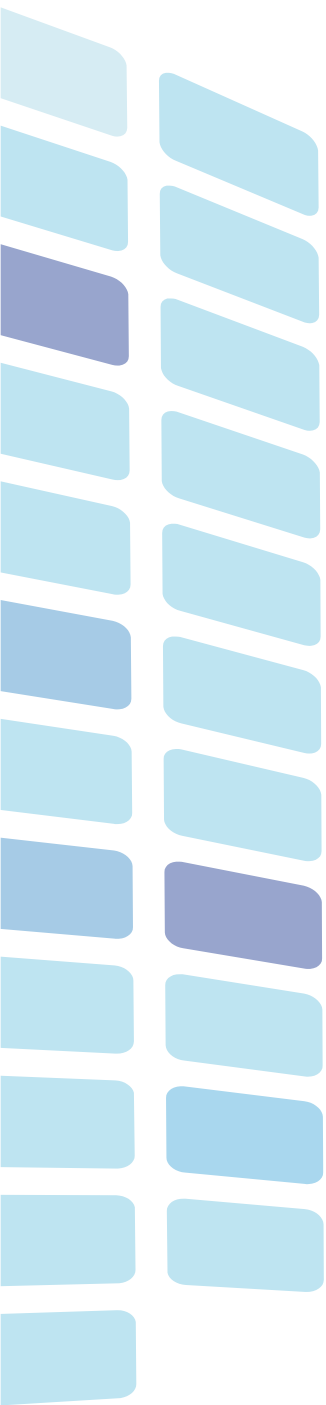


Nordic Engagement Cooperation

Annual Engagement Report, 2014



A collaborative engagement network between

Folksam

 **ILMARINEN**

ALP

ABOUT NORDIC ENGAGEMENT COOPERATION

Launched in 2009, the Nordic Engagement Cooperation (NEC) consists of three Nordic institutional investors: Folksam from Sweden, Ilmarinen from Finland and KLP from Norway. We have made the strategic decision to coordinate some of our engagement activities with companies on environmental, social and governance issues. It is important to stress that even though we have collaboration, each party is responsible for their own investment decision. Together we manage assets to a value of approximately EUR 127 billion as of end of 2014.

OUR APPROACH

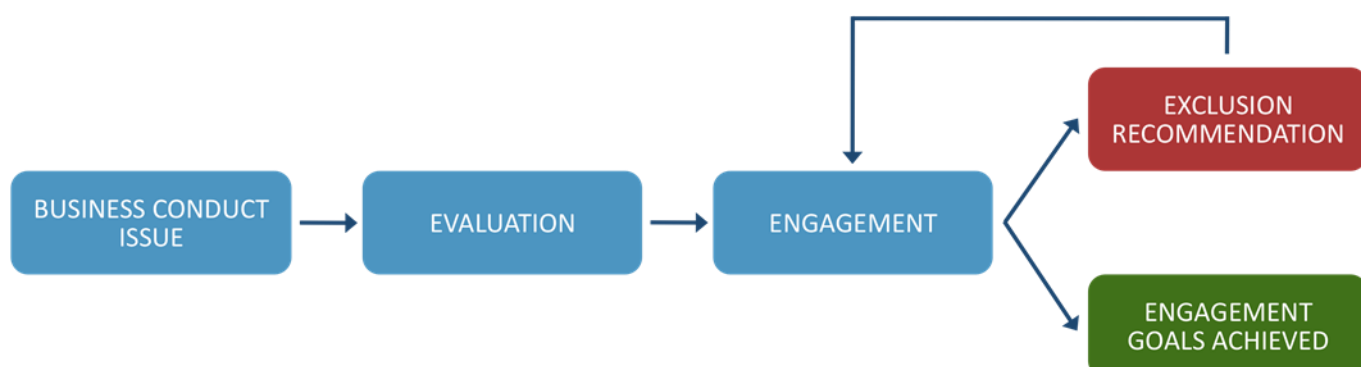
The common denominator for NEC is a belief in dialogue as the most efficient tool to achieve change. However, other tools are also available if the engagement goals are not achieved. We engage with companies in collaboration with our service provider, GES. The engagement process is based on the analysis model GES Global Ethical Standard® - a systematic screening of companies regarding their compliance with well-established international conventions and guidelines on environmental, social and governance (ESG) issues. By way of example, this includes:

- UN Global Compact
- UN Guiding Principles on Business and Human Rights
- OECD Guidelines for Multinational Enterprises
- Human rights conventions
- Environmental conventions
- ILO conventions

GES Global Ethical Standard® assumes that companies have a responsibility to respect international norms, even though international conventions are binding only for the ratifying countries.

NEC engages with companies that are, or have been, involved in systematic incidents or an isolated incident that has severe consequences for the environment or humans.

RESEARCH AND ENGAGEMENT WORKFLOW



ENGAGEMENT BRIEF

LONG-TERM COLLABORATIVE ENGAGEMENT TO ENHANCE SHAREHOLDER VALUE

When we look back on the sixth year of collaboration within the Nordic Engagement Cooperation (NEC) we see positive developments in most of the companies following our long-term engagement efforts. NEC is today an integrated part of the members’ regular engagement work. Over the years, NEC has developed a joint understanding and a common platform for active ownership - a structured process to identify companies to engage with - and a set of tools used to reach the long-term objectives. Through NEC the members can pool their resources and thereby achieve significantly more compared to individual engagement. The NEC structure includes quarterly meetings, a clear delegation of responsibilities, and a secretariat that is responsible for the operational work.

All members of NEC invest with a long-term horizon. Hence, we have the opportunity to have a long-term dialogue with companies.

NEC is not a closed cooperation – it has from time to time collaborated with other investors. NEC also has an open invitation to other investors (Nordic and non-Nordic) to join the cooperation as a regular member.

Nordic Engagement Cooperation Focus list 2014

Company	Global Compact Principle	Incident	Engagement initiated
AES Corp		Association to violation of indigenous rights	2009*
Alstom		Association to complicity in human rights violations	2009*
Anadarko Petroleum		Association to fatal explosion and major oil spill	2010
Barrick Gold Corp		Association to environmental impact caused by mining project and to complicity in human rights abuses	2009
BP Plc		Association to fatal explosion and major oil spill	2010
Eutelsat Communications		Association to restriction of freedom of opinion and expression	2009
Nestlé		Association to child labour	2013
Royal Dutch Shell		Association to human rights violations and environmental damage	2013
Transocean Ltd		Association to fatal explosion and major oil spill	2011
Western Sahara Theme		Companies active in Western Sahara and associated to illegal exploration of natural resources	2010

* NEC initiated our collaborative engagement in 2009 but had engaged individually before that.

HIGHLIGHTS FROM 2014

During 2014, NEC concluded two long-term engagement efforts with the companies Anadarko and Eutelsat Communications, following several years of dialogue.

ANADARKO

Anadarko is a mid-sized, Houston-based oil company. The company was a partner in BP's ill-fated Macondo oil well project, which experienced the worst oil spill in US history in 2010. NEC commenced engagement with Anadarko shortly after that incident, as serious deficiencies in the company's approach and management systems for sustainability were identified. For approximately half of the engagement period, the company was resistant to undertake changes. Positive change started occurring in 2013, when the company decided to undertake a serious review of its sustainability practises. Anadarko identified and implemented a number of significant improvements, and NEC decided at the end of 2014 to consider the case resolved.

A summary of the engagement timeline is provided below:



- **First NEC conference call in June 2010** - Anadarko disputes responsibility and states that it is standard oil industry practise for joint venture partners to be uninvolved in operational matters.
- **Second NEC conference call in June 2011** - Anadarko acknowledges that the company and the broader oil industry have lessons to learn from Macondo, and that Anadarko has begun implementing checks of its rig fleet as a result. NEC suggests improvements to Anadarko's health, safety and environmental (HSE) policies.
- **Third NEC conference call in October 2012** - Following a period of ongoing contact with Anadarko, NEC lobbied Anadarko to further improve HSE policies and commence annual sustainability reporting in order to communicate the company's goals and performance. Anadarko indicated that it would consider the request, but that any changes would be slow. The company affirmed that it was still potentially liable for spill damages and penalties relating to Macondo under the US Oil Pollution Act and the Clean Water Act.
- **Fourth NEC conference call in January 2013** - Anadarko provides further information to NEC on its learnings following the Macondo incident, including greater scrutiny of partners. It also says it is contributing resources to develop better blowout preventer technology for the industry. Anadarko also acknowledges that its sustainability communication is lacking and that the company is planning to improve in this area.
- During a phone call **in May 2013**, Anadarko communicates that it has established a CSR committee to look at the company's overall strategy in this area.
- **Fifth NEC conference call in January 2014**. Anadarko communicates that it has created a new role and appointed a Manager of Corporate Responsibility. It also forwards NEC its revised HSE policy and roadmap towards best practise. During 2014, Anadarko strengthens top management support for the new sustainability work and demonstrates a commitment to improve communication on the company website.
- **Sixth NEC conference call in December 2014**. Anadarko provided further information on its HSE management systems improvements, including CEO sign-off on the new approach. The company website has improved significantly regarding sustainability communication.

EUTELSAT COMMUNICATIONS

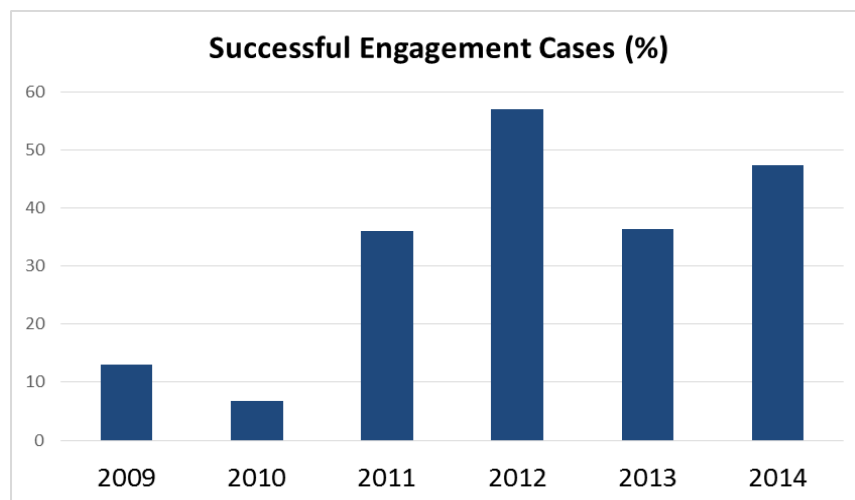
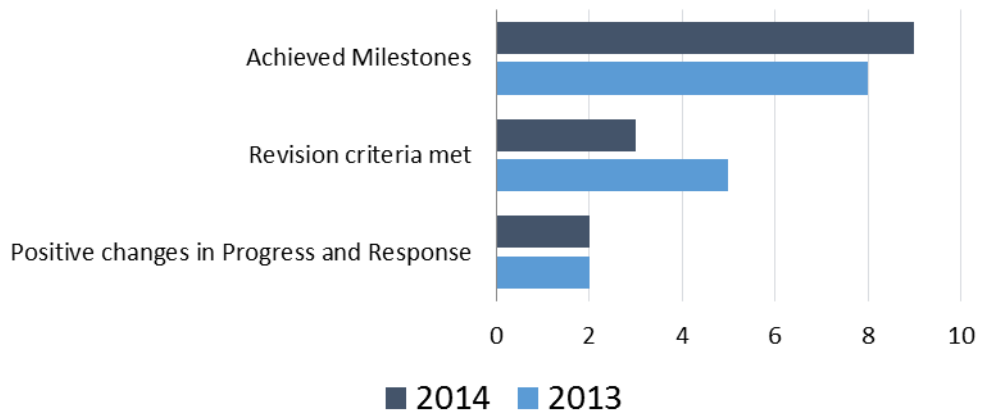
The dialogue with Eutelsat Communications (Eutelsat) has focused on strengthening the company's preparedness to handle human rights risks – in particular, freedom of expression - in its global operations, following accusations of the company's complicity in censorship by repressive regimes. In 2008, the company suspended the broadcast of the only independent Chinese-language television channel (NTDTV) in China, allegedly to gratify the Chinese government. After some initial struggle, the company opened to dialogue with NEC. Eutelsat has since adopted a proactive and precautionary approach to improve routines and prevent future violations.

Eutelsat started publishing a sustainability report addressing relevant issues. The company has also been at the forefront of industry discussions on how the industry can protect freedom of expression, and has supported research programmes and seminars on the issue. Eutelsat has also become an industry leader in addressing one aspect of freedom of expression, satellite jamming by states, by developing devices to make satellites more resilient to interference. The company has contributed to the International Telecommunications Union, the UN specialized agency for the ICT industry, to implement measures to strengthen regulations on external broadcast signal interference.

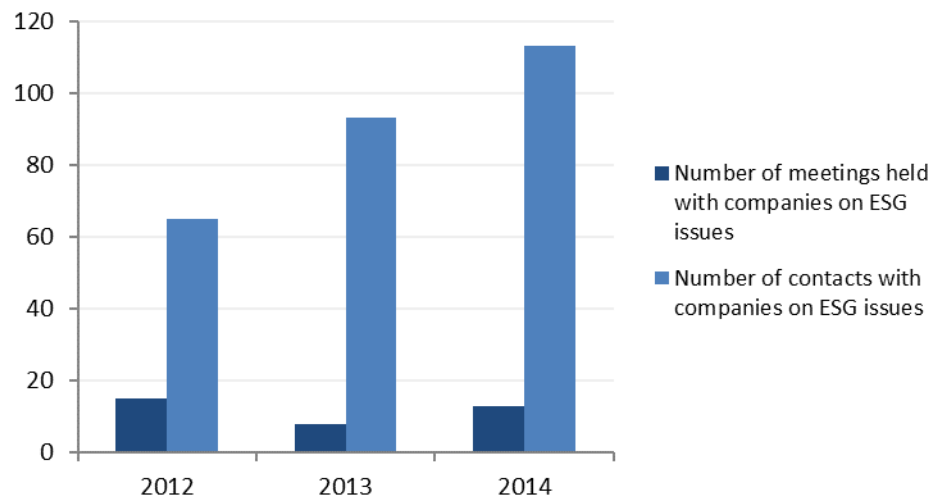
Although the 2008 incident was the basis for an ongoing court case between Eutelsat and NTDTV, the parties have settled the case through mediation. Since it is therefore unlikely that any more information on the details surrounding the 2008 incident will be released, the case no longer has significant engagement potential. There are no ongoing violations in relation to the company, there have been no new allegations of violations, and the company has adopted a responsible course of action. NEC hence concludes that no further engagement with the company is warranted at this stage.

2014 IN NUMBERS

Engagement Achievements



Engagement meetings



ABOUT ONGOING PROJECTS AND COMPANY DIALOGUES

NESTLE AND COCOA ROUNDTABLE

In October, NEC participated in a roundtable in Copenhagen on solutions to child labour in the cocoa industry, together with some of Nestlé's industry peers. We also held a separate meeting with Nestlé. The complexity of the issue of child labour among cocoa farmers was discussed. Child labour is not an isolated issue, but exists in poor farmer communities where families depend on the income from their children's labour. At the same time, poverty in these communities has resulted in a wave of migration to the cities by the young generation. A challenge for the cocoa industry is thus not only to combat child labour, but also to make cocoa farming attractive for young people, so that the industry can avoid labour shortages in the future. Today the average age of cocoa farmers in West Africa is well above 50 years.

Discussions from the roundtable confirmed that industry efforts should focus on improving farmer livelihoods. One of the key efforts presented was a new industrywide framework, Cocoa Action, with programmes that aim to increase productivity and improve social standards in cocoa communities. With twelve company participants so far, Cocoa Action involves a commitment to reach 300 000 farmers in Ivory Coast and Ghana by 2020. Increased collaboration from the industry with host governments is key to ensure such efforts are effective and reach more farmers.

NEC will continue to engage with Nestlé during 2015 to ensure farmer programmes effectively address issues such as farmer income, the roll-out of child labour monitoring and remediation systems, and access to education.

BP ANNUAL SRI MEETING

In December, NEC attended BP's annual SRI meeting in London. The company was represented by a panel comprising the Chairman of the Board, as well as Executive VPs for strategy, safety & operational risks, long term planning and other key staff. During the meeting, relevant issues such as climate change, stranded assets and decarbonisation were addressed. Another key focus of the day was health and safety issues. BP currently claims to have made 97 per cent progress on the post-Gulf of Mexico spill recommendations. By year-end, the company's expectation is 99 per cent progress. This does not mean, however, that BP can relax. When reminded of positive health and safety statistics that preceded subsequent major incidents, BP emphasised that it is working to create a culture of "chronic unease". As the most serious tier 1 health and safety incidents decrease and disappear, the focus will shift to tier 2 accidents and so on.

A major focus in the area of health and safety is on upstream subcontractors. BP does not claim that staffing its operations with BP employees rather than subcontractors automatically improves safety. Nevertheless, it is more complex to manage subcontractors. The company's basic philosophy is that subcontractors maintain their own safety and that BP acts as an auditor to ensure that the subcontractors operate the way they have promised BP and in a manner that aligns with BP's standards.

NEC is satisfied with the progress BP is making in relation to the explosion and oil spill in the Gulf of Mexico and believe that the company is on the right track.

WESTERN SAHARA

NEC’s thematic engagement on Western Sahara continued throughout 2014, focusing on ten companies involved in exploring or extracting natural resources from this non-self-governing territory occupied by Morocco. The key engagement goals include ensuring that the companies both act consistent with the interests of the people of Western Sahara and utilise their influence with the Moroccan authorities to promote human rights integration in all activities in the territory. It is clear that the companies involved understand that their operations are subject to tremendous scrutiny. Total and Kosmos Energy each published joint statements with their Moroccan partner stating the parties’ intention to responsibly manage hydrocarbon development in Western Sahara in consultation with the local populations and in line with international principles and standards. In an attempt to implement these commitments, Kosmos Energy commissioned a social impact assessment, while Total has been preparing to conduct stakeholder mapping and a human rights assessment. Nevertheless, the question of whether it is even possible to conduct resource exploration or extraction in a non-self-governing territory like Western Sahara in a socially responsible manner remains contested.

Overall, the thematic dialogue consisted of regular email correspondence and ten conference calls with the companies targeted. Company-specific actions included NEC leading a collaborative engagement with PotashCorp, whereby a total of 11 PRI signatories collectively representing USD 655bn in assets under management signed a letter urging the company to conduct and make public an independent assessment of its human rights responsibilities in Western Sahara. Following PotashCorp’s unsatisfactory response, a constructive conference call was held during which the company agreed to consider the investors’ requests for improvement. During the year, Innophos Holdings and PetroMaroc were removed from the project due to their long-standing non-responsiveness and lack of progress. On the other hand, NEC commenced a dialogue on this topic with an additional company in late 2014, when further examination of a map of Glencore's offshore licenses revealed that the company has held ownership stakes in two licenses located off the coast of Western Sahara since 2013 and 2014 respectively.

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COUNTRY

United States

NORM AREA**RESPONSE & PROGRESS****INCIDENT**

Anadarko Petroleum (Anadarko) was a 25 per cent joint venture partner in the BP operated Macondo oil prospect in the Gulf of Mexico. In April 2010, a well blowout resulted in the loss of 11 lives and the discharge of enormous quantities of oil into the sea. As a partner with a significant vested interest, Anadarko had a responsibility to ensure that the project was planned and executed in a safe and environmentally responsible way. Despite this, there was a lack of partner due diligence and proactive risk management on Anadarko's part, which helped contribute to the incident. In the last two years, Anadarko has significantly strengthened its sustainability and health, safety & environment (HSE) work, including the setting of new corporate standards endorsed by the CEO.

GOAL

Anadarko should demonstrate that it has met its remediation responsibilities for the Gulf of Mexico spill. The company should also improve its HSE policies and initiate annual sustainability reporting.

THIS YEAR'S DEVELOPMENT

During 2014 NEC decided to remove Anadarko Petroleum from the engagement focus list due to the positive actions and improvements by the company. This work has taken place over the last few years and has involved Anadarko appointing a head of corporate responsibility, undertaking a review of sustainability work at the company and setting of a new CEO-endorsed sustainability strategy. These changes have been communicated on the company's website, where the improved approach is now highly evident. Anadarko still faces a potentially large fine for its involvement in the Deepwater Horizon oil spill incident, however the legal process is nearing completion and we are confident that no significant new negative information regarding the company will be forthcoming.

COUNTRY

China

NORM AREA**RESPONSE & PROGRESS****INCIDENT**

Eutelsat Communications (Eutelsat) has been accused of complicity in censorship practices by repressive regimes. In 2008, the company suspended the broadcast of the only independent Chinese-language television channel (NTDTV) in China, allegedly to gratify the Chinese government. In January 2009, the European Parliament adopted a Written Declaration urging the company to immediately resume the transmission and provide reasons for the suspension.

GOAL

Eutelsat should adopt a policy that clearly states that it respects the freedom and pluralism of media and develop decision making guidelines for concrete situations where these principles may be at risk.

THIS YEAR'S DEVELOPMENT

During 2014, NEC concluded that no further engagement with the company is needed at this stage and decided to remove Eutelsat from the engagement focus list. The dialogue with Eutelsat has focused on strengthening the company's preparedness to handle human rights risks and freedom of expression in its global operations. After some initial struggle, the company opened up for dialogue with NEC and has taken a proactive and precautionary approach to improve routines and prevent future violations.

Eutelsat has started publishing a Sustainability report addressing relevant issues, and also been on the forefront of industry discussions on how the industry can protect freedom of expression and information, as well as supporting research programmes and seminars on the issue. Eutelsat has also become industry front runner with regards to addressing one aspect of freedom of expression (satellite jamming by states), by developing devices to make satellites more resilient to interference. The company has contributed and pushed the International Telecommunications Union, the UN specialized agency for the ICT industry, to implement measures strengthening regulations on the issue of external broadcast signal interference.

COUNTRY

Panama

NORM AREA**RESPONSE & PROGRESS****INCIDENT**

AES Panama (AES) constructed and operates the Chan 75 hydroelectric dam on the Changuinola River in Panama. Free and informed prior consent, resettlement and compensation processes with the indigenous Ngöbe people were handled poorly by the company, resulting in the UN Special Rapporteur on the situation of human rights and fundamental freedoms of indigenous people to publicly declare that human rights violations had occurred in connection with the project. Several of these issues remain unresolved today. The World Heritage Committee has also expressed concern over the project's potential impact on the World Heritage listed La Amistad National Park.

GOAL

AES shall demonstrate and implement a plan for how to, within its sphere of influence, ensure the respect of the rights of the indigenous communities in its operations and that mitigation measures are taken to protect biological diversity. Moreover, the company should adopt a human rights policy in line with international norms.

THIS YEAR'S DEVELOPMENT

NEC engaged intensively with AES during 2014, and our service provider GES conducted a site visit to the company's hydro-electric dam in Changuinola, Panama in August 2014. The company was cooperative during the visit and local managers at the dam seemed to have developed good relations with much of the local community. The visit did however confirm many of our concerns regarding inadequate consultation, resettlement and protection of local indigenous people. Part of the reason is that AES has not yet implemented a company-wide human rights policy which aligns to international norms. In an attempt to encourage the company to adopt such a policy, NEC sent a letter of formal request to the company's main compliance officer in the US following the field visit towards the end of 2014.

COUNTRY

Sudan

NORM AREA**RESPONSE & PROGRESS****INCIDENT**

In August 2007, a UN Special Rapporteur from the Human Rights Council called upon companies involved in the Merowe Dam project in Sudan to halt the operations. The statement was made due to concerns over reports on human rights violations in connection with large resettlements. Among the companies is Alstom, which is the main supplier of electrical equipment to the project. None of the companies have followed the recommendation from the UN Special Rapporteur.

GOAL

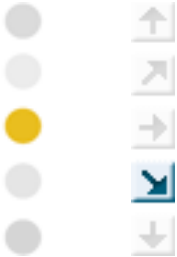
To secure that Alstom acts responsibly regarding the human rights violations and ensures that the recommendations by the UN Special Rapporteur are adhered to. The company should also adopt a corporate policy that addresses the risks associated to operations in weak governance zones like Sudan .

THIS YEAR'S DEVELOPMENT

After an initial poor level of response from Alstom in 2014 a collaborative investor letter was sent to the company. The letter asked for investors to be able to provide feedback to the strengthening of Alstom's risk assessments for hydropower projects. A meeting was held with the company, following the letter, where Alstom also provided some positive up-dates on how it had strengthen its internal ESG-risk assessment system for hydropower projects. Alstom is now including most environmental and social issues from International Hydropower Association's sustainability protocol in its risk assessments of new hydropower projects. It has so far applied it to three new projects during the last six months. Further engagement with the company will focus on more disclosure in relation to its risk assessment processes and its human rights due diligence for operations in high risk regions.

COUNTRY

Papua New Guinea

NORM AREA**RESPONSE & PROGRESS****INCIDENT**

Barrick Gold Corporation is the majority owner and operator of the Porgera gold mine in Papua New Guinea. The mine is one of a few in the world that disposes of its process wastes (tailings) directly to a local river system; a practise which has an unacceptably high impact on the river environment. The discharge of tailings has lead to high levels of toxic metals and the depletion of wildlife in the Porgera River. It further poses an unnecessary risk to people dependent on the river, as well as Papua New Guinea's largest lake, Lake Murray. The Porgera mine is also linked to a suite of social problems and human rights abuses (refer GES case: Association to complicity in human rights abuses).

GOAL

Barrick Gold should implement internationally accepted standards for tailings management at Porgera and commit to remediating the rivers and catchments impacted by riverine tailings deposition. The company should strengthen policy on mine wastes.

THIS YEAR'S DEVELOPMENT

During 2014 Barrick experienced a deterioration in the social situation at its Porgera gold mine in Papua New Guinea. Further significant mine trespasser – security force conflicts took place at the Porgera mine and at Barrick's majority owned North Mara gold mine in Tanzania during the year where fatalities were recorded. The Papua New Guinean police also forcibly evicted a large number of residents from local villages around Porgera in June. The police were given material support by Barrick, however the company expressed disappointment with the way the police action was conducted and its outcomes. The company has been working to implement the Voluntary Principles on Security and Human Rights, an industry initiative to manage security issues at extractive sites, however control over external, government controlled forces is one of the most difficult issues to manage. NEC initiated work on a letter to Barrick's CSR Advisory Board, with the aim of stimulating high level management dialogue and action on the Porgera mine's human rights and environmental issues.

COUNTRY

United States

NORM AREA**RESPONSE & PROGRESS****INCIDENT**

BP Plc (BP) is the operator of the Macondo oil prospect in the Gulf of Mexico. In April 2010, a well blowout resulted in the loss of 11 lives and the discharge of millions of barrels of oil into the sea. The environmental and economic impacts to the Gulf coast were serious and may be ongoing for decades. As the operator, BP was responsible for the safe design and execution of the project, and for stopping the flow of oil in the event of a blowout. The cause of the blowout was attributed to the breaching of multiple barriers and human errors. BP was furthermore not in possession of sufficient technology for quickly stopping the oil flow. Since the incident BP has undertaken significant work to address its safety and risk management system deficiencies, and has implemented improved standards for drilling. The company has also addressed the recommendations of its Macondo incident report and the requirements of US regulators. Performance now equals that of peers and the case is now resolved.

GOAL

BP should ensure remediation of the environmental and social impacts of the Gulf of Mexico spill, and achieve significant improvements in risk and safety management within the company. The company should also ensure that it has sufficient technology for bringing well blowout situations rapidly under control.

THIS YEAR'S DEVELOPMENT

NEC held meetings with BP throughout 2014 and attended the company's socially responsible investor day in London in December. The company has been diligent in addressing its shortfalls in the wake of the Deepwater Horizon incident in 2010, and at the end of the year was very close to finalizing work on the incident report's recommendations. The company has also put in place the internal management changes required to lift health, safety and environmental performance to a level which is now aligned to its peers. NEC will in all likelihood remove BP from its engagement focus list in 2015 on the basis of these improvements. Like Anadarko, BP still faces a large fine for its involvement in the Deepwater Horizon incident, however the legal process is nearing completion and we are confident that no significant new negative information regarding the company will be forthcoming.

COUNTRY

Ghana

NORM AREA**RESPONSE & PROGRESS****INCIDENT**

The cocoa industry has been criticised for its association to child labour in its supply chain for more than ten years with a particular exposure in the Ivory Coast, Ghana, Nigeria and Cameroon. According to the Tropical Commodity Coalition, a coalition of Dutch NGOs, 70 per cent of the world's cocoa beans are produced in these countries. The beans are usually grown on small scale farms and are then passed through a complex supply chain. Due to this very fact most of the major players claim it is difficult to properly control the supply chain. The US Department of Labor included cocoa from several countries in West Africa on a list of goods believed to be produced by forced or indentured child labour. Since the problem with child labour is so widespread and therefore concerns the whole industry, GES includes some of the largest cocoa grinders and chocolate manufacturers in its analysis and engagement.

GOAL

Nestlé should increase its efforts to combat child labour by extending farmer programs, increase the amount of certified products and traceability measures within the supply chain. It should be more transparent regarding the extent to which it provides quantitative data and future targets for such efforts.

THIS YEAR'S DEVELOPMENT

During 2014, Nestlé has continued to further strengthen its efforts to combat child labour and to extend initiatives to improve farmer livelihood. Most notable are further roll-out of KPIs to measure progress in initiatives to combat child labour and farmer livelihood, further development and roll-out of child labour monitoring and remediation systems in cocoa communities and further scale-up of the Nestlé Cocoa Plan, the company's programme to improve farmer livelihoods. By 2015, Nestlé aspires to purchase 25 per cent from farmers involved in the NCP. Nestlé states that it will also make more similar commitments going forward. NEC and its service provider GES has continued to have a constructive and positive dialogue with Nestlé during 2014, including an in-person meeting and a roundtable on solutions to child labour in Copenhagen.

COUNTRY

Nigeria

NORM AREA**RESPONSE & PROGRESS****INCIDENT**

Shell Petroleum Development Company of Nigeria Limited (SPDC- 30 percent) operates onshore oilfields in the Niger Delta region of Nigeria on behalf of its joint venture partners; the Nigerian National Petroleum Corporation (55 percent), Total S.A. (10 percent) and Eni (5 percent.) The consortium produces about 20 percent of Nigeria's annual oil output. In 2011, the extensive oil pollution attributable to SPDC's operations in the Ogoniland part of the Niger Delta was scientifically documented for the first time by the United Nations Environment Programme (UNEP). The UNEP scientists examined 69 sites and found that at more than ten locations a severe risk to public health was posed. The report further said that the impact on mangrove habitat has been "disastrous". The extent of the pollution is regional in scale and UNEP estimates that clean-up will take 30 years and cost at least USD 1 billion. A range of recommendations have been made to oil companies and the Nigerian government.

GOAL

Shell should have a detailed program in place to address the recommendations of the UNEP's Environmental Impact Assessment of Ogoniland, and demonstrate that regular progress is being made towards achieving the objectives. The company should communicate the plan and progress transparently to shareholders. Shell should also exert its influence on all stakeholders to counter oil theft activity and its related social and environmental impacts.

THIS YEAR'S DEVELOPMENT

Since the release of the United Nations Environment Program's Environmental Impact of Ogoniland report in 2011, Shell has been working to address the report's recommendations and remediate oil spill sites. The environmental situation in this part of Nigeria's Niger Delta remains serious however, with a large number of highly oil contaminated areas still requiring clean-up. The project will take decades, and intervention by state actors and other oil companies is also required for effective remediation of the entire region to take place. Shell must also speed up its own efforts. NEC's engagement with Shell has been ongoing throughout 2014. We attended the company's socially responsible investor day in London and lobbied company directors and the Nigerian country manager for improvements to its Ogoniland clean-up work. Our main focus is ensuring that Shell leverages its influence to the greatest extent possible in getting other stakeholder participants onboard. We are also urging Shell to demonstrate that it is planning the remediation work in a structured way with the setting of measurable goals, and to be transparent regarding the planning and progress reporting.

COUNTRY

United States

NORM AREA



RESPONSE & PROGRESS



INCIDENT

Transocean Ltd (Transocean) was the operator of the Deepwater Horizon oil rig leased by BP to drill the Macondo oil exploration well in the Gulf of Mexico. In April 2010, a well blowout resulted in the loss of 11 lives and the discharge of large quantities of oil into the sea. The environmental and economic impacts to the Gulf coast were serious and may be ongoing for decades. The failure of critical equipment, such as the rig’s blowout preventer, and drilling and completion procedures, which were the responsibility of Transocean, contributed to the incident.

GOAL

To ensure that Transocean takes its share of responsibility for the Macondo incident, demonstrates that it has fully integrated the relevant lessons by improving HSE standards and culture. Serious consideration should be given to commencing annual sustainability reporting and HSE due diligence on customer projects.

THIS YEAR'S DEVELOPMENT

NEC has continued in its attempts to conduct dialogue with Transocean during the year, however the company is a poor responder to our information requests. As a result of its involvement in the Deepwater Horizon incident Transocean now operates in US waters under special agreements with US minerals and environmental regulators. These strict conditions have forced the company to improve safety and risk management in its US operations, and we are currently trying to ascertain to what extent these changes have been adopted across the company. Positively, Transocean has communicated that it is implementing significant improvements to its health, safety and environmental management systems globally. NEC’s focus moving forward will be to obtain the details of what this involves and ascertain the effectiveness of the work.