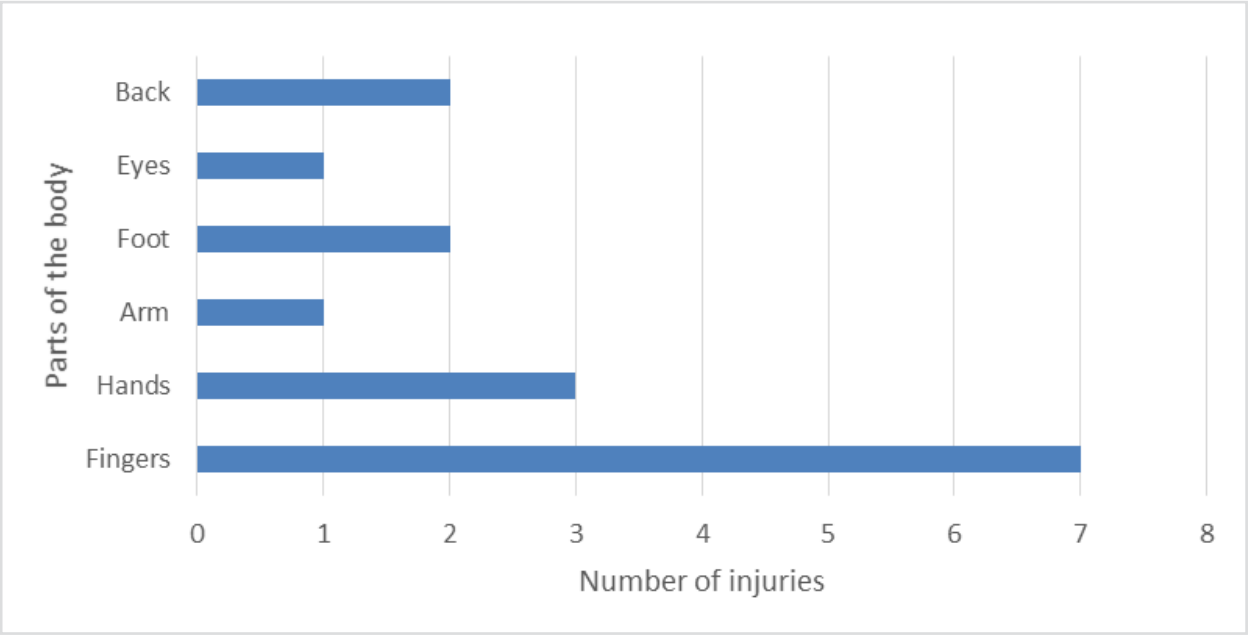
Corporate Statistics and Trends

TOTAL CORPORATE STATS 2016				
CATEGORIES	2016	2015	2014	2013
Fatality	0	0	0	0
Lost Time Injury (LTI)	1	2	0	1
Restricted Work Day Case (RWDC)	4	1	3	0
Medical Treatment Case (MTC)	1	4	3	2
First Aid Case (FAC)	12	5	86	2
Occupational Illness and Occupational Disease	0	0	0	1
Material/Productivity Loss	10	9	10	8
Pollution	0	0	0	1
Loss of Containment	1	1	4	2
Fire or Explosion	1	3	4	0
Security	0	0	0	0
Near Miss	22	20	10	17
HiPO	3	1	7	2
Safety Critical Equipment/Failure	7	0	2	0
Technical Offhire	1	0	0	0
Vehicle Incident	0	0	1	0
Man Hours Worked	5,967,760	7,655,055	2,994,497	1,469,878
Total Days Lost	0	33	0	0
LTI Frequency (LTI per 200,000 man hours)	0.03	0.05	0.00	0.14
Total Recordable Injury Rate (LTI+RWC+MTC per 200,000 man hours)	0.20	0.18	0.4	0.41

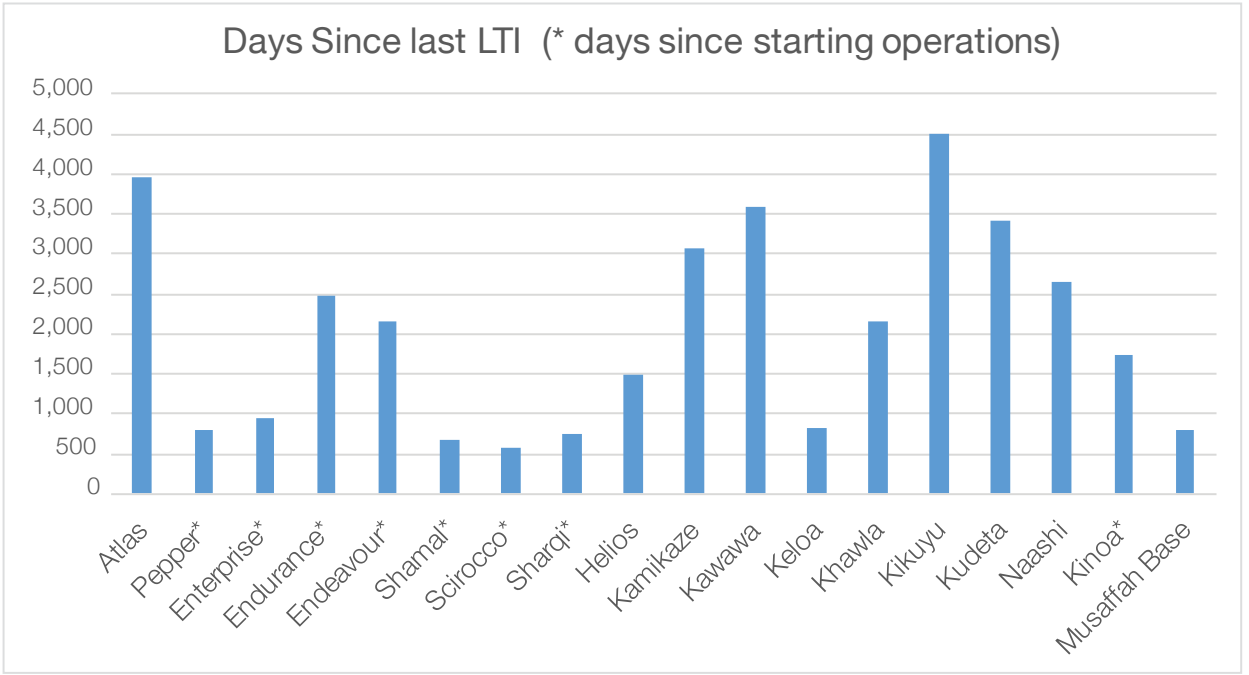
OH&S Incident Classification Performance



OH&S Performance – Body Part Injured



GMS Asset Days without LTI



2016 saw a number of GMS assets record very impressive records for operating without a Lost Time Incident (LTI) occurring. The above is the recorded years without an LTI for the best performing assets in the GMS fleet;

Environment

This section has been prepared in accordance with our regulatory obligation to report Green House Gas (GHG) 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 2016 to 31 December 2016		
Tonnes of CO2e		
	Current reporting year	Comparison year
Emissions from:	2016	2015
Combustion of fuel and operation of facilities	33,298	62727
Electricity, heat, steam and cooling purchased for own use	1,043	1,447
Total (in tonnes CO2e)	34,341	64,174
Total Revenue in the reporting period	179,410,000	220,000,000
Company's chosen intensity measurement: Emissions reported above normalised to the ratio of tonnes of CO2e per US\$ 1000 of Group revenue	0.2	0.3

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.

Quality Management

Quality Continuous Improvement Analysis

2015	2016	Results Positive/Negative
13 Vessel Audits (93% completion)	14 Vessel Audits (93% completion)	Equal % Completion Positive – increase in asset count = increase in audits undertaken
21 External Audits	25 External Audits	Positive – incremental increase in audits of 20%
2 Critical Actions raised (1 internal, 1 external)	2 Critical Actions raised (via external audit)	Equal
58 Major CPARs	27 Major CPARs	Positive – 54% decrease in CPARs
No of Overdue Actions by year-end: 42%	No of Overdue Actions by year-end: 37%	Positive – 12% decrease in Overdue Actions
7 Client Feedback collected	25 Client Feedback collected	Positive – 3.6x increase in Client Feedback

- Audit schedule completion % increase – coupled with GMS asset increase
- Main audit findings were BMS compliance based – Management Systems, Asset Integrity & Human Engineering
- Significant increase in client feedback
- API Q1 & 4F – system developed and implemented, audit conducted and API feedback received



Audit Performance 2016

Planned vs. Executed:

Internal Audit schedule was 88% completed up from 77% completion in year 2015. Although there was an improvement from 2015, the prioritization in the implementation of API Q1/4F system in Q3, meant that less resources could be dedicated to carrying out audits.

Audit Type	Planned	Executed
Internal Audits	6 Office	5 Office
Internal Audits	18 Vessel	14 Vessel
Contractor Audits	4	3

External/Clients Audits:

GMS had 25 external audits in 2016 compared with the 21 which took place in 2015

Entity	Type	Region / Vessel	Scope
ADMA	Client	GMS UAE	Marine, HSE, Quality
McDermott	Client	GMS UAE	Marine, HSE, Quality
API	Certification body	GMS	Corporate/Technical

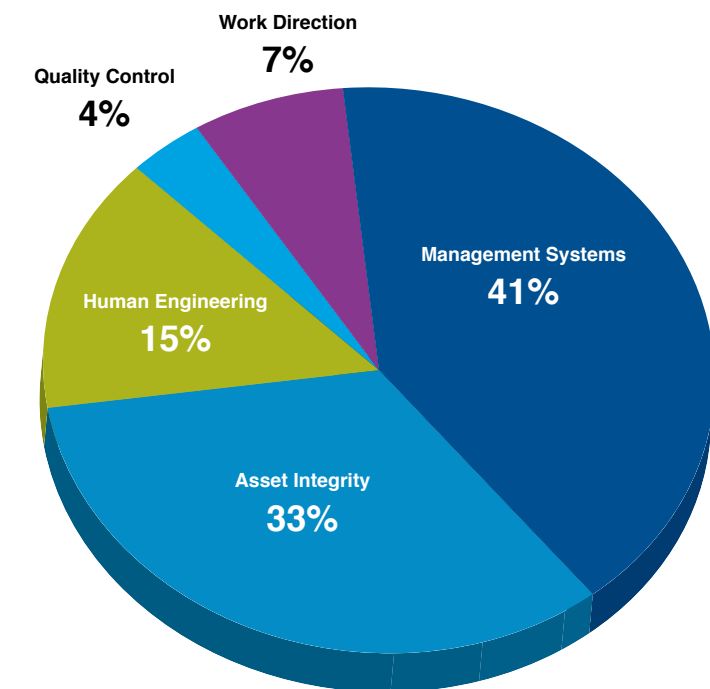
Also included within the external audits were:

- Surveillance audits from ABS
- BSI as part of the GMS BMS annual audit - both in Corporate, MENA and NWE
- Port State Control/IMCA/Offshore Water Management for the vessels in the UK

Results of Internal and External Audits (2016)

Report of Findings

Internal and External Main Audit findings were Business Management System compliance based – Management Systems, Asset Integrity & Human Engineering



- In 2016 the majority of Major CPARs came from external audits (20/27)
- The significant trend is similar to that found in the minor CPARs - Management System closely followed by Asset Integrity
- The main issues found in Management System related to:
 - Risk Assessments
 - Safe Systems of work, which are part of GMS' Life Saving Rules
 - Missing critical documents on board
- Asset Integrity findings were:
 - PMS issues, such as missing routines in SM7, which were all rectified within the allowed time

Customer Feedback

Month	Vessel	Country	Client	Type
January	Keloa	UAE	ADMA-OPCO	Recognition
	Kinoa	Qatar	OXY	Recognition
	Company	UAE	ZADCO	Recognition
February	Kawawa	UAE	ADMA-OPCO	Recognition
	Naashi	UAE	ZADCO	Complaint
March	Pepper	UAE	ZADCO	Recognition
	Kawawa	UAE	ADMA-OPCO	Recognition
	Kinoa	Qatar	OXY	Recognition
April	Naashi	UAE	ZADCO	Recognition
	Kawawa	UAE	ADMA-OPCO	Recognition
	Sharqi	Saudi Arabia	ARAMCO	Recognition
	Pepper	UAE	ZADCO	Recognition
May	Sharqi	Saudi Arabia	SAIPEM	Recognition
	Scirocco	UAE	McDermott	Recognition
	Sharqi	Saudi Arabia	ARAMCO	Recognition
	Scirocco	UAE	McDermott	Project Close-out
	Sharqi	Saudi Arabia	SAIPEM	Project Close-out
June	Shamal	UAE	ADMA-OPCO	Recognition
	Pepper	UAE	ZADCO	Recognition
July	Keloa	UAE	ADMA-OPCO	Recognition
	Naashi	UAE	ZADCO	Recognition
August	Shamal	UAE	ADMA-OPCO	Achievement
September	Kawawa	UAE	ADMA-OPCO	Recognition
October	Sharqi	Saudi Arabia	ARAMCO	Recognition
November	Kinoa	Qatar	OXY	Award
December	Sharqi	Saudi Arabia	ARAMCO	Recognition
	Keloa	UAE	ADMA-OPCO	Recognition

Highlights:

7 received in 2015 vs 25 in 2016

All major MENA clients provided feedback

Continuous Improvement Initiatives and Sharing Best Practice

Competence Standard Setting – GMS OIM Emergency Management Bespoke Assessment

GMS is expanding its operational offering to include the delivery of Oil and Gas Well Work-over Operations from its new vessel, the GMS EVOLUTION. This is a highly innovative approach that sees a proven, 8th Generation work-over package deployed upon a best in Class Self-Elevating Self-Propelled Vessel that offers significant marine efficiencies.

Through this new offering GMS were required for the first time to employ Offshore Installation Managers (OIMs), as generally we operate with Vessel Marine Masters. From the onset we knew it was critical that we identified the right personnel who were already in possession of significant training, knowledge and experience, not only from the O&G sector but also from a Marine Master's competency requirement.

GMS identified and then successfully sourced these personnel. The challenge then was to assure ourselves, and any Regulatory body, that the hired OIMs were competent to apply their proven skills on this particular new vessel and in accordance with the developed GMS Well Integrity Management System (WIMS), both of which were new to them.

In order to demonstrate that our OIM's have absolute competency in managing any emergency situations that may occur whilst the vessel is in operational mode, GMS have taken the decision to develop a bespoke set of assessments, in partnership with a reputable training provider – Maersk Training. These assessments are based upon the industry recognised OPITO Major Emergency Management Initial Response (MEMIR) training course, and will be undertaken live on the GMS Evolution vessel incorporating a full marine and well operations team.

Once again GMS is demonstrating that we do not just rely on minimum standard compliance, but rather we ensure through our GMS Competence Management System (CMS) that we have a set of higher standards we perform our business to.



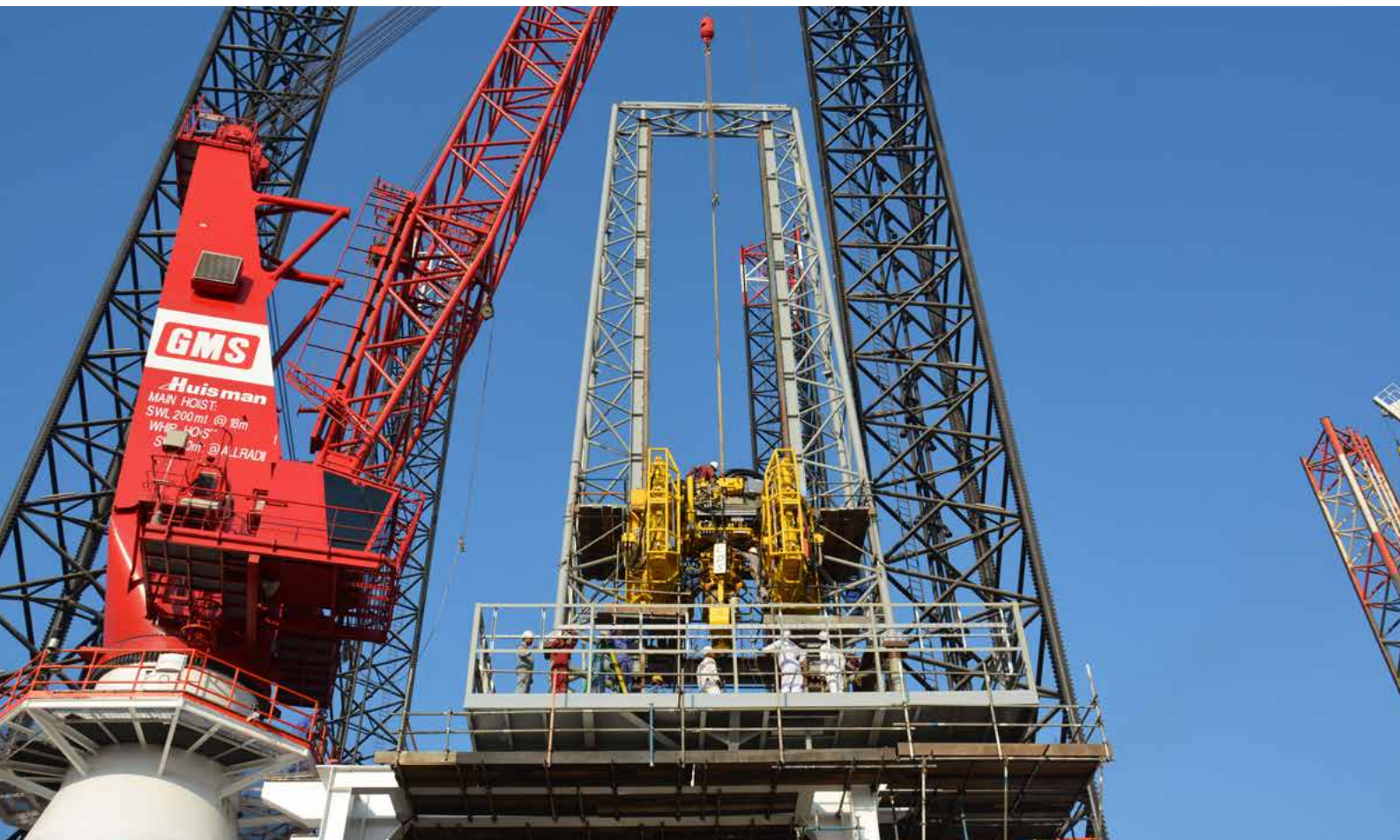
Continual Improvement Driven via Business Diversity

An important part of GMS' strategy is to combine the technological expertise we have in designing and building our own vessels, with the operational experience we acquire by operating them for our clients, in order to continually find ways to enhance our offering. An example of a major enhancement has been the successful development of a pioneering well intervention cantilever system for our Large Class SESV's. This design, in partnership with Dwellop A.S., allows us to provide a greater range of services from our vessels.



As this was the first time for GMS undertaking the construction of the new cantilever system, and with it the accompanying drill derrick and top drive, the Integrated Management System needed to be revised and enhanced to incorporate the American Petroleum Institute (API) Standards that are the recognised benchmark within the O&G well intervention sector. GMS was already accredited with all relevant ISO Standards, so a gap analysis was required to understand what additional elements were required for us to attain API Q1 - Quality Management System Specification for Manufacturing Organizations to the Petroleum and Natural Gas Industry; and API 4F Specification for Drilling and Well Servicing Structures.

A project was initiated to execute the findings from the gap analysis, and along with a series of modules to enhance the necessary personnel's knowledge and competency, the system was revised and all requirements implemented. The culmination of all this activity was to be audited by API, which was performed before year end.



Successful Attainment & Retention of our Legislatively Driven Safety Cases

GMS currently operates within different regions of the world, and as such our operations department is made up of two regional divisions – Middle East and North Africa (MENA) and North West Europe (NWE). GMS is cognisant of, and fully complies with, all regional legislative requirements and industry standards although this can vary from region to region. One of the most stringent pieces of oil and gas legislation that GMS must comply with is within the NWE Region and United Kingdom Continental Shelf (UKCS), namely the Offshore Installations (Offshore Safety Directive) (Safety Case etc) Regulations.

GMS has operated on oil and gas contracts in the UKCS since 2011 with our Large E Class vessel GMS Endurance. During this time the Endurance has had an approved Safety Case which it has worked under, however, the above stated legislation dictates that:

The Duty Holder must thoroughly review a current safety case:

a) No more than five years after the date on which the safety case was first accepted by the competent authority under Regulation 17 or 18



With this in mind in 2016 GMS had to undertake a full and thorough review of the Endurance Safety Case and if required make any necessary revision and amendments. This project required the complete review, consolidation and rationalisation of all safety studies which had been previously utilised. A number of HAZOP & HAZID workshops were organised and executed, with involvement of required GMS operational and managerial personnel. During these workshops it was critical that we revisited and confirmed all GMS major accident hazards or any new major accident hazards that may now be present. Once the workshops had been completed all changes were then reflected in a new set of reports and Bow-tie diagrams, and the case for safety document was then revised. As per the regulation any major changes to a Safety Case are required to be fully reviewed by the UK Regulatory Body – UK HSE, before acceptance is given. Successful acceptance was received in July.

Later in 2016 it was decided that in preparation for the eventual industry revival we should also develop a Safety Case for Endurance's sister vessel GMS Endeavour. Again a project was initiated to undertake the creation of a brand new safety case, which required more HAZID workshops and specific safety studies along with the participation of GMS personnel. Although Endeavour did not have a live oil and gas contract at this time a "scenario-based" case was developed and submitted to the UK HSE Regulator. Following the full review period the Safety Case was ready for submission by the end of December 2016 and acceptance of the case is expected by end of Q3 2017.

Lighting up ADIPEC with the GMS EVOLUTION

One of the biggest successes for GMS during 2016 was the incredible achievement of show-casing our new vessel, GMS Evolution 6104, at the ADIPEC Exhibition in November. This was a first of its' kind for the exhibition, having never had a SESV shown at their show on site before. The show-case was a huge success for GMS however, the week of the actual exhibition was only the tip of the iceberg, as months of detailed planning, organising and eventual execution allowed for this spectacle to occur. The following description shall try and give a summary of just some of the management planning which had to be undertaken before we could even begin to attempt to sail and locate our vessel into position at the exhibition location.

PLANNING STAGE

Before agreeing to show GMS Evolution 6104 GMS had to ensure that the location site was suitable and that the seabed was stable enough to allow us to jack down our legs. In order to establish this we first needed to undertake extensive soil sampling of the proposed site. However, this also entailed the need for our PRO Department to go through the very rigorous administrative burden of getting all the necessary Governmental approvals and permits for undertaking the seabed surveys and for entering ADNEC restricted area with a vessel of such size. Once these had been sought, one of GMS' Small K Class vessels, GMS Kamikaze, in cooperation with our vendor Fugro, was mobilised to undertake the sampling requirements. Once on site a series of 30 metre depth boreholes were performed using the drilling package set up on board, and from the collected samples the geotechnical data was then analysed by Fugro. Once all data had been analysed the GMS Marine personnel were then required to develop enhanced Pre-Loading Procedures that would be used by the vessel once on site. Not only did the seabed at the location need to be surveyed but due to the shallowness of the route for the Evolution, so did the ADNEC Basin and approaches, and this was achieved by mobilising a survey vessel (Thea-1) to undertake the geophysical survey.



One of the main requirements to ensure we executed this operation successfully, due to all the abnormal challenges that we were facing, was the installation on board of a high precision navigation package, which was based on hydrographic information collected during geophysical survey allowing to monitor real time movement of the vessel in relation to all detected subsea installations and obstructions. Once all this had been achieved it was only then that we were able to execute the plan to locate on site.



EXECUTION STAGE

The execution plan was dependent on a number of things to ensure it would be executed successfully. At the very commencement of the plan we had to be sure that the environmental conditions were suitable to sail through the channel, and this required us to undertake station keeping outside the ADNEC Channel for 9 hours awaiting a favorable tidal window. Once this was assured the navigational package was then utilized to maneuver the vessel through the channel to its' eventual docking position. Once in position it was vital that a borehole drilled previously by Kamikaze, was kept in a position between all four legs. The legs of the vessel were then pre-loaded, as per the enhanced procedure developed previously, and the vessel was jacked up to a 7 meter air gap, where it would remain until after the exhibition was completed.

As can be seen from the summary above, the preparation and planning for such a unique operation is very in-depth and indeed from start of planning until the end of the exhibition, when the GMS Evolution undertook all the execution stage in reverse, the whole process took in excess of 9 months. However, for the first time at any exhibition, in excess of 500+ people were able to visit and board our newest vessel and get a taste of what working and living on board one of these vessels must be like for our offshore personnel, as well as viewing all the innovative and state of the art equipment that is incorporated into one of our complex vessels.



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

Vessels

K-Class – Kamikaze, Kawawa, Kelo, Kikuyu, Kinoa, Kideta, Naashi

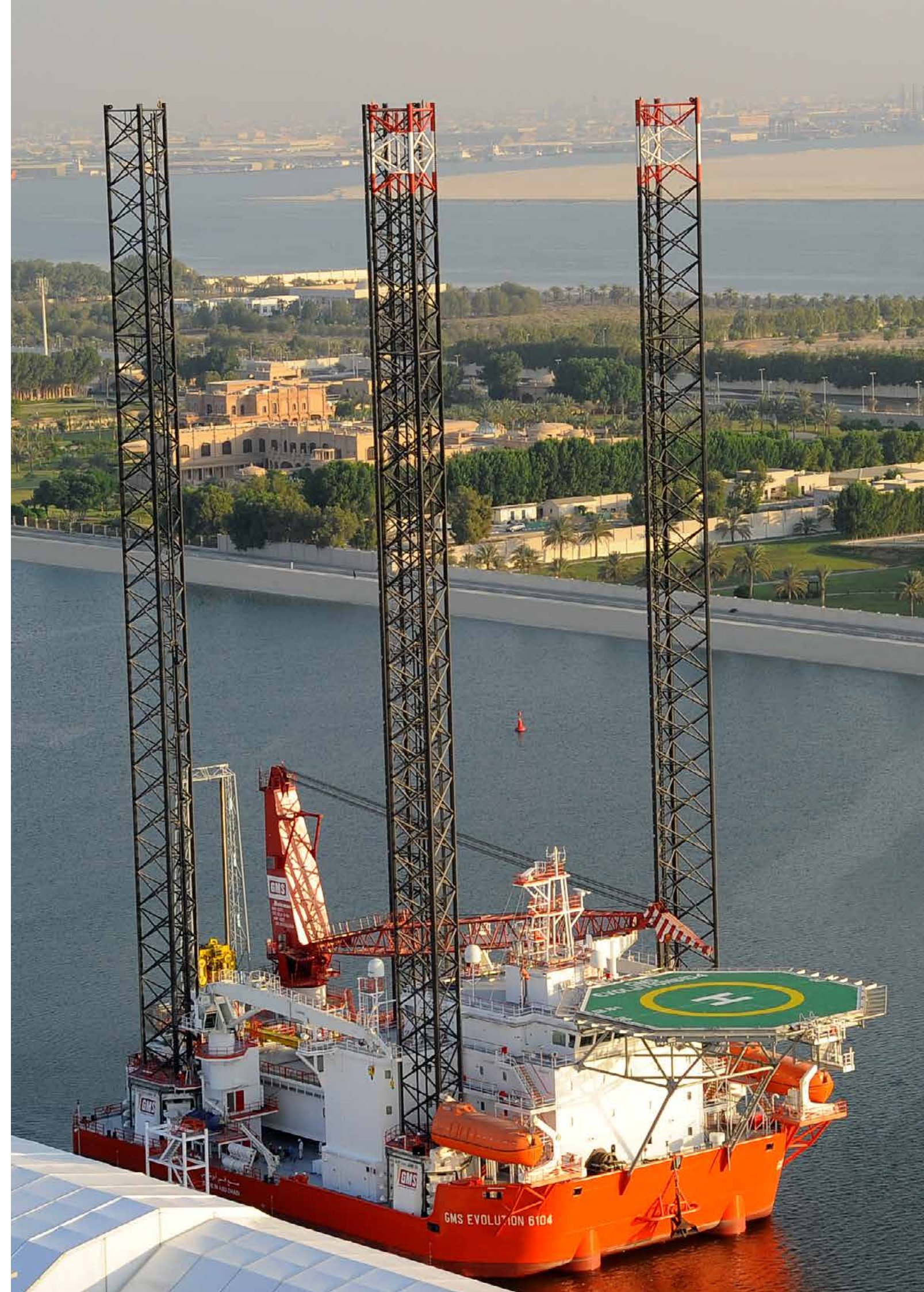
S-Class – GMS Shamal, GMS Scirocco, GMS Sharqi

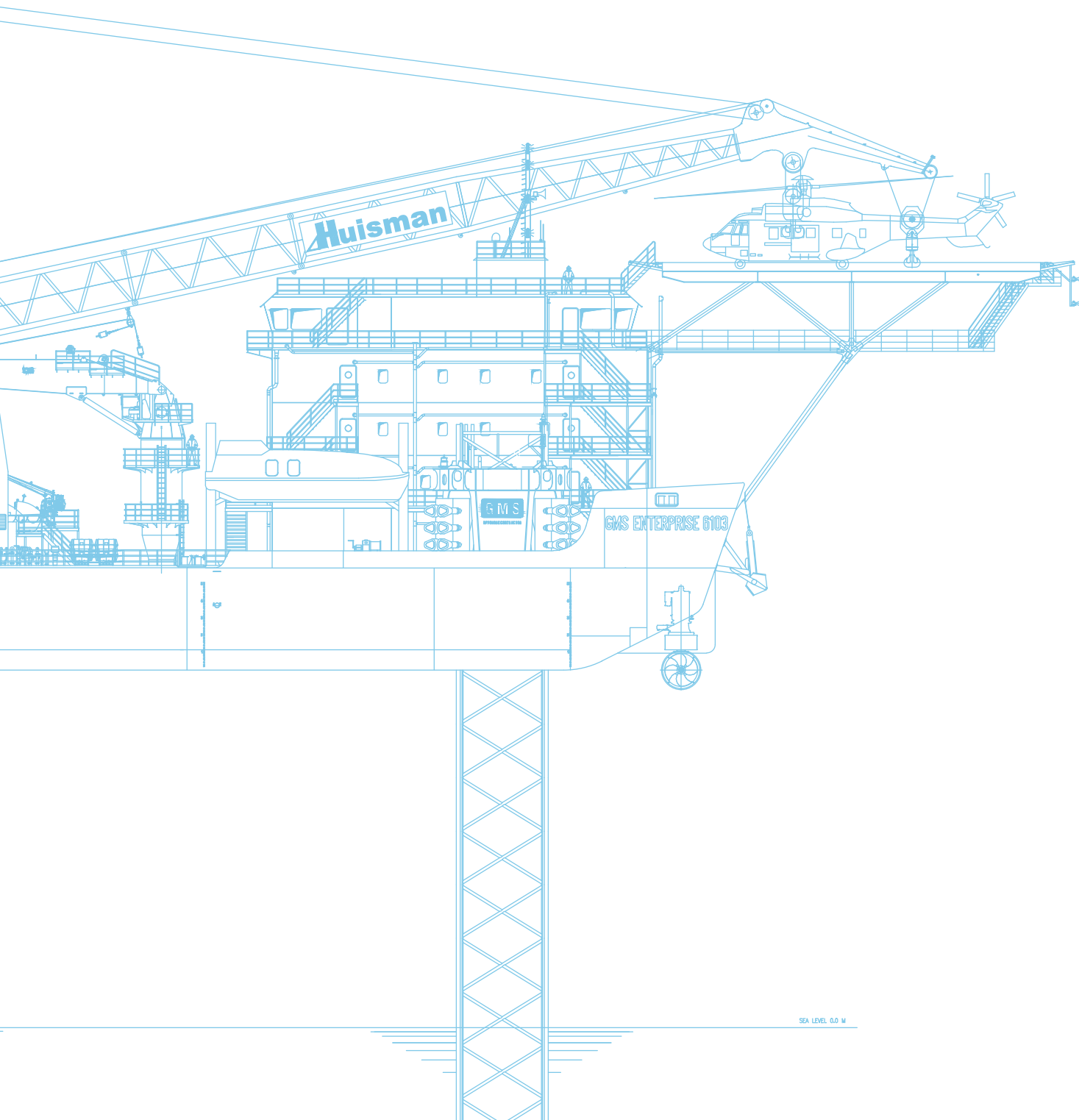
E-Class – GMS Endeavour, GMS Endurance, GMS Enterprise, GMS Evolution

P Class – Pepper

Accommodation & Maintenance Barges – Khawla

Anchor Handler – Atlas, Helios





Gulf Marine Services

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