

Transocean Ltd.  
Form PRE 14A  
March 05, 2012

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under §240.14a-12

**Transocean Ltd.**

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(Name of Registrant as Specified In Its Charter)

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(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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(1) Amount Previously Paid:

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(3) Filing Party:

(4) Date Filed:

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April , 2012

Dear Shareholder:

The 2012 annual general meeting of Transocean Ltd. will be held on Friday, May 18, 2012 at 4:00 p.m., Swiss time, at the Lorzensaal Cham, Dorfplatz 3, CH-6330 Cham, Switzerland. The invitation to the annual general meeting, the proxy statement and a proxy card are enclosed and describe the matters to be acted upon at the meeting.

It is important that your shares be represented and voted at the meeting, whether you plan to attend or not. Please read the enclosed invitation and proxy statement and date, sign and promptly return the proxy card in the enclosed self-addressed envelope.

A note to Swiss and other European investors:

Transocean Ltd. is incorporated in Switzerland, has issued registered shares and trades on both the New York Stock Exchange and the SIX Swiss Exchange; however, unlike many Swiss incorporated or SIX Swiss Exchange-listed companies, ***share blocking and re-registration are not requirements for any Transocean shares to be voted at the meeting and all shares may be traded after the record date.***

Sincerely,

J. Michael Talbert  
*Chairman of the Board*

Steven L. Newman  
*President and Chief Executive Officer*

This invitation, proxy statement and the accompanying proxy card are first being mailed to our shareholders on or about April , 2012.

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**INVITATION TO ANNUAL GENERAL MEETING OF TRANSOCEAN LTD.  
Friday, May 18, 2012  
4:00 p.m., Swiss time,  
at the Lorzensaal Cham, Dorfplatz 3, CH-6330 Cham, Switzerland**

**Agenda Items**

(1)

**Approval of the 2011 Annual Report, including the Consolidated Financial Statements of Transocean Ltd. for Fiscal Year 2011 and the Statutory Financial Statements of Transocean Ltd. for Fiscal Year 2011.**

**Proposal of the Board of Directors**

The Board of Directors proposes that the 2011 Annual Report, including the consolidated financial statements for fiscal year 2011 and the statutory financial statements for fiscal year 2011, be approved.

(2)

**Appropriation of the Available Earnings for Fiscal Year 2011.  
Proposal of the Board of Directors**

The Board of Directors proposes that all available earnings of the Company be carried forward.

	in CHF thousands
Balance brought forward from previous years	261,689
Net profit of the year	(100,198)
Total available earnings	161,491
<b>Appropriation of available earnings</b>	
Balance to be carried forward on this account	161,491

(3)

**Election of Three Directors as Follows; Reelection of Two Directors as Follows:**

**3.1**

**Election of Glyn Barker, Vanessa C.L. Chang and Chad Deaton as Directors.  
Proposal of the Board of Directors**

The Board of Directors proposes that the nominees set forth below be elected as Class I Directors for a three-year term:

Glyn Barker;

Vanessa C.L. Chang; and

Chad Deaton.

**3.2**

**Reelection of Edward R. Muller and Tan Ek Kia as Directors.  
Proposal of the Board of Directors**

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The Board of Directors further proposes that the directors set forth below be reelected as Class I Directors for a three-year term:

Edward R. Muller; and

Tan Ek Kia.

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(4)

**Appointment of Ernst & Young LLP as the Company's Independent Registered Public Accounting Firm for Fiscal Year 2012 and Reelection of Ernst & Young Ltd., Zurich, as the Company's Auditor for a Further One-Year Term.**

**Proposal of the Board of Directors**

The Board of Directors proposes that Ernst & Young LLP be appointed as Transocean Ltd.'s independent registered public accounting firm for the fiscal year 2012 and that Ernst & Young Ltd., Zurich, be reelected as Transocean Ltd.'s auditor pursuant to the Swiss Code of Obligations for a further one-year term, commencing on the day of election at the 2012 annual general meeting and terminating on the day of the 2013 annual general meeting.

(5)

**Advisory Vote on Executive Compensation.**

**Proposal of the Board of Directors**

The Board of Directors proposes that shareholders be provided with an advisory vote on the compensation of the Company's Named Executive Officers, as disclosed in the Compensation Discussion and Analysis, the accompanying compensation tables and the related narrative disclosure in this proxy statement.

**Organizational Matters**

A copy of the proxy materials, including a proxy and admission card, has been sent to each shareholder registered in Transocean Ltd.'s share register as of March 21, 2012. Any additional shareholders who are registered in Transocean Ltd.'s share register on May 1, 2012 will receive a copy of the proxy materials after May 1, 2012. Shareholders not registered in Transocean Ltd.'s share register as of May 1, 2012 will not be entitled to attend, vote or grant proxies to vote at, the 2012 annual general meeting.

While no shareholder will be entered in Transocean Ltd.'s share register as a shareholder with voting rights between the close of business on May 1, 2012 and the opening of business on the day following the annual general meeting, **share blocking and re-registration are not requirements for any Transocean Ltd. shares to be voted at the meeting and all shares may be traded after the record date.** BNY Mellon Shareowner Services, which maintains Transocean Ltd.'s share register, will continue to register transfers of Transocean Ltd. shares in the share register in its capacity as transfer agent during this period.

Shareholders registered in Transocean Ltd.'s share register as of May 1, 2012 have the right to attend the annual general meeting and vote their shares (in person or by proxy), or may grant a proxy to vote on each of the proposals in this invitation and any other matter properly presented at the meeting for consideration. Shareholders may deliver proxies to either Transocean Ltd. (as corporate proxy) or the independent representative, Rainer Hager, by marking the proxy card appropriately, executing it in the space provided, dating it and returning it either to:

Transocean Ltd.  
Vote Processing  
c/o Broadridge  
51 Mercedes Way  
Edgewood, NY 11717  
USA

or, if granting a proxy to the independent representative  
Rainer Hager  
Attorney at Law and Notary  
Schweiger, Advokatur/Notariat  
Dammstrasse 19  
CH-6300 Zug  
Switzerland

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We urge you to return your proxy card by 4:00 p.m. Eastern Daylight Time (EDT), 10:00 p.m. Swiss time, on May 17, 2012 to ensure that your proxy card is timely submitted.

Shares of holders who have timely submitted a properly executed proxy card and specifically indicated their votes will be voted as indicated. Shares of holders who have timely submitted a properly executed proxy card and have not specifically indicated their votes (irrespective of whether a proxy has been granted to Transocean Ltd. or the independent representative or neither is specified) will be voted in the manner recommended by the Board of Directors and Transocean Ltd. will act as such holders' proxy. Any proxy card marked to grant a proxy to both Transocean Ltd. (as corporate proxy) and the independent representative will be counted as a proxy granted to Transocean Ltd. only.

If any other matters are properly presented at the meeting for consideration, Transocean Ltd. and the independent representative, as applicable, will, in the absence of specific instructions to the contrary, have the discretion to vote on these matters in the manner recommended by the Board of Directors in the name and on behalf of shareholders who have timely submitted a properly executed proxy card.

Shareholders who hold their shares in the name of a bank, broker or other nominee should follow the instructions provided by their bank, broker or nominee when voting their shares. Shareholders who hold their shares in the name of a bank, broker or other nominee and wish to vote in person at the meeting must obtain a valid proxy from the organization that holds their shares.

We may accept a proxy by any form of communication permitted by Swiss law and our Articles of Association.

Please note that shareholders attending the annual general meeting in person or by proxy are required to show their admission card on the day of the annual general meeting. In order to determine attendance correctly, any shareholder leaving the annual general meeting early or temporarily is requested to present such shareholder's admission card upon exit.

**Proxy Holders of Deposited Shares**

Institutions subject to the Swiss Federal Law on Banks and Savings Banks and professional asset managers who hold proxies for beneficial owners who did not grant proxies to Transocean Ltd. or the independent representative are kindly asked to inform Transocean Ltd. of the number and par value of the registered shares they represent as soon as possible, but no later than May 18, 2012, 6:00 a.m. EDT, 12:00 p.m. Swiss time, at the admission office for the annual general meeting.

**Annual Report, Consolidated Financial Statements, Statutory Financial Statements**

A copy of the 2011 Annual Report (including the consolidated financial statements for fiscal year 2011, the statutory financial statements of Transocean Ltd. for fiscal year 2011 and the audit reports on such consolidated and statutory financial statements) is available for physical inspection at Transocean Ltd.'s registered office, Turmstrasse 30, CH-6300 Zug, Switzerland. Copies of these materials may be obtained without charge by contacting our Corporate Secretary at our registered office, Turmstrasse 30, CH-6300 Zug, Switzerland, telephone number +41 (041) 749 0500, or Investor Relations

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at our offices in the United States, at 4 Greenway Plaza, Houston, Texas 77046, telephone number (713) 232-7500.

On behalf of the Board of Directors,

J. Michael Talbert  
*Chairman of the Board*

Zug, Switzerland  
April , 2012

**YOUR VOTE IS IMPORTANT**

**You may designate proxies to vote your shares by mailing the enclosed proxy card. Please review the instructions in the proxy statement and on your proxy card regarding voting.**

**IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL GENERAL MEETING TO BE HELD ON MAY 18, 2012.**

**Our proxy statement and 2011 Annual Report are available at**  
*<http://www.deepwater.com/proxymaterials.cfm>.*



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**PROXY STATEMENT**

**FOR ANNUAL GENERAL MEETING OF TRANSOCEAN LTD.  
MAY 18, 2012**

**INFORMATION ABOUT THE MEETING AND VOTING**

This proxy statement is furnished in connection with the solicitation of proxies by Transocean Ltd., on behalf of our Board of Directors, to be voted at our annual general meeting to be held on May 18, 2012 at 4:00 p.m., Swiss time, at the Lorzensaal Cham, Dorfplatz 3, CH-6330 Cham, Switzerland.

**Agenda Items**

At the annual general meeting, shareholders will be asked to vote upon the following agenda items:

Approval of the 2011 Annual Report, including the consolidated financial statements of Transocean Ltd. for fiscal year 2011 and the statutory financial statements of Transocean Ltd. for fiscal year 2011.

Appropriation of the available earnings for fiscal year 2011.

Election of three directors as follows; reelection of two directors as follows:

Election of Glyn Barker, Vanessa C.L. Chang and Chad Deaton as Class I Directors, each for a three-year term;  
and

Reelection of Edward R. Muller and Tan Ek Kia as Class I Directors, each for a three-year term.

Appointment of Ernst & Young LLP as the Company's independent registered public accounting firm for fiscal year 2012 and reelection of Ernst & Young Ltd., Zurich, as the Company's auditor pursuant to the Swiss Code of Obligations for a further one-year term.

Advisory vote on the compensation of the Company's Named Executive Officers as disclosed in the Compensation Discussion and Analysis, the accompanying compensation tables, and the related narrative disclosure in this proxy statement.

**Quorum**

Our Articles of Association provide that the presence of shareholders, in person or by proxy, holding at least a majority of the shares entitled to vote at the meeting constitutes a quorum for purposes of this annual general meeting. Abstentions and "broker nonvotes" will be counted as present for purposes of determining whether there is a quorum at the meeting.

**Record Date**

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Only shareholders of record on May 1, 2012 are entitled to notice of, to attend, and to vote or to grant proxies to vote at, the annual general meeting. No shareholder will be entered in Transocean Ltd.'s share register with voting rights between the close of business on May 1, 2012 and the opening of business on the day following the annual general meeting.

While no shareholder will be entered in Transocean Ltd.'s share register as a shareholder with voting rights between the close of business on May 1, 2012 and the opening of business on the day following the annual general meeting, ***share blocking and re-registration are not requirements for any Transocean Ltd. shares to be voted at the meeting and all shares may be traded after the record date.*** BNY Mellon Shareowner Services, which maintains Transocean Ltd.'s share register, will continue to register transfers of Transocean Ltd. shares in the share register in its capacity as transfer agent during this period.

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**Votes Required**

Approval of the proposal with respect to the 2011 Annual Report and the 2011 consolidated financial statements and 2011 statutory financial statements of Transocean Ltd. requires the affirmative vote of a majority of the votes cast in person or by proxy at the annual general meeting, not counting abstentions or blank or invalid ballots.

Approval of the proposal for the appropriation of available earnings for fiscal year 2011 to be carried forward requires the affirmative vote of a majority of the votes cast in person or by proxy at the annual general meeting, not counting abstentions or blank or invalid ballots.

Approval of the proposal to elect three nominees and reelect two nominees named in the proxy statement as directors requires the affirmative vote of a plurality of the votes cast in person or by proxy at the annual general meeting. The plurality requirement means that the director nominee with the most votes for a board seat is elected to that board seat. You may vote "for" or "against" or "abstain" with respect to the election of each director. Only votes "for" are counted in determining whether a plurality has been cast in favor of a director. Abstentions and broker non-votes are not counted for purposes of the election of directors. As described later in this proxy statement, our Corporate Governance Guidelines set forth our procedures if a director nominee is elected but does not receive more votes cast "for" than "against" the nominee's election.

Approval of the proposal to appoint Ernst & Young LLP as the Company's independent registered public accounting firm for 2012 and to reelect Ernst & Young Ltd. as the Company's auditor pursuant to the Swiss Code of Obligations for a further one-year term requires the affirmative vote of holders of a majority of the votes cast in person or by proxy at the annual general meeting on the proposal. Abstentions and blank or invalid ballots are not counted for purposes of this proposal.

Approval of the advisory vote on the compensation of the Company's Named Executive Officers as disclosed in the Compensation Discussion and Analysis, the accompanying compensation tables, and the related narrative disclosure in this proxy statement requires the affirmative vote of a majority of the votes cast in person or by proxy at the annual general meeting, not counting abstentions, broker non-votes or blank or invalid ballots. The vote is advisory and therefore not binding on the Company.

As of March 21, 2012, there were \_\_\_\_\_ shares outstanding. Only registered holders of our shares on May 1, 2012, the record date established for the annual general meeting, are entitled to notice of, to attend and to vote at, the meeting. Holders of shares on the record date are entitled to one vote for each share held.

**Proxies**

A proxy card is being sent to each record holder of shares as of March 21, 2012. In addition, a proxy card will be sent to each additional record holder of shares as of the record date, May 1, 2012. If you are registered as a shareholder in Transocean Ltd.'s share register as of May 1, 2012, you may grant a proxy to vote on each of the proposals and any other matter properly presented at the meeting for consideration. Shareholders may deliver proxies to either Transocean Ltd. or the independent representative, Rainer Hager, by marking your proxy card appropriately, executing it in the space provided, dating it and returning it either to:

Transocean Ltd.  
Vote Processing  
c/o Broadridge  
51 Mercedes Way  
Edgewood, NY 11717  
USA

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or, if granting a proxy to the independent representative  
Rainer Hager  
Attorney at Law and Notary  
Schweiger, Advokatur/Notariat  
Dammstrasse 19  
CH-6300  
Zug, Switzerland

We urge you to return your proxy card by 4:00 p.m. Eastern Daylight Time (EDT), 10:00 p.m. Swiss time, on May 17, 2012 to ensure that your proxy card is timely submitted. Proxies granted to Transocean Ltd. will be exercised by a non-executive officer of Transocean Ltd. at the annual general meeting.

Please sign, date and mail your proxy card in the envelope provided. If you hold your shares in the name of a bank, broker or other nominee, you should follow the instructions provided by your bank, broker or nominee when voting your shares.

Under New York Stock Exchange rules, brokers who hold shares in street name for customers, such that the shares are registered on the books of the Company as being held by the brokers, have the authority to vote on "routine" proposals when they have not received instructions from beneficial owners, but are precluded from exercising their voting discretion with respect to proposals for "non-routine" matters. Proxies submitted by brokers without instructions from customers for these non-routine matters are referred to as "broker non-votes." Agenda Item 3 for the election of directors, as well as Agenda Item 5, are non-routine matters under New York Stock Exchange rules. If you hold your shares in "street name," your broker may not be able to vote your shares in the election of directors unless the broker receives appropriate instructions from you. We recommend that you contact your broker to exercise your right to vote your shares.

If you were a holder on the record date and have timely submitted a properly executed proxy card and specifically indicated your votes, your shares will be voted as indicated. If you were a holder on the record date and you have timely submitted a properly executed proxy card and have not specifically indicated your votes (irrespective of whether a proxy has been granted to Transocean Ltd. or the independent representative or neither is specified), your shares will be voted in the manner recommended by the Board of Directors and Transocean Ltd. will act as your proxy. Any proxy card marked to grant a proxy to both Transocean Ltd. (as corporate proxy) and the independent representative will be counted as a proxy granted to Transocean Ltd. only.

There are no other matters that the Board of Directors intends to present, or has received proper notice that others will present, at the annual general meeting. If any other matters are properly presented at the meeting for consideration, Transocean Ltd. and the independent representative, as applicable, will, in the absence of specific instructions to the contrary, vote any proxies submitted to them on these matters in the manner recommended by the Board of Directors.

You may revoke your proxy card at any time prior to its exercise by:

giving written notice of the revocation to our Corporate Secretary at Transocean Ltd., Turmstrasse 30, CH-6300 Zug, Switzerland, with respect to proxies granted to Transocean Ltd., or to the independent representative at the address set forth above, with respect to proxies granted to the independent representative;

appearing at the meeting, notifying our Corporate Secretary, with respect to proxies granted to Transocean Ltd., or the independent representative, with respect to proxies granted to the independent representative, and voting in person; or

properly completing and executing a later-dated proxy and timely delivering it to our Corporate Secretary or the independent representative.

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Your presence without voting at the meeting will not automatically revoke your proxy, and any revocation during the meeting will not affect votes already taken. If you hold your shares in the name of a bank, broker or other nominee, you should follow the instructions provided by your bank, broker or nominee in revoking your previously granted proxy.

We may accept a proxy by any form of communication permitted by Swiss law and our Articles of Association. Please note that shareholders attending the annual general meeting in person or by proxy are required to show their admission card on the day of the annual general meeting. In order to determine attendance correctly, any shareholder leaving the annual general meeting early or temporarily is requested to present such shareholder's admission card upon exit.

References to "Transocean," the "Company," "we," "us" or "our" include Transocean Ltd. together with its subsidiaries and predecessors, unless the context requires otherwise.

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**AGENDA ITEM 1.**

**Approval of the 2011 Annual Report, including the Consolidated Financial Statements of Transocean Ltd. for Fiscal Year 2011 and the Statutory Financial Statements of Transocean Ltd. for Fiscal Year 2011**

**Proposal**

The Board of Directors proposes that the 2011 Annual Report, including the consolidated financial statements of Transocean Ltd. for fiscal year 2011 and the statutory financial statements for fiscal year 2011, be approved.

**Explanation**

The consolidated financial statements of Transocean Ltd. for fiscal year 2011 and the Swiss statutory financials for fiscal year 2011 are contained in the 2011 Annual Report, which was made available to all registered shareholders with this invitation and proxy statement. In addition, these materials will be available for physical inspection at the Company's registered office, Turmstrasse 30, CH-6300 Zug, Switzerland. The 2011 Annual Report also contains information on the Company's business activities and our business and financial situation, information relating to corporate governance as required by the SIX Swiss Exchange directive on corporate governance, and the reports of Ernst & Young Ltd., Zurich, the Company's auditors pursuant to the Swiss Code of Obligations, on the Company's consolidated financial statements for fiscal year 2011 and statutory financial statements for fiscal year 2011. In its reports, Ernst & Young Ltd., the Company's auditors pursuant to the Swiss Code of Obligations, recommended without qualification that the Company's consolidated financial statements and statutory financial statements for the year ended December 31, 2011 be approved. Ernst & Young Ltd. expresses its opinion that the "consolidated financial statements for the years ended December 31, 2011 and 2010 present fairly in all material respects, the consolidated financial position of Transocean Ltd. and subsidiaries at December 31, 2011 and 2010, and the consolidated results of operations and cash flows for each of the three years in the period ended December 31, 2011 in accordance with accounting principles generally accepted in the United States and comply with Swiss law." Ernst & Young Ltd. further expresses its opinion and confirms that the statutory financial statements for the year ended December 31, 2011 and the proposed appropriation of available earnings comply with Swiss law and the Articles of Association of the Company.

Under Swiss law, the prior year's Annual Report and the consolidated financial statements and Swiss statutory financials must be submitted to shareholders for approval at each annual general meeting.

If the shareholders do not approve this proposal, the Board of Directors may call an extraordinary general meeting of shareholders for reconsideration of this proposal by shareholders.

**Voting Requirement to Approve Proposal**

The affirmative "FOR" vote of a majority of the votes cast in person or by proxy at the annual general meeting, not counting abstentions or blank or invalid ballots.

**Recommendation**

The Board of Directors recommends a vote "FOR" approval of the 2011 Annual Report, the consolidated financial statements and the Swiss statutory financials.



Table of Contents**AGENDA ITEM 2.****Appropriation of the Available Earnings for Fiscal Year 2011****Proposal of the Board of Directors**

The Board of Directors proposes that all available earnings of the Company be carried forward.

	in CHF thousands
<b>Appropriation of the Company's Available Earnings</b>	
Balance brought forward from previous years	261,689
Net profit of the year	(100,198)
Total available earnings	161,491
<b>Appropriation of Available Earnings</b>	
Balance to be carried forward on this account	161,491

**Explanation**

Under Swiss law, the appropriation of available earnings as set forth in the Swiss statutory financial statements must be submitted to shareholders for approval at each Annual General Meeting. The available earnings at the disposal of the Company's shareholders at the 2012 Annual General Meeting are the earnings of Transocean Ltd., on a stand-alone basis.

The Board of Directors proposes that CHF 161,491 (the entire available earnings balance, in thousands) be carried forward in available earnings.

**Voting Requirement to Approve Proposal**

The affirmative "FOR" vote of a majority of the votes cast in person or by proxy at the annual general meeting, not counting abstentions or blank or invalid ballots.

**Recommendation**

The Board of Directors recommends a vote "FOR" this proposal.

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**AGENDA ITEM 3.**

**Election of Three Directors as Follows; Reelection of Two Directors as Follows:**

**Agenda Item 3.1 Election of Glyn Barker, Vanessa C.L. Chang and Chad Deaton as Directors**

**Agenda Item 3.2 Reelection of Edward R. Muller and Tan Ek Kia as Directors**

Our Articles of Association divide our Board of Directors into three classes: Class I, Class II and Class III. Five Class I directors are to be elected at our 2012 annual general meeting to serve for three-year terms expiring at the annual general meeting in 2015. W. Richard Anderson and Richard L. George, formerly Class I directors, resigned from the Board in June 2011 and February 2011, respectively.

The Board has nominated Glyn Barker, Vanessa C.L. Chang and Chad Deaton for election as Class I directors and the following individuals for reelection as Class I directors: Edward R. Muller and Tan Ek Kia.

The Board does not have a specific policy regarding diversity in the selection of director nominees. However, the Board does consider diversity in the director nominee selection process. The Board takes an expansive view of the diversity of the Board with the goal of having the directors eventually reflect the global diversity of our workforce, our clients and the cultures in which we operate. With the election of the Board's nominees, we will have four different nationalities represented on the Board. We also have five different nationalities represented in our officer group and over 87 in our global workforce. We operate in 49 countries worldwide.

We have adopted a majority vote policy in the election of directors as part of our Corporate Governance Guidelines. This policy provides that the Board may nominate only those candidates for director who have submitted an irrevocable letter of resignation which would be effective upon and only in the event that (1) in an uncontested election, such nominee does not receive more votes cast "for" than "against" the nominee's election and (2) the Board accepts the resignation. If a nominee who has submitted such a letter of resignation does not receive such specified levels of votes, the Corporate Governance Committee must promptly review the letter of resignation and recommend to the Board whether to accept the tendered resignation or reject it. The Board must then act on the Corporate Governance Committee's recommendation within 90 days following the certification of the shareholder vote. The Board must promptly disclose its decision regarding whether or not to accept the nominee's resignation letter in a Form 8-K furnished to the SEC or other broadly disseminated means of communication. Full details of this policy are set out in our Corporate Governance Guidelines which are available on our website at [www.deepwater.com](http://www.deepwater.com) under "Investor Relations Corporate Governance."

The Board has received from each nominee for election at the annual general meeting listed below, an executed irrevocable letter of resignation consistent with these guidelines described above. Each such letter of resignation is effective only in the event that (1) such director fails to receive a sufficient number of votes from shareholders in an uncontested election of such director and (2) the Board accepts such resignation.

**Nominees for Director Class I Terms Expiring 2015**

**Recommendation**

**Election of Glyn Barker**

**GLYN BARKER**, age 58, U.K. citizen, served as Vice Chairman U.K. of PricewaterhouseCoopers LLP (PwC) from 2008 to December 2011. He was also responsible for PwC's strategy and business development for the geographic areas of Europe, the Middle East, Africa and India. Mr. Barker joined PwC in 1975 and became an audit partner in 1987. He then established PwC's private equity-focused Transactions Services business and led it globally. He joined the Management Board of PwC in the UK as Head of the Assurance Practice in 2002. In 2006, he became UK Managing Partner and served in that role until 2008. Mr. Barker is a non-executive director of



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Berkeley Group Holdings plc (LON: BKG) (since January 2012) and Aviva plc (LON: AV) (since February 2012) and Chairman Designate of the law firm Irwin Mitchell (since January 2012). He is also director of the English National Opera Company (since 2009). Mr. Barker received his Bachelor of Science in Economics & Accounting in 1975 from the University of Bristol and is a Chartered Accountant.

The Board of Directors has concluded that Mr. Barker should be elected to the Board. Mr. Barker has significant international finance and accounting experience. This experience and the perspective it brings are expected to benefit the Board's decision making process.

The Board of Directors recommends a vote "FOR" the election of Glyn Barker.

**Election of Vanessa C.L. Chang**

**VANESSA C.L. CHANG**, age 59, Canadian and U.S. citizen, has been a Director and shareholder of El & El Investments, a privately held real estate investment business, since 1998. Ms. Chang previously served as the President and Chief Executive Officer of Resolveitnow.com from 2000 until 2002 and was the Senior Vice President of Secured Capital Corp in 1998. From 1986 until 1997, Ms. Chang was the West Coast partner in charge of Corporate Finance for KPMG Peat Marwick LLP. Ms. Chang is a director of Edison International (NYSE: EIX) and its wholly owned subsidiary, Southern California Edison Company (since 2007), Blue Shield of California (since 2005), and for individual investment funds within the American Funds family (since 2000). From 2002 until 2004, Ms. Chang served as a director of Inveresk Research Group Inc. Ms. Chang received her Bachelor of Arts in 1973 from the University of British Columbia and is an inactive Certified Public Accountant.

The Board of Directors has concluded that Ms. Chang should be elected to the Board. The Board believes that Ms. Chang's experience and background in diverse industries, along with her financial and accounting background, will enhance the Board's decision making process.

The Board of Directors recommends a vote "FOR" the election of Vanessa C.L. Chang.

**Election of Chad Deaton**

**CHAD DEATON**, age 59, U.S. citizen, has served as Executive Chairman of Baker Hughes Incorporated (NYSE: BHI) since January 2012, prior to which he served as Chairman and Chief Executive Officer since 2004. Mr. Deaton began his career with Schlumberger in 1976 and served in a variety of international capacities, including as Executive Vice President, Oilfield Services from 1998 to 1999 and as a Senior Advisor in the Oilfield Services division from 1999 until 2001. From 2002 until 2004, Mr. Deaton was the President, Chief Executive Officer and Director of Hanover Compressor Company. Mr. Deaton is a director of Air Products and Chemicals, Inc. (NYSE: APD) (since 2010), Ariel Corporation (since 2005), and previously served as a Director of Carbo Ceramics Inc. (from 2004 to 2009). Mr. Deaton is a member of the Society of Petroleum Engineers (since 1980) and has served on its Industrial Advisory Council since 2010. He also is a member of the National Petroleum Counsel (since 2007), Executive Advisory Board of the Offshore Technology Conference (since 2011) and the University of Wyoming Chemical and Petroleum Engineering Industry Advisory Board (since 2009). Mr. Deaton received his Bachelor of Science in Geology in 1976 from the University of Wyoming.

The Board of Directors has concluded that Mr. Deaton should be elected to the Board. Mr. Deaton has significant experience in the oilfield services industry. This experience and the perspective it brings are expected to benefit the Board's decision making process.

The Board of Directors recommends a vote "FOR" the election of Chad Deaton.

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**Reelection of Edward R. Muller**

**EDWARD R. MULLER**, age 60, U.S. citizen, has served as a director of the Company since November 2007 and served as a director of GlobalSantaFe Corporation from November 2001 to November 2007 and of Global Marine, Inc. from 1997 to 2001. Since the merger of Mirant Corporation with RRI Energy, Inc. to form GenOn Energy, Inc. (NYSE: GEN) in December 2010, he has served as GenOn Energy Inc.'s Chairman and Chief Executive Officer. Since August 2011, he has also served as GenOn Energy's President. Prior to the merger, Mr. Muller served as Chairman, President and Chief Executive Officer of Mirant Corporation from September 2005 to December 2010. Mr. Muller was a private investor from 2000 until 2005. Mr. Muller served as President and Chief Executive Officer of Edison Mission Energy, a wholly owned subsidiary of Edison International, from 1993 until 2000. During his tenure, Edison Mission Energy was engaged in developing, owning and operating independent power production facilities worldwide. Within the past ten years, Mr. Muller was also a director of The Keith Companies, Inc., RigNet, Inc. and Ormat Technologies, Inc. Mr. Muller received his Bachelor of Arts degree in 1973 from Dartmouth College and his law degree in 1976 from Yale Law School. Since 2004, Mr. Muller has been a trustee of the Riverview School and, since 2008, its chairman.

The Board of Directors has concluded that Mr. Muller should remain on the Board and has recommended that he serve an additional term. Mr. Muller is an attorney by education with extensive executive experience in a capital-intensive energy business. Mr. Muller is an active CEO and thus adds this helpful CEO perspective to the Board's deliberations in advising the Company's CEO. His background and education also benefit the Board's decision making process.

The Board of Directors recommends a vote "FOR" the reelection of Edward R. Muller.

**Reelection of Tan Ek Kia**

**TAN EK KIA**, age 63, Malaysian citizen, has served as a director of the Company since May 2011. Mr. Tan is the retired Vice President, Ventures and Developments, Asia Pacific and Middle East Region of Shell Chemicals, a position in which he served from 2003 to 2006. Mr. Tan joined the Shell group of companies in 1973 as an engineer and served in a variety of positions in Asia, the U.S. and Europe during his career, including as Chairman, Shell Companies, Northeast Asia from 2000 to 2003, Managing Director of Shell Nanhai from 1997 to 2000 and Managing Director of Shell Malaysia Exploration and Production from 1994 to 1997. Mr. Tan is a director of PT Chandra Asri Petrochemical Tbk (since 2011), Keppel Corporation (since 2010), Keppel Offshore & Marine (since 2009), City Spring (since 2010), SMRT Corporation (since 2009), Dialog Systems Asia (since 2008) and Chairman of City Gas (since 2009). Mr. Tan has also served as the Interim Chief Executive Officer of SMRT Corporation (Singapore Mass Rapid Transit) since January 2012. Mr. Tan received his Bachelor of Science in Mechanical Engineering in 1973 from the University of Nottingham.

The Board of Directors has concluded that Mr. Tan should remain on the Board and has recommended that he serve an additional term. Mr. Tan has significant senior management and engineering experience in the international energy sector, particularly in Asia. This international energy experience and the perspective it brings benefit the Board's decision making process.

The Board of Directors recommends a vote "FOR" the election of Tan Ek Kia.

**Continuing Directors Class II Terms Expiring 2013**

**STEVEN L. NEWMAN**, age 47, U.S. citizen, is President and Chief Executive Officer, and a member of the Board of the Company since 2010. Before being named as Chief Executive Officer in March 2010, Mr. Newman served as President and Chief Operating Officer from May 2008 to November 2009 and subsequently as President. Mr. Newman's prior senior management roles included Executive Vice President, Performance (November 2007 to May 2008), Executive Vice President and Chief Operating Officer (October 2006 to November 2007), Senior Vice President of Human Resources and

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Information Process Solutions (May 2006 to October 2006), Senior Vice President of Human Resources, Information Process Solutions and Treasury (March 2005 to May 2006), and Vice President of Performance and Technology (August 2003 to March 2005). He also has served as Regional Manager for the Asia and Australia Region and in international field and operations management positions, including Project Engineer, Rig Manager, Division Manager, Region Marketing Manager and Region Operations Manager. Mr. Newman joined the Company in 1994 in the Corporate Planning Department. Mr. Newman received his Bachelor of Science degree in Petroleum Engineering in 1989 from the Colorado School of Mines and his MBA in 1992 from the Harvard University Graduate School of Business. Mr. Newman is also a member of the Society of Petroleum Engineers.

The Board has concluded that Mr. Newman should remain on the Board. The Board of Directors believes that it is important for the Company's Chief Executive Officer to serve on the Board. The Chief Executive Officer provides a link between the Board and senior management, and the Board believes that this perspective is important in making decisions for the Company. In addition, Mr. Newman brings an industry and competitive context perspective to the Board which assists the Board in making strategic decisions.

**THOMAS W. CASON**, age 69, U.S. citizen, has served as a director of the Company since November 2007. He served as a director of GlobalSantaFe Corporation from November 2001 until November 2007 and of Global Marine, Inc. from 1995 to 2001. Mr. Cason owned and managed five agricultural equipment dealerships until his retirement in December 2006. He served as interim President and Chief Operating Officer of Key Tronic Corporation during 1994 and 1995 and was a partner in Hiller Key Tronic Partners, L.P. Mr. Cason previously held various financial and operating positions with Baker Hughes Incorporated, including senior executive positions with Baker Hughes' Drilling Group, serving most recently as Senior Vice President and Chief Financial Officer of Baker Hughes Incorporated. Mr. Cason started his career as a public accountant with Arthur Young & Company. Mr. Cason served as a member of the Board of Directors of Mirant Corporation from 2006 until December 2010 and was chairman of its audit committee from January 2006 until May 2009. Mr. Cason received his Bachelor of Science degree in Accounting in 1970 from Louisiana State University.

The Board of Directors has concluded that Mr. Cason should remain on the Board. Mr. Cason is an accountant by education with extensive professional experience in the financial services area of the oilfield services industry. Mr. Cason served as chairman of the audit committee for GlobalSantaFe Corporation and now serves as chairman of the audit committee for the Company. This overlap in experience, combined with his education, professional experience and institutional knowledge of a legacy company are assets to the Board's decision making process.

**ROBERT M. SPRAGUE**, age 67, U.S. citizen, has served as a director of the Company since May 2004. Mr. Sprague is the retired Regional Business Director of Shell EP International BV, a position in which he served from April 1997 until June 2003. Mr. Sprague served as Director of Strategy & Business Services for Shell EP International BV from January 1996 until March 1997 and as Exploration & Production Coordinator of Shell International Petroleum BV from May 1994 to December 1995. Mr. Sprague joined the Royal Dutch/Shell group of companies in 1967 and served in a variety of positions in the United States and Europe during his career, including as a director of Shell Canada Limited, a publicly traded company, from April 2000 to April 2003. Mr. Sprague received his Bachelor of Science degree in 1966 and his Masters in Electrical Engineering degree in 1967 from Cornell University.

The Board of Directors has concluded that Mr. Sprague should remain on the Board. Mr. Sprague is an engineer by education and spent many years serving in senior management in the energy business with one of the Company's customers and thus brings that perspective to the Board. In addition, most of his professional career was spent serving in the oil and gas industry outside the United States, thus bringing an important international perspective to the Board.

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**J. MICHAEL TALBERT**, age 65, U.S. citizen, has served as a director of the Company since August 1994. He has served as the non-executive Chairman of the Board since May 2011 and previously served as non-executive Vice Chairman of the Board from August 2010 to May 2011, non-executive Chairman of the Board from October 2004 to November 2007 and executive Chairman of the Board from October 2002 to October 2004. Mr. Talbert also served as Chief Executive Officer from August 1994 until October 2002, Chairman of the Board of Directors from August 1994 until December 1999, and as President from December 1999 until December 2001. Prior to assuming his duties with us, Mr. Talbert was President and Chief Executive Officer of Lone Star Gas Company, a natural gas distribution company and a division of Ensearch Corporation. He is currently a director of El Paso Corporation (NYSE: EP) (since 2003). Within the past ten years, Mr. Talbert was also a director and the chairman of TODCO. Mr. Talbert received his Bachelor of Science degree in chemical engineering in 1970 from the University of Akron and his MBA in 1975 from Loyola of the South.

The Board of Directors has concluded that Mr. Talbert should remain on the Board. Mr. Talbert holds an engineering degree and an MBA and has extensive executive experience in the energy sector including serving as a senior executive in exploration and production and as the former CEO of Transocean. As a result, he brings a necessary perspective to the Board based upon his understanding of the business. His knowledge from the customer perspective and his knowledge of the culture of the Company are helpful in analyzing the future direction of the Company. Mr. Talbert also has extensive experience in merger and acquisition activity, including negotiating transactions as well as the integration of combined companies and boards.

**Continuing Directors Class III Terms Expiring 2014**

**JAGJEET S. BINDRA**, age 64, U.S. citizen, has served as a director of the Company since May 2011. Mr. Bindra is the retired President of Chevron Global Manufacturing, a position in which he served from 2003 to 2009. Mr. Bindra joined the Chevron group of companies in 1977 as a research engineer and served in a variety of positions during his career, including as Managing Director of Caltex Australia Ltd. (50% owned by Chevron) from 2002 to 2003, President of Chevron Pipeline Company from 1997 to 2002, Senior Vice President, Pipeline & Transportation, of Chevron Overseas Petroleum from 1995 to 1997, Manager of Strategic Planning for Chevron Corporation from 1994 to 1995 and Group Manager, Projects & Engineering Technology from 1991 to 1994. Mr. Bindra is a director of LyondellBasell Industries N.V. (NYSE: LYB) (since 2011), Edison International (NYSE: EIX) and Southern California Edison Company (since 2010), Larsen & Toubro Ltd., India (NSE: LT) (since 2009) and Transfield Services Limited, Australia (ASX: TSE) (since 2009). He previously served as a director of Reliance Petroleum Ltd. from 2006 to 2007, Caltex Australia Ltd. from 2002 to 2003, GS Caltex, Korea from 2003 to 2009 and Sriya Innovations Inc. (from 2009 to 2010). Mr. Bindra received his MBA in 1979 from St. Mary's College of California, his Master of Science in Chemical Engineering in 1970 from the University of Washington and his bachelor's degree in Chemical Engineering in 1969 from the Indian Institute of Technology, Kanpur.

The Board of Directors has concluded that that Mr. Bindra should remain on the Board. Mr. Bindra has extensive energy value-chain expertise and significant senior management experience in the international energy sector, particularly in Russia/Kazakhstan, India, Australia and Southeast Asia. This international energy experience and the perspective it brings benefit the Board's decision making process.

**STEVE LUCAS**, age 57, U.K. citizen, has served as a director of the Company since May 2011. Mr. Lucas is the retired Group Finance Director of National Grid plc, a position in which he served from 2002 to 2010. From 2004 to 2011, Mr. Lucas served as a non-executive director of Compass Group plc and from 2000 to 2002, Mr. Lucas served as Group Finance Director, Lattice Group plc. Mr. Lucas previously served as the Treasurer of BG Group plc from 1998 to 2000 and as Finance Director, Exploration & Production, of British Gas plc from 1994 to 1998. From 1983 to 1994, Mr. Lucas served in a variety of finance roles with Royal Dutch/Shell in the U.K., East Africa, Hong

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Kong and China. Mr. Lucas received his Bachelor of Arts in Geology in 1976 from Oxford University and is also a member of the Institute of Chartered Accountants in England & Wales.

The Board of Directors has concluded that Mr. Lucas should remain on the Board. Mr. Lucas has significant finance experience in the international energy sector. This finance experience and international energy experience and the perspective they bring benefit the Board's decision making process.

**MARTIN B. MCNAMARA**, age 64, U.S. citizen, has served as a director of the Company since November 1994. Mr. McNamara is a retired Partner of the law firm of Gibson, Dunn & Crutcher LLP and has served as a member of the firm's executive, finance, planning and compensation committees, as well as a Partner-in-Charge of the firm's Texas practice. During the past ten years and prior to his retirement in 2010, Mr. McNamara was in the private practice of law. Mr. McNamara has also served as Ex Officio Trustee and Ex Officio Member of the Executive Committee of St. Mark's School of Texas since 2002. Mr. McNamara received his Bachelor of Arts degree in 1969 from Providence College and his law degree in 1972 from Yale Law School. Mr. McNamara has served as the chair of the Corporate Counsel Section of the State Bar of Texas and is a lifetime fellow of the Texas Bar Foundation.

The Board of Directors has concluded that Mr. McNamara should remain on the Board. Mr. McNamara is an attorney by education with extensive management experience with energy companies and experience as a lawyer representing energy clients. Mr. McNamara was on the board of Transocean from 1994 until the merger with GlobalSantaFe Corporation in November 2007. His institutional knowledge combined with his professional experience aids the Board in reviewing strategic decisions for the Company.

**IAN C. STRACHAN**, age 68, U.K. and U.S. citizen, has served as a director of the Company since December 1999. Mr. Strachan is a director of Caithness Petroleum Ltd. (since 2008), Xstrata plc (LON: XTA) (since 2003), and Rolls Royce Group plc (LON: RR) (since 2003). He served as a director of Johnson Matthey plc from 2002 to March 2009 and as Chairman of the Board of Instinet Group Incorporated from January 2003 to December 2005. Mr. Strachan served as Chief Executive Officer of BTR plc from 1996 until 1999. From 1987 to 1995, Mr. Strachan was with Rio Tinto plc, serving as Chief Financial Officer from 1987 to 1991 and as Deputy Chief Executive Officer from 1991 to 1995. He was employed by Exxon Corporation from 1970 to 1986. Mr. Strachan received his Master of Arts in History in 1965 from Christ's College, Cambridge University, and his Master of Public Affairs in 1967 from the Woodrow Wilson School, Princeton University and was a teaching fellow and Ph.D. candidate at Harvard University from 1969 to 1970.

The Board of Directors has concluded that Mr. Strachan should remain on the Board. Mr. Strachan holds a Masters of Public Affairs degree and has significant senior management experience in the energy and other business sectors, including CEO and Chairman positions in international companies. He also brings customer expertise to the Board, along with international financial experience. This experience, combined with his educational and financial background, are helpful to the Board's decision making process.

## Corporate Governance

We believe that we have had good corporate governance practices for many years, including written corporate governance guidelines, committee charters and a code of business conduct and ethics for employees in place before enactment of the Sarbanes-Oxley Act and revisions to the corporate governance rules of the New York Stock Exchange (NYSE). Furthermore, the Board held separate meetings of the non-management directors for several years before executive sessions were required by the NYSE.

In February 2011, our Board adopted a new Code of Integrity to update and replace our previous Code of Business Conduct and Ethics. We conduct on-line mandatory training for employees on our Code



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of Integrity and other relevant compliance topics. We also require all managerial and supervisory employees to certify compliance with our Code of Integrity each year.

The Corporate Governance Committee of the Board has continued to evaluate the Company's and the Board's governance practices and formally reviews all committee charters along with recommendations from the various committees of the Board and the Board's governance principles at least annually. In October 2006, the Corporate Governance Committee recommended and the Board adopted a guideline regarding the majority election of directors that is included in our Corporate Governance Guidelines. This Committee further receives updates at each meeting regarding new developments in the corporate governance arena. Our committee charters also require, among other things, that the committees and the Board annually evaluate their own performance.

In 2005, we adopted ownership guidelines for directors that require each current non-management director to acquire and retain a number of our shares and/or deferred units at least equal in value to an amount five times the annual director retainer. Each new director is required to acquire and retain such number of shares and/or deferred units over his or her initial five years as a director. In connection with such ownership requirement, the Board currently grants deferred units to each of our non-management directors. Mr. Newman is also subject to separate officer share ownership guidelines. See "Compensation Discussion and Analysis" for more information about these guidelines.

Our current governance documents may be found on our website at [www.deepwater.com](http://www.deepwater.com) under "Investor Relations Corporate Governance." Among the information you can find there is the following:

Articles of Association;

Organizational Regulations;

Corporate Governance Guidelines;

Audit Committee Charter;

Corporate Governance Committee Charter;

Executive Compensation Committee Charter;

Finance/Benefits Committee Charter;

Health Safety and Environment Committee Charter; and

Code of Integrity.

Information contained on our website is not part of this proxy statement. We will continue to monitor our governance practices in order to maintain our high standards.

*Board Leadership.* The Board has chosen not to combine the positions of Chief Executive Officer and Chairman of the Board. The Board believes that separating these positions allows our Chief Executive Officer to focus on our day-to-day business, while our Chairman of the Board presides over the Board as it provides advice to and independent oversight of management and the Company's operations. The Board recognizes the time, effort, and energy that the Chief Executive Officer is required to devote to his position and the additional commitment the position of Chairman would require. The Board believes that having separate positions and having an independent outside director serve as Chairman is the appropriate leadership structure for us at this time and demonstrates our commitment to good corporate governance.

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*Risk Management.* Executive management is responsible for the day-to-day management of the risks we face, while the Board, as a whole and through its various committees, has responsibility for the oversight of risk management. Through their oversight role and their review of management's active role, the directors satisfy themselves that the risk management processes designed and implemented by management (as more particularly described below) are adapted to and integrated with the Company's corporate strategy, are functioning as designed and that steps are taken to foster a culture in which each

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employee understands his or her impact on the assessment and management of risk, his or her responsibility for acting within acceptable limits, and his or her ultimate accountability.

The Company has undertaken an extensive review and improvement of its Enterprise Risk Management ("ERM") process and has implemented an ERM framework which includes an executive risk management committee and a risk committee working group. The executive risk management committee is composed of members of senior management, including the Chief Executive Officer. The risk committee working group is composed of members of management in key functions and selected divisions of the Company. The duties of the executive risk management committee include the following: reviewing and approving appropriate changes to the Company's policies and procedures regarding risk management; identifying and assessing operational, commercial, strategic, financial, macroeconomic and geopolitical risks facing the Company; identifying risks and taking corrective actions; monitoring key indicators to assess the effectiveness and adequacy of the Company's risk management activities; and communicating with the Board at least twice a year with respect to risk management. The Company's risk management activities are also presented to the Audit Committee at least annually. The risk committee working group meets regularly and identifies risks facing the Company, makes an assessment of each risk, identifies preventive and mitigating controls and then makes recommendations for improvement opportunities. The risk committee working group updates the executive risk management committee on a regular basis.

*Compensation and Risk.* We regularly assess risks related to our compensation programs, including our executive compensation programs, and do not believe that the risks arising from our compensation policies and practices are reasonably likely to have a material adverse effect on the Company. The Executive Compensation Committee reviews information and solicits input from an independent compensation consultant regarding compensation factors which could mitigate or encourage excessive risk-taking. In its review in 2011, the Executive Compensation Committee considered the attributes of our programs, including the metrics used to determine incentive awards, the weighting of each metric, the timing and processes for setting performance targets and validating results, the performance measurement periods and time horizons, the total mix of pay and the maximum compensation and incentive award payout opportunities.

*Independence of Board Members/Committee Structure.*

Our Corporate Governance Committee's guidelines require that at least a majority of the members of the Board meet the independence standards set by the NYSE. In order to meet the NYSE's independence standards, a member of the Board must not have a relationship with the Company that falls within certain objective categories established by the NYSE. In addition, the Board must then affirmatively determine, with respect to each director and nominee, that he or she did not otherwise have a material relationship with the Company.

The Board has determined that all of its current members and nominees, with the exception of Steven L. Newman (our Chief Executive Officer), are independent and meet the independence standards set by the NYSE and our guidelines. Accordingly, our Executive Compensation, Audit and Corporate Governance Committees are composed solely of directors who meet the NYSE independence standards.

In making its independence determinations, the Board considered the fact that, while such relationships do not preclude independence under the NYSE rules or the Company's guidelines, Mr. Barker, Mr. Deaton, Mr. Tan and Mr. Strachan are, or within the past three years have been, directors or officers of companies with which we conduct business in the ordinary course.

Mr. Barker was the Vice-Chairman UK of PricewaterhouseCoopers LLP (PwC) until December 2011, which provides tax, accounting, legal and consulting services to the Company. In 2011, PwC received approximately \$12.4 million from the Company for the provision of such services, which represented less than 0.05% of PwC's 2011 revenues. Mr. Deaton is the Executive Chairman and former Chief Executive Officer of Baker Hughes Incorporated, from which the Company purchases drilling equipment and services. In 2011, Baker Hughes Incorporated received approximately \$34.5 million from the Company for such goods and services, which represented less than 0.2% of Baker Hughes's 2011 revenues. Mr. Tan is a

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non-executive director of Keppel Corporation, which provides the Company with services related to rig construction and shipyard work. Mr. Strachan is a non-executive director of Rolls Royce Group plc, from which we purchase rig equipment.

The Board believes that all transactions with these companies were on arm's-length terms that were reasonable and competitive. Accordingly, the Board concluded that these relationships are not material and have no effect on the independence of these directors. Because of our extensive operations, transactions and director relationships, transactions of this nature are expected to take place in the ordinary course of business in the future.

*Executive Sessions.* Our independent directors met in executive session without management at all four of the regularly scheduled Board meetings held in 2011. During 2012, they are again scheduled to meet in executive session at each regularly scheduled Board meeting. The independent directors have designated the Chairman of the Board, J. Michael Talbert, to act as the presiding director for their meetings. Shareholders or other interested persons may send communications to the presiding director or to the independent directors as a group by writing to him or to the independent directors as a group c/o the Corporate Secretary, Transocean Ltd., Turmstrasse 30, CH-6300 Zug, Switzerland. The Corporate Secretary will forward these communications as appropriate to the addressee depending on the facts and circumstances outlined in the communication. The independent directors have directed the Corporate Secretary not to forward certain items such as spam, junk mailings, product inquiries, resumes and other forms of job inquiries, surveys and business solicitations. Additionally, the independent directors have advised the Corporate Secretary not to forward material that is illegal or threatening, but to make the presiding director aware of such material which he may request be forwarded, retained, or destroyed at his discretion.

*Director Nomination Process.* The Board has designated the Corporate Governance Committee as the committee authorized to consider and recommend nominees for the Board. Our Board believes that all members of the Committee meet the NYSE independence requirements.

Our Corporate Governance Guidelines require that the Corporate Governance Committee assess the needs of our Company and the Board so as to recommend candidates who will further our goals. In making that assessment, the Committee has determined that a candidate must have the following minimum qualifications:

high professional and personal ethics and values;

a record of professional accomplishment in his/her chosen field;

relevant expertise and experience; and

a reputation, both personal and professional, consistent with our core values.

In addition to these minimum qualifications, the Committee considers other qualities that may be desirable. In particular, the Board is committed to having a majority of independent directors and, accordingly, the Committee evaluates the independence status of any potential director. The Committee evaluates whether or not a candidate contributes to the Board's overall diversity and whether or not the candidate can contribute positively to the existing chemistry and culture among the Board members. Also, the Committee considers whether or not the candidate may have professional or personal experiences and expertise relevant to our business and position as the leading international provider of offshore drilling services.

As described above, in accordance with the majority vote provisions of our Corporate Governance Guidelines, our Board may nominate only those candidates for director who have submitted an irrevocable letter of resignation which would be effective upon and only in the event that (1) such nominee fails to receive more votes cast "for" than "against" his or her election in an uncontested election and (2) the Board accepts the resignation. The Board will also request a statement from any person nominated as a

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director by other than the Board as to whether that person will also submit an irrevocable letter of resignation upon the same terms as a person nominated by the Board.

The Committee has several methods of identifying Board candidates. First, the Committee considers and evaluates whether or not the existing directors whose terms are expiring remain appropriate candidates for the Board. Second, the Committee requests from time to time that its members and the other Board members identify possible candidates. Third, the Committee has the authority to retain one or more search firms to aid in its search. The search firm assists the Committee in identifying potential Board candidates, interviewing those candidates and conducting investigations relative to their background and qualifications. In the case of Vanessa C.L. Chang, she was initially identified by a non-executive member of the Board as a potential candidate, after which a search firm assisted in conducting investigations relative to her background and qualifications. In the cases of Glyn Barker and Chad Deaton, each was identified by a search firm as a potential candidate based on their backgrounds and experience.

The Corporate Governance Committee considers nominees for director recommended by shareholders. Please submit your recommendations in writing, along with:

the name of and contact information for the candidate;

a statement detailing the candidate's qualifications and business and educational experience;

information regarding the qualifications and qualities described under "Director Nomination Process" above;

a signed statement of the proposed candidate consenting to be named as a candidate and, if nominated and elected, to serve as a director;

a signed irrevocable letter of resignation from the proposed candidate which, in accordance with our Corporate Governance Guidelines, would be effective upon and only in the event that (1) in an uncontested election, such candidate fails to receive more votes cast "for" than "against" his or her election and (2) the Board accepts the resignation;

a statement that the writer is a shareholder and is proposing a candidate for consideration by the Committee;

a statement detailing any relationship between the candidate and any customer, supplier or competitor of ours;

financial and accounting experience of the candidate, to enable the Committee to determine whether the candidate would be suitable for Audit Committee membership; and

detailed information about any relationship or understanding between the proposing shareholder and the candidate.

Shareholders may submit nominations to our Corporate Secretary, Transocean Ltd., Turmstrasse 30, CH-6300 Zug, Switzerland. Unsolicited recommendations must contain all of the information that would be required in a proxy statement soliciting proxies for the election of the candidate as a director. The extent to which the Committee dedicates time and resources to the consideration and evaluation of any potential nominee brought to its attention depends on the information available to the Committee about the qualifications and suitability of the individual, viewed in light of the needs of the Board, and is at the Committee's discretion. The Committee evaluates the desirability for incumbent directors to continue on the Board following the expiration of their respective terms, taking into account their contributions as Board members and the benefit that results from the increasing insight and experience developed over a period of time. Although the Corporate Governance Committee will consider candidates for director recommended by shareholders, it may determine not to recommend that the Board, and the Board may determine not to, nominate those candidates for election to our Board.



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In addition to recommending director nominees to the Corporate Governance Committee, any shareholder may nominate directors for election at annual general meetings of the shareholders. For more information on this topic, see "Other Matters Proposals of Shareholders."

*Executive Officer and Director Compensation Process.* Our Executive Compensation Committee has established an annual process for reviewing and establishing executive compensation levels. An outside consultant retained by the Committee has provided the Committee with relevant market data and alternatives to consider in determining appropriate compensation levels for each of our executive officers. Pay Governance has served as the Committee's outside consultant since February 2011. Our CEO also assists the Committee in the executive compensation process. For a more thorough discussion of the roles, responsibilities and process we use for setting executive compensation, see "Compensation Discussion and Analysis."

Director compensation is set by the Board upon a recommendation from the Corporate Governance Committee of the Board. At its first meeting of each calendar year, the Corporate Governance Committee reviews the compensation paid to our directors to be certain that it is competitive in attracting and retaining qualified directors. The Corporate Governance Committee has used the Executive Compensation Committee's outside consultant to gather data regarding director compensation at (1) certain similar size companies in the general industry as well as (2) the same peer group of companies generally utilized in the consideration of executive compensation. Based upon its review of the data and its own judgment, the Committee develops a recommendation for consideration by the Board. Our Chief Executive Officer receives no additional compensation for serving as a director on our Board.

*Process for Communication by Interested Parties with the Board.* The Board has established a process whereby interested parties may communicate with the Board and/or with any individual director. Interested parties, including shareholders, may send communications in writing, addressed to the Board or an individual director, c/o the Corporate Secretary, Transocean Ltd., Turmstrasse 30, CH-6300 Zug, Switzerland. The Corporate Secretary will forward these communications as appropriate to the addressee depending on the facts and circumstances outlined in the communication. The Board has directed the Corporate Secretary not to forward certain items such as spam, junk mailings, product inquiries, resumes and other forms of job inquiries, surveys and business solicitations. Additionally, the Board has advised the Corporate Secretary not to forward material that is illegal or threatening, but to make the Board aware of such material which it may request be forwarded, retained or destroyed at the Board's discretion.

*Policies and Procedures for Approval of Transactions with Related Persons.* The Board has a written policy with respect to related person transactions pursuant to which such transactions are reviewed, approved or ratified. The policy applies to any transaction in which (1) the Company is a participant, (2) any related person has a direct or indirect material interest and (3) the amount involved exceeds \$120,000, but excludes any transaction that does not require disclosure under Item 404(a) of Regulation S-K. The Audit Committee, with assistance from the Company's General Counsel, is responsible for reviewing, approving and/or ratifying any related person transaction.

To identify related person transactions, each year we distribute and require our directors and officers to complete questionnaires identifying transactions with us in which the officer or director or their immediate family members have an interest. Our Code of Integrity further requires that any executive officer inform the Company when the executive officer's private interest interferes or appears to interfere in any way with our interests. In addition, the Board's Corporate Governance Guidelines require that a director immediately inform the Board or Chairman of the Board in the event that a director believes that the director has an actual or potential conflict with our interests. Furthermore, under our Organizational Regulations, a director must disclose and abstain from voting with respect to certain conflicts of interest.

Under our related persons transaction policy, the Audit Committee considers all relevant facts and circumstances available, including the related persons involved, their relationship to the Company, their interest and role in the transaction, the proposed terms of the transaction (including expected aggregate value and value to be derived by the related person), the benefits to the Company, the availability to the

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Company of alternative means or transactions to obtain like benefits and the terms that would prevail in a similar transaction with an unaffiliated third party. For related person transactions that do not receive prior approval from the Audit Committee, the transactions are submitted to the Audit Committee to consider all relevant facts and circumstances and, based on its conclusions, evaluate all options, including, but not limited to, ratification, amendment or termination of the transaction. During 2011, there were no related person transactions where such policies and procedures were not followed.

*Director Attendance at Annual General Meeting.* We expect all of our directors to attend our annual general meeting of shareholders. At the 2011 annual general meeting, all directors then serving on our Board were in attendance.

**Board Meetings and Committees**

During 2011, the Board of Directors of Transocean Ltd. held six meetings. The Board and the committees of the Board met at least once a quarter and the quarterly meetings generally occurred over a period of two to three days. Each of our directors attended at least 75% of the meetings during the year, including meetings of committees on which the director served, other than Mr. Lucas, who attended two of the three Finance/Benefits Committee meetings held when he was a member.

The Board has standing Executive Compensation, Finance/Benefits, Corporate Governance, Audit and Health Safety and Environment Committees. As noted, the charters for these committees may be found on our website at [www.deepwater.com](http://www.deepwater.com) under "Investor Relations Corporate Governance." In addition, the Board may from time to time form special committees to consider particular matters that arise.

*Executive Compensation Committee.* The purpose of the Executive Compensation Committee is to assist the Board in (1) developing an appropriate compensation program for executives and other senior officers and (2) complying with the Board's legal and regulatory requirements as to executive and senior officer compensation in order to facilitate the Company's ability to attract, retain and motivate qualified executives in a system that aligns executive compensation with the Company's business performance. The authority and responsibilities of the Executive Compensation Committee include, among others, the following:

annually review and approve the compensation paid to our executive officers and other officers at or above the Senior Vice President level;

select appropriate peer groups and market reference points against which the Company's executive compensation is compared;

annually establish focus areas for our CEO, annually review the CEO's performance in light of the focus areas and set the CEO's compensation based on this evaluation, together with competitive data;

administer our Long-Term Incentive Plan, Performance Award and Cash Bonus Plan, Deferred Compensation Plan, and any other executive compensation plan or arrangement providing for benefits to our executive officers in accordance with our goals and objectives established by the Board of Directors, the terms of the plans, and any rules and regulations thereunder;

consider and make recommendations to the Board concerning the existing executive compensation plans and the adoption of new plans and programs;

consider and approve the terms of any contractual agreements and other similar arrangements that may be entered into with our officers; provided, however, that the Committee shall not recommend and the Board shall not authorize "single-trigger" change of control agreements for any of our officers;



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assess the risks, with the assistance of external resources as the Executive Compensation Committee deems appropriate, of the Company's compensation arrangements applicable to the Company's executive officers and other employees; and

retain and approve the fees of independent legal, accounting or other advisors, including any compensation consultant, used to assist it in the evaluation of executive officer and director compensation.

See "Compensation Discussion and Analysis" for a discussion of additional responsibilities of the Executive Compensation Committee.

In addition to the responsibilities set forth above, the Executive Compensation Committee also assesses the risks arising from the Company's compensation policies and practices. In 2011, the Committee engaged a compensation consultant, Pay Governance, to assist in this risk assessment.

The Executive Compensation Committee may delegate specific responsibilities to one or more individual Committee members to the extent permitted by law, NYSE listing standards and the Committee's governing documents. The Committee may delegate all or a portion of its powers and responsibilities with respect to the plans described above to one or more of our management committees; provided that the Committee retains all power and responsibility with respect to awards granted to our executive officers. The Chief Executive Officer has been delegated authority to award restricted shares, restricted units and deferred units under the Company's Long-Term Incentive Plan to recently hired employees of the Company, excluding executive officers and other officers at or above the Senior Vice President level, not to exceed an aggregate of 100,000 restricted shares, restricted units or deferred units per calendar year. The Committee has delegated to a subcommittee composed of its Chairman and at least one additional committee member the authority to approve interim compensation resulting from promotions, competitive realignment, or the hiring of new executive officers (excluding the Chief Executive Officer), including but not limited to establishing annual base salary, annual bonus targets, long-term bonus targets and the grant of equity awards. The Committee has also delegated authority to the Chief Executive Officer to approve "convenience of the company" treatment of Long-Term Incentive Plan awards to participants other than executive officers and directors. The Committee is notified of compensation actions made by the Chief Executive Officer or the subcommittee at the meeting following the end of each quarter in which such actions are taken.

The current members of the Executive Compensation Committee are Mr. Muller, Chairman, and Messrs. McNamara, Sprague and Tan, who began to serve on the committee following his election to the Board in May 2011. The Executive Compensation Committee met four times during 2011.

*Finance/Benefits Committee.* The Finance/Benefits Committee approves our long-term financial policies, insurance programs and investment policies. It also makes recommendations to the Board concerning dividend policy, securities repurchase actions, the issuance and terms of debt and equity securities and the establishment of bank lines of credit. In addition, the Finance/Benefits Committee approves the creation, termination and amendment of certain of our employee benefit programs and periodically reviews the status of these programs and the performance of the managers of the funded programs. The current members of the Finance/Benefits Committee are Mr. Strachan, Chairman, Mr. Cason, who began to serve on the committee in May 2011 and Mr. Lucas, who began to serve on the committee following his election to the Board in May 2011. Messrs. George and Anderson were members of the Committee until their respective resignations from the Board in February 2011 and June 2011 and Mr. Talbert was a member of the Committee until he assumed the position of Chairman of the Board in May 2011. The Finance/Benefits Committee met five times during 2011.

*Corporate Governance Committee.* The Corporate Governance Committee makes recommendations to the Board with respect to the selection and compensation of the Board members, how the Board functions and how the Board should interact with shareholders and management. It reviews the qualifications of potential candidates for the Board of Directors, coordinates the self evaluation of the Board and committees and nominates to the Board candidates to be elected at the annual general meeting

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of shareholders. The current members of the Corporate Governance Committee are Mr. McNamara, Chairman, and Messrs. Muller and Bindra, who began to serve on the committee following his election to the Board in May 2011. Mr. George was a member of the Committee until his resignation from the Board in February 2011 and Mr. Talbert was a member of the Committee until he assumed the position of Chairman of the Board in May 2011. The Corporate Governance Committee met six times during 2011.

*Health Safety and Environment Committee.* The Health Safety and Environment Committee assists the Board in fulfilling its responsibilities to oversee the Company's management of risk in the areas of health, safety and the environment. The current members of the Health Safety and Environment Committee are Mr. Sprague, Chairman, and Messrs. Bindra and Tan, who began to serve on the committee following their election to the Board in May 2011. Messrs. George and Anderson were members of the Committee until their respective resignations from the Board in February 2011 and June 2011 and Mr. Grijalva was a member of the Committee until his retirement from the Board in May 2011. The Health Safety and Environment Committee met four times during 2011.

*Audit Committee.* The Audit Committee is responsible for recommending the retention and termination of our independent registered public accountants and our auditor pursuant to the Swiss Code of Obligations to the Board of Directors and to our shareholders for their approval at a general meeting of shareholders. The Audit Committee is directly responsible for the compensation and oversight of our independent registered public accountants and our auditor pursuant to the Swiss Code of Obligations. The Audit Committee also monitors the integrity of our financial statements and the independence and performance of our auditors and reviews our financial reporting processes. The Committee reviews and reports to the Board the scope and results of audits by our independent registered public accounting firm, our auditor pursuant to the Swiss Code of Obligations and our internal auditing staff and reviews the audit and other professional services rendered by the accounting firm. It also reviews with the accounting firm the adequacy of our system of internal controls. It reviews transactions between us and our directors and officers for disclosure in the proxy statement, our policies regarding those transactions and compliance with our business ethics and conflict of interest policies.

The Audit Committee also assists the Board with oversight of the Company's risk management process. The Company's executive risk management committee conducts an annual Company-wide risk assessment and communicates the results to the Audit Committee. The executive risk management committee also updates the Audit Committee regarding risks as circumstances warrant. For more information, see "Corporate Governance Risk Management" above.

The Board requires that all members of the Audit Committee meet the financial literacy standard required under the NYSE rules and that at least one member qualifies as having accounting or related financial management expertise under the NYSE rules. In addition, the SEC has adopted rules requiring that we disclose whether or not our audit committee has an "audit committee financial expert" as a member. An "audit committee financial expert" is defined as a person who, based on his or her experience, possesses all of the following attributes:

an understanding of generally accepted accounting principles and financial statements;

an ability to assess the general application of such principles in connection with the accounting for estimates, accruals, and reserves;

experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and level of complexity of issues that can reasonably be expected to be raised by our financial statements, or experience actively supervising one or more persons engaged in such activities;

an understanding of internal controls and procedures for financial reporting; and

an understanding of audit committee functions.

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The person must have acquired such attributes through one or more of the following:

education and experience as a principal financial officer, principal accounting officer, controller, public accountant or auditor or experience in one or more positions that involve the performance of similar functions;

experience actively supervising a principal financial officer, principal accounting officer, controller, public accountant, auditor or person performing similar functions;

experience overseeing or assessing the performance of companies or public accountants with respect to the preparation, auditing or evaluation of financial statements; or

other relevant experience.

The current members of the Audit Committee are Mr. Cason, Chairman, and Messrs. Strachan and Lucas, who began to serve on the committee following his election to the Board in May 2011. Mr. Grijalva was a member of the Committee until his retirement from the Board in May 2011 and Mr. Anderson was a member of the Committee until February 2011. The Audit Committee met nine times during 2011. The Board has reviewed the criteria set by the SEC and determined that each of the current members of the Audit Committee is "financially literate" and Mr. Cason qualifies as an "audit committee financial expert." In addition, the Board has determined that Mr. Cason qualifies under NYSE rules as having accounting or related financial management expertise. Mr. Cason is an accountant by education, was an audit manager in an accounting firm and served as the Chief Financial Officer of Baker Hughes Incorporated, a public company.

Finally, NYSE rules restrict directors that have relationships with the Company that may interfere with the exercise of their independence from management and the Company from serving on the Audit Committee. We believe that the members of the Audit Committee have no such relationships and are therefore independent for purposes of NYSE rules.

Directors who are employees of the Company do not receive compensation for Board service. At present, all of the directors except for Mr. Newman, the Company's Chief Executive Officer, are non-employees and receive compensation for Board service.

We use a combination of cash and equity incentive compensation to attract and retain qualified candidates to serve on our Board.

The Corporate Governance Committee annually reviews the compensation paid to non-executive directors and makes a recommendation to the Board regarding its determinations. When making its recommendations to the Board, the Committee can exercise its discretion as to the level and mix of compensation paid to the directors. In February 2011, based upon its review of director compensation and the advice of our former compensation consultant, the Corporate Governance Committee, in exercising its discretion, concluded that the total compensation received by non-executive directors was within a competitive range relative to members of the Company's peer group generally used for the consideration of executive compensation and that the mix of cash and equity incentive compensation was appropriate and in line with current market competitive practice and recommended no change. Based on this recommendation, the Board exercised its discretion and left the compensation levels unchanged from those paid in 2010.

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Currently, non-employee director compensation includes the following fixed components:

Annual Retainer	\$ 90,000
Additional Annual Retainer for Committee Chairmen	
Audit Committee	\$ 35,000
Executive Compensation Committee	\$ 20,000
Corporate Governance Committee, Finance/Benefits Committee and Health Safety and Environment Committee	\$ 10,000
Board Meeting Attendance Fee	\$ 2,500(1)
Committee Meeting Attendance Fee	\$ 2,500(2)
Grant of Deferred Units	\$ 260,000(3)

- (1) The board meeting attendance fee is only paid for those meetings that were attended in excess of the four regularly scheduled board meetings.
- (2) The committee meeting attendance fee is only paid for those meetings that were attended in excess of the first four committee meetings.
- (3) Deferred units are granted to each non-employee director annually immediately following the Board meeting held in connection with our annual general meeting of shareholders. On the date of grant, the deferred units have an aggregate value equal to \$260,000 based upon the average of the high and low sales prices of our shares for each of the 10 trading days immediately prior to the date of grant. The terms of the deferred units include vesting in equal installments over three years, on the first, second and third anniversaries of the date of grant. Vesting of the deferred units is not subject to any performance measures.

Since May 2011, Mr. Talbert has served the Company as its non-executive Chairman of the Board, in which capacity he has received a \$265,000 annual retainer, paid quarterly, in lieu of the annual retainer the other non-employee directors receive. Until his retirement in May 2011, our former Chairman, Robert E. Rose, received a \$332,000 annual retainer, paid quarterly. Prior to May 2011, Mr. Talbert served the Company as its non-executive Vice-Chairman of the Board, in which capacity he received a \$50,000 annual retainer, paid quarterly, in addition to the annual retainer the other non-employee directors received. Mr. Rose and Mr. Talbert also received the same meeting fees and the \$260,000 grant of deferred units to non-employee directors described above. All retainers are paid on a quarterly basis and are only paid for quarters in which the director actually served.

In addition, we pay or reimburse our directors' travel and incidental expenses incurred for attending Board, committee and shareholder meetings and for other Company business-related purposes.

***2011 Director Compensation***

In 2011, each non-employee member of the Board received the compensation described above.

At our Board meeting held immediately after the 2011 annual general meeting of our shareholders, the Board granted 3,768 deferred units to each non-employee director in aggregate value equal to \$260,000 based upon the average of the high and low sales prices of our shares for the 10 trading days immediately prior to the date of our Board meeting (calculated at \$69.00 per share). The terms of the deferred units included vesting in equal installments over three years, on the first, second and third anniversaries of the date of grant, and a requirement that each non-management director acquire and retain a number of our shares and/or deferred units at least equal in value to an amount five times the annual director retainer.

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The following summarizes the compensation of our non-employee directors for 2011.

Name	Fees Earned or Paid in Cash (\$)	Stock Awards(1)(2) (\$)	All Other Compensation(3)	Total (\$)
J. Michael Talbert	224,327	257,807	38,569	520,703
Robert E. Rose	166,000	0	0	166,000
W. Richard Anderson	45,000	257,807(4)	6,841	309,648
Jagjeet S. Bindra	57,115	257,807	8,930	323,852
Thomas W. Cason	145,000	257,807	30,186	432,993
Richard L. George	22,500	0	0	22,500
Victor E. Grijalva	52,500	0	0	52,500
Steve Lucas	69,615	257,807	8,930	336,352
Martin B. McNamara	105,000	257,807	42,351	405,158
Edward R. Muller	112,500	257,807	30,186	400,493
Robert M. Sprague	102,500	257,807	42,352	402,659
Ian C. Strachan	120,000	257,807	42,352	420,159
Tan Ek Kia	59,615	257,807	8,930	326,352

- (1) This represents the aggregate grant date fair value under accounting standards for recognition of share-based compensation expense for deferred units granted to our directors in 2011. For a discussion of the valuation assumptions with respect to these awards, please see Note 18 to our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2011.
- (2) The aggregate number of vested and unvested deferred units, stock appreciation rights and outstanding option awards at December 31, 2011 for each non-employee director was as follows: Mr. Anderson, 6,368 share-settled appreciation rights, or SARs; Mr. Bindra, 3,768 unvested deferred units; Mr. Cason, options to purchase 17,828 shares, 7,640 SARs and 5,311 vested and 7,426 unvested deferred units; Mr. George, options to purchase 3,820 shares and 7,640 SARs; Mr. Lucas, 3,768 unvested deferred units; Mr. McNamara, options to purchase 11,270 shares and 10,444 vested and 7,426 unvested deferred units; Mr. Muller, options to purchase 5,730 shares, 7,640 SARs and 5,311 vested and 7,426 unvested deferred units; Mr. Sprague, 10,444 vested and 7,426 unvested deferred units; Mr. Strachan, options to purchase 11,270 shares and 10,444 vested and 7,426 unvested deferred units; Mr. Talbert, 8,848 vested and 7,426 unvested deferred units; and Mr. Tan, 3,768 unvested deferred units.
- (3) Represents dividend equivalents paid during 2011 on all vested and unvested deferred units.
- (4) These deferred units were forfeited upon Mr. Anderson's departure from the Board in June 2011.

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**AUDIT COMMITTEE REPORT**

The Audit Committee has reviewed and discussed the audited financial statements of the Company for the year ended December 31, 2011 with management, our internal auditors and Ernst & Young LLP. In addition, the Committee has discussed with Ernst & Young LLP, the independent registered public accounting firm for the Company, the matters required to be discussed by the Statement on Auditing Standards No. 61, as amended (AICPA, Professional Standards, Vol. 1. AU section 380), as adopted by the Public Company Accounting Oversight Board in Rule 3200T. The Sarbanes-Oxley Act of 2002 requires certifications by the Company's chief executive officer and chief financial officer in certain of the Company's filings with the Securities and Exchange Commission (SEC). The Committee discussed the review of the Company's reporting and internal controls undertaken in connection with these certifications with the Company's management and independent registered public accounting firm. The Committee also reviewed and discussed with the Company's management and independent registered public accounting firm management's report and Ernst & Young LLP's report on internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act of 2002. The Audit Committee has further periodically reviewed such other matters as it deemed appropriate, including other provisions of the Sarbanes-Oxley Act of 2002 and rules adopted or proposed to be adopted by the SEC and the NYSE.

The Committee also has received the written disclosures and the letter from Ernst & Young LLP regarding the auditor's independence pursuant to the applicable requirements of the Public Company Accounting Oversight Board Ethics and Independence Rule 3526, and it has reviewed, evaluated and discussed the written disclosures with that firm and its independence from the Company. The Committee also has discussed with management of the Company and the independent registered public accounting firm such other matters and received such assurances from them as it deemed appropriate.

Based on the foregoing review and discussions and relying thereon, the Committee recommended to the Company's Board of Directors the inclusion of the Company's audited financial statements for the year ended December 31, 2011 in the Company's Annual Report on Form 10-K for such year filed with the SEC.

Members of the Audit Committee:

Thomas W. Cason, Chairman  
Steve Lucas  
Ian C. Strachan

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**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS**

Listed below are the only persons who, to the knowledge of the Company, may be deemed to be beneficial owners, as of March 21, 2012, of more than 5% of the Company's shares.

<b>Name and Address of Beneficial Owner</b>	<b>Shares Beneficially Owned</b>	<b>Percent of Class(1)</b>
The Capital Group Companies, Inc. 333 South Hope Street Los Angeles, CA 90071	18,323,120(2)	[5.2]%

(1) The percentage indicated is based on the outstanding shares at March 21, 2012.

(2) The number of shares held by The Capital Group Companies, Inc. is based on a statement of significant shareholdings filed with the SIX Swiss Exchange on January 28, 2012. According to the filing, The Capital Group Companies, Inc., along with funds managed by Capital Research and Management Company and clients' portfolios managed by Capital Guardian Trust Company, Capital International Limited, Capital International Inc., Capital International Sàrl and Capital International K.K., have sole voting and dispositive power over 18,323,120 shares and shared voting and shared dispositive power over zero shares.

Table of Contents**SECURITY OWNERSHIP OF DIRECTORS AND EXECUTIVE OFFICERS**

The table below shows how many shares each of our directors and nominees, each of the Named Executive Officers included in the summary compensation section below and all directors and executive officers as a group beneficially owned as of March 21, 2012.

Name	Shares Owned(1)(2)	Shares Subject to Right to Acquire Beneficial Ownership(3)	Total Shares Beneficially Owned(2)(3)	Percent of Class(4)
Steven L. Newman(5)	36,564	179,881	216,445	*
Gregory L. Cauthen	0	6,593	6,593	*
Ihab M. Toma	8,951	18,649	27,600	*
David A. Tonnel	6,609	15,991	22,600	*
Nick Deeming	2,574	4,365	6,939	*
Glyn Barker	0	0	0	*
Jagjeet S. Bindra	0	0	0	*
Thomas W. Cason(6)	10,039	23,139	33,178	*
Vanessa C.L. Chang	0	0	0	*
Chad Deaton(7)	1,000	0	1,000	*
Steve Lucas	0	0	0	*
Martin B. McNamara	20,115	33,512	53,627	*
Edward R. Muller(8)	6,553	11,041	17,594	*
Robert M. Sprague	1,049	10,444	11,493	*
Ian C. Strachan	4,849	21,714	26,563	*
J. Michael Talbert(9)	3,431	8,848	12,279	*
Tan Ek Kia	0	0	0	*
Arnaud A.Y. Bobillier	21,147	61,490	82,637	*
Eric B. Brown	14,532	64,870	79,402	*
Ricardo H. Rosa(10)	16,181	50,298	66,479	*
Robert Shaw	1,458	1,309	2,767	*
All of directors and executive officers as a group (17 persons)	101,734	334,177	435,911	*

\*

Less than 1%.

(1)

The business address of each director and executive officer is c/o Transocean Management Ltd., 10 Chemin de Blandonnet, CH-1214, Vernier, Switzerland. None of the shares beneficially owned by our directors or executive officers are pledged as security.

(2)

Includes shares held as follows: Employee Stock Purchase Plan Messrs. Bobillier (810), Brown (708) and Rosa (474); Transocean Employee Savings Plan Mr. Tonnel (987).

(3)

Includes shares that may be acquired within 60 days from March 21, 2012 through the exercise of options held by Messrs. Bobillier (61,490), Brown (64,870), Cauthen (6,593), Deeming (4,365), Newman (179,881), Rosa (50,298), Toma (18,649), Cason (17,828), McNamara (11,270), Muller (5,730), Strachan (11,270), and all directors and executive officers as a group (271,577). Also includes (a) rights to acquire shares under our deferred compensation plan held by Messrs. McNamara (11,798) and all directors and executive officers as a group (11,798); (b) vested deferred units held by Messrs. Cason (5,311), McNamara (10,444), Muller (5,311), Sprague (10,444), Strachan (10,444), Talbert (8,848), and all directors and executive officers as a group (50,802), over which such individuals have sole voting power but no dispositive power. Does not include out-of-the-money SARs held by Messrs. Cason (7,640), Muller (7,640), and all directors and executive officers as a group





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(15,280). The base prices of the SARs of \$90.27 per share and \$107.63 per share were above the closing price for our shares on the NYSE on February 27, 2012 of \$53.43 per share.

- (4) As of March 21, 2012, each listed individual and our directors and executive officers as a group beneficially owned less than 1.0% of the outstanding shares.
- (5) Includes 6,672 shares held in a joint account with his wife.
- (6) Includes 2,950 shares held in a joint account with his wife.
- (7) Includes 1,000 shares held in a joint account with his wife.
- (8) Includes 6,389 shares held in a family trust with Mr. Muller and his wife serving as trustees.
- (9) Includes 1,629 shares held in joint accounts with his wife.
- (10) Includes 175 shares held in a joint account with his wife.

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## COMPENSATION DISCUSSION AND ANALYSIS

### Introduction

This Compensation Discussion and Analysis provides information regarding the 2011 compensation program for each individual who served as our principal executive officer or principal financial officer during 2011, the three executive officers (other than the principal executive officer and principal financial officer) at year-end who were the most highly compensated executives of the Company and two individuals who served as executive officers during the year. For 2011, these individuals were:

Steven L. Newman, our President and Chief Executive Officer;

Ricardo H. Rosa, our former Executive Vice President and Chief Financial Officer;

Ihab M. Toma, our Executive Vice President, Operations;

Nick Deeming, our Senior Vice President, General Counsel and Assistant Corporate Secretary;

Robert Shaw, our former Vice President and Controller;

Arnaud A.Y. Bobillier, our former Executive Vice President, O