

## **AGENDA ITEM 1.**

### **Approval of the 2014 Annual Report, Including the Audited Consolidated Financial Statements of Transocean Ltd. for Fiscal Year 2014 and the Audited Statutory Financial Statements of Transocean Ltd. for Fiscal Year 2014.**

#### **Proposal of the Board of Directors**

The Board of Directors proposes that the 2014 Annual Report, including the audited consolidated financial statements of Transocean Ltd. for fiscal year 2014 and the audited statutory financial statements of Transocean Ltd. for fiscal year 2014, be approved.

#### **Explanation**

The audited consolidated financial statements of Transocean Ltd. for fiscal year 2014 and the audited Swiss statutory financial statements of Transocean Ltd. for fiscal year 2014 are contained in the 2014 Annual Report, which, along with this proxy statement, is available at: <http://www.deepwater.com/investor-relations/financial-report>. In addition, these materials will be available for physical inspection at the Company's registered office, Turmstrasse 30, CH-6300 Zug, Switzerland. The 2014 Annual Report also contains information on the Company's business activities and the Company's business and financial situation, information relating to corporate governance as required by the SIX Swiss Exchange Directive on Information Relating to 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 2014 and statutory financial statements for fiscal year 2014. 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, 2014, be approved. Ernst & Young Ltd expresses its opinion that the "consolidated financial statements for the years ended December 31, 2014 and 2013 present fairly in all material respects the consolidated financial position of Transocean Ltd. and subsidiaries at December 31, 2014 and 2013, and the consolidated results of operations and cash flows for each of the three years in the period ended December 31, 2014 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, 2014, and the proposed appropriation of available earnings, comply with Swiss law and the Articles of Association of the Company.

Under Swiss law, the annual report, the consolidated financial statements and Swiss statutory financial statements 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.

#### **Recommendation**

The Board of Directors recommends a vote "**FOR**" this Agenda Item 1.

## **AGENDA ITEM 2.**

### **Discharge of the Members of the Board of Directors and the Executive Management Team from Liability for Activities during Fiscal Year 2014.**

#### **Proposal of the Board of Directors**

The Board of Directors proposes the members of the Board of Directors and Messrs. Steven Newman, Esa Ikaheimonen, and John Stobart, who served as members of our Executive Management Team in 2014, be discharged from liability for activities during fiscal year 2014.

#### **Explanation**

As is customary for Swiss corporations and in accordance with Article 698, subsection 2, item 5 of the Swiss Code of Obligations, shareholders are requested to discharge the members of the Board of Directors and executive management from liability for their activities during the past fiscal year.

Discharge pursuant to the proposed resolution is only effective with respect to facts that have been disclosed to shareholders (including through any publicly available information, whether or not included in our filings with the SEC) and only binds shareholders who either voted in favor of the proposal or who subsequently acquired shares with knowledge that shareholders have approved this proposal. In addition, shareholders who vote against this proposal, abstain from voting on this proposal, do not vote on this proposal, or acquire their shares without knowledge of the approval of this proposal, may bring, as a plaintiff, any claims in a shareholder derivative suit within six months after the approval of the proposal. After the expiration of the six-month period, such shareholders will generally no longer have the right to bring, as a plaintiff, claims in shareholder derivative suits against the directors with respect to activities during fiscal year 2014.

#### **Recommendation**

The Board of Directors recommends a vote “**FOR**” this Agenda Item 2.

**AGENDA ITEM 3.**

**Appropriation of the Available Earnings for Fiscal Year 2014.**

**Proposal of the Board of Directors**

The Board of Directors proposes that the accumulated loss of the Company be carried forward.

	<u>in CHF thousands</u>
<b>Appropriation of Available Earnings</b>	
Balance brought forward from previous years . . . . .	60,609
Net loss for the year . . . . .	<u>(5,422,186)</u>
Total retained earnings (accumulated loss) . . . . .	(5,361,577)
<b>Appropriation of Available Earnings</b>	
Balance to be carried forward on this account . . . . .	(5,361,577)

**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 2015 Annual General Meeting are the earnings of Transocean Ltd., on a standalone basis.

The Board of Directors proposes that the entire accumulated loss of CHF 5,361,577 be carried forward.

**Recommendation**

The Board of Directors recommends a vote "**FOR**" this Agenda Item 3.

#### AGENDA ITEM 4.

#### **Distribution of a Dividend in the Amount of US \$0.60 per Outstanding Share of the Company out of General Legal Reserves from Capital Contribution (by way of a release and allocation of general legal reserves from capital contribution to dividend reserve from capital contribution).**

##### **Proposal of the Board of Directors**

The Board of Directors proposes that (A) CHF 422,084,000 of general legal reserves from capital contribution be released and allocated to “dividend reserve from capital contribution” (the “Dividend Reserve”), (B) a dividend in the amount of US \$0.60 per outstanding share of the Company be distributed out of, and limited at a maximum to the amount of, the Dividend Reserve and paid in installments at such times and at such record dates as shall be determined by the Board of Directors in its discretion, and (C) any amount of the Dividend Reserve remaining after payment of the final installment be automatically reallocated to “general legal reserves from capital contribution.” Dividend payments shall be made with respect to the outstanding share capital of the Company on the record date for the applicable installment, which amount will exclude any shares held by the Company or any of its direct or indirect subsidiaries. The Board of Directors’ proposed shareholder resolution is included in *Annex A*.

##### **Explanation**

The Board of Directors is seeking shareholder approval of a distribution of qualifying additional paid-in capital in the form of a dividend in the amount of US \$0.60 per outstanding share of the Company. Unlike a dividend out of available earnings, a distribution of qualifying additional paid-in capital in the form of a dividend is not subject to Swiss federal withholding tax.

Subject to the Dividend Reserve not being exceeded, as further explained below, the dividend would be distributed to shareholders in installments at such times and with such record dates as shall be determined by the Board of Directors in its discretion. The Board of Directors currently expects that the dividend will be distributed in four equal installments. The four payment dates are expected to be in June 2015, September 2015, December 2015, and March 2016.

Dividend payments will be made with respect to the outstanding share capital of the Company on the record date for the applicable installment, which amount will exclude any shares held by the Company or any of its direct or indirect subsidiaries.

The aggregate U.S. dollar dividend amount approved at the Annual General Meeting and paid out to shareholders must at no time exceed the Swiss franc-denominated additional paid-in capital available to shareholders for the aggregate 2015 dividend (including all installments). The Board of Directors is proposing that CHF 422,084,000 of the existing additional paid-in capital (which under Swiss law is referred to as “general legal reserves from capital contribution”) be made available for purposes of the aggregate 2015 dividend (including all installments) by way of a release and allocation to the account “Dividend Reserve.” Based on the number of shares outstanding as of February 11, 2015, and an exchange rate of CHF 0.92 per US dollar effective as of the same date, the amount of the proposed aggregate dividend (including all installments) under this Agenda Item 4 would be CHF 200,992,305. Accordingly, the Dividend Reserve exceeds the aggregate US \$ dividend amount by approximately 110%. The Board of Directors is proposing this excess amount in order to increase the likelihood that the issuance of new shares after the date hereof (which shares, to the extent then outstanding, would generally share in the dividend installments) and a decrease in value of the Swiss franc relative to the U.S. dollar will not reduce the per share amount of the dividend installments paid. If, notwithstanding the allocation of this excess amount to the Dividend Reserve, the Dividend Reserve would be exceeded upon the occurrence of the payment date for a dividend installment (including as a result of the issuance of additional shares after the date hereof or changes in the exchange rate), the Company would be required under the terms of the proposed shareholder resolution to adjust the relevant installment downward, so that the respective payment does not exceed the Dividend Reserve. No further installment payments could then be made.

Also, a downward adjustment of the per share dividend amount would have to be made if, at the date of the 2015 Annual General Meeting, the aggregate US \$ dividend amount exceeded the Dividend Reserve.

The distribution proposal has been confirmed to comply with Swiss law and the Company's Articles of Association by the Company's statutory auditor, Ernst & Young Ltd, representatives of which will be present at the meeting.

Shareholders may, upon the terms and conditions provided by the Board of Directors, elect to receive installments in Swiss francs.

If you are a holder of shares registered in our share register, you exercise your election by giving notice in writing to the following address:

**Shareholder correspondence should be mailed to:**

Computershare  
P.O. Box 30170  
College Station, TX 77842-3170

*Overnight correspondence should be sent to:*

Computershare  
211 Quality Circle, Suite 210  
College Station, TX 77845

If you hold your shares in the name of a bank, broker or nominee, please contact your bank, broker or nominee in order to make the election arrangements.

Shares issued after the date of the 2015 Annual General Meeting will generally participate in the dividend payments, except with respect to shares issued between the record date and the payment date with respect to the relevant installment.

The Board of Directors or, upon its due authorization, the Company's Executive Management Team has the task of executing the dividend resolution, including, but not limited to, by setting the record date, the ex-dividend date, the election period for receiving the dividend in Swiss francs and the payment dates.

**Recommendation**

The Board of Directors recommends a vote "**FOR**" this Agenda Item 4.

## AGENDA ITEM 5.

### Reelection of Ten Directors for a Term Extending Until Completion of the Next Annual General Meeting.

#### Nominations of the Board of Directors

The Board of Directors has nominated Glyn A. Barker, Vanessa C.L. Chang, Frederico F. Curado, Chadwick C. Deaton, Vincent J. Intrieri, Martin B. McNamara, Samuel J. Merksamer, Merrill A. “Pete” Miller, Jr., Edward R. Muller and Tan Ek Kia for reelection to the Board of Directors of the Company, each for a term extending until completion of the next Annual General Meeting.

The Board of Directors does not have a specific policy regarding diversity in the selection of director nominees. However, the Board of Directors does consider diversity in the director nominee selection process. The Board of Directors takes an expansive view of the diversity of the Board of Directors with the goal of having the directors that eventually reflect the global diversity of our workforce, our customers and the cultures in which we operate and have expertise in environmental, health, safety, industry, market and financial matters. We are a multinational company with six different nationalities represented in our officer group and over 89 in our global workforce. We have a presence in 46 countries worldwide.

#### Voting Requirement to Elect Nominees

The election of each nominee 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 nominee who receives the largest number of votes for a board seat is elected. Shareholders are entitled to one vote per share for each of the directors to be elected.

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 of Directors 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 a sufficient number of votes from shareholders in an uncontested election and (2) the Board of Directors accepts the resignation. If a nominee who has submitted such a letter of resignation does not receive more votes cast for than against the nominee’s election, the Corporate Governance Committee must promptly review the letter of resignation and recommend to the Board of Directors whether to accept the tendered resignation or reject it. The Board of Directors must then act on the Corporate Governance Committee’s recommendation within 90 days following the certification of the shareholder vote. The Board of Directors 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 Governance.”

The Board of Directors 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 of Directors accepts such resignation.

The information regarding the nominees presented below is as of March 23, 2015.

#### Nominees for Director

**GLYN A. BARKER**, age 61, U.K. citizen, has served as a director of the Company since 2012. Mr. Barker served as Vice Chairman-U.K. of PricewaterhouseCoopers LLP (PwC) from 2008 to 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 U.K. as Head of the Assurance Practice in 2002. In 2006, he became U.K. Managing Partner and served in that role until 2008. Mr. Barker is a non-executive director of Berkeley Group Holdings plc (LON: BKG) (since 2012) and Aviva plc (LON: AV) (since 2012), Chairman of Irwin Mitchell Holdings Ltd (since 2012) and a director of Transocean Partners LLC (NYSE: RIGP) (since July 2014). He is also Deputy Chairman of the English National Opera Company (since 2009). Mr. Barker received his Bachelor of Science degree 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 remain on the Board of Directors and has recommended that he serve an additional term. Mr. Barker's experience in international business and financial and strategic expertise enhance the Board of Directors' understanding of key issues in its global business operations.

**VANESSA C.L. CHANG**, age 62, Canadian and U.S. citizen, has served as a director of the Company since May 2012. Ms. Chang 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 Resolvetnow.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 for individual investment funds within the American Funds family (since 2000), and of Edison International (NYSE: EIX) and its wholly owned subsidiary, Southern California Edison Company (since 2007), Forest Lawn Memorial Parks Association, a non-profit organization (since 2005), and Scottish Chamber Orchestra, Americas, Inc., a non-profit organization (since 2013). She previously served as a director of Blue Shield of California from 2005 to 2013 and Inveresk Research Group Inc. from 2002 until 2004. Ms. Chang received her Bachelor of Arts degree in 1973 from the University of British Columbia and is an inactive Certified Public Accountant. Ms. Chang is a member of the American Institute of Certified Public Accountants and the California State Board of Accountancy, and a member of Women Corporate Directors.

The Board of Directors has concluded that Ms. Chang should remain on the Board of Directors and has recommended that she serve an additional term. The Board of Directors believes that Ms. Chang's experience and background in diverse industries, along with her financial and accounting background, will enhance the Board of Directors' ability to assess and guide the Company's financial strategy.

**FREDERICO F. CURADO**, age 53, Brazilian citizen, has served as a director of the Company since 2013. Mr. Curado has served as President and Chief Executive Officer of Embraer S.A. (NYSE: ERJ) since 2007. Mr. Curado joined Embraer in 1984 and has served in a variety of management positions during his career, including Executive Vice President, Airline Market from 1998 to 2007 and Executive Vice President, Planning and Organizational Development from 1995 to 1998. Mr. Curado is the President of the Brazilian Chapter of the Brazil-United States Business Council (since 2011) and a member of Brazil's National Council for Industrial Development (since 2011). He is also a member of the Executive Board of the ICC—International Chamber of Commerce (since 2013), and a director of the Board of the Smithsonian National Air and Space Museum (since 2014). Mr. Curado received his Bachelor of Science degree in Mechanical-Aeronautical Engineering from the Instituto Tecnológico de Aeronáutica in Brazil and an executive Masters in Business Administration from the University of São Paulo, Brazil.

The Board of Directors has concluded that Mr. Curado should remain on the Board of Directors and has recommended that he serve an additional term. The Board of Directors believes Mr. Curado's significant senior management experience operating an international corporation, including experience with Brazilian business and governmental sectors, will benefit the Board of Directors' ability to guide the Company with respect to its global operations.

**CHADWICK C. DEATON**, age 62, U.S. citizen, has served as a director of the Company since 2012. Mr. Deaton served as Executive Chairman of Baker Hughes Incorporated (NYSE: BHI) from 2012 to 2013, 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 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 Ariel Corporation (since 2005), Air Products and Chemicals, Inc. (NYSE: APD) (since 2010), CARBO Ceramics Inc. (NYSE: CRR) (since 2013), and Marathon Oil Corporation (NYSE: MRO) (since 2014). He 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 is also a director of the University of Wyoming Foundation and of the not-for-profit organization Houston Achievement Place. He served as co-chair of the Wyoming Governor's Task Force for the build out of the University of Wyoming's new Engineering and Applied Sciences Center. He was a member of the National Petroleum Council (from 2007 to 2013). Mr. Deaton received his Bachelor of Science degree in Geology in 1976 from the University of Wyoming.

The Board of Directors has concluded that Mr. Deaton should remain on the Board of Directors and has recommended that he serve an additional term. Mr. Deaton has significant experience in the oilfield services industry. This experience and the perspective it brings benefit the Board of Directors' understanding of the Company's industry and its customers.

**VINCENT J. INTRIERI**, age 58, U.S. citizen, has served as a director of the Company since 2014. Mr. Intrieri has been employed by Icahn related entities since October 1998 in various investment related capacities. Since January 2008, Mr. Intrieri has served as Senior Managing Director of Icahn Capital LP, the entity through which Carl C. Icahn manages private investment funds. In addition, since November 2004, Mr. Intrieri has been a Senior Managing Director of Icahn Onshore LP, the general partner of Icahn Partners LP, and Icahn Offshore LP, the general partner of Icahn Partners Master Fund LP, an entity through which Mr. Icahn invests in securities. Mr. Intrieri has been a director of: Navistar International Corp (NYSE: NAV) (since 2012), Chesapeake Energy Corporation (NYSE: CHK) (since 2012) and Hertz Global Holdings, Inc. (NYSE: HTZ) (since 2014). Mr. Intrieri previously served as a director of CVR Refining GP, LLC the general partner of CVR Refining, LP from 2012 to 2014, Forest Laboratories, Inc. from 2013 to 2014, CVR Energy, Inc. from 2012 to 2014, Federal Mogul Corporation from 2007 to 2013, Icahn Enterprises G.P. Inc., the general partner of Icahn Enterprises L.P. from 2006 to 2012, and was Senior Vice President of Icahn Enterprises G.P. Inc. from 2011 to 2012. Mr. Intrieri also was a director of Dynegy Inc. from 2011 to 2012, Chairman of the Board and a director of PSC Metals Inc. from 2007 to 2012. He served as director of Motorola Solutions, Inc. from 2011 to 2012, XO Holdings from 2006 to 2011, National Energy Group, Inc. from 2006 to 2011, American Railcar Industries, Inc. from 2005 to 2011, and was a Senior Vice President, the Treasurer and the Secretary of American Railcar Industries from March to December 2005, a director of WestPoint Home LLC from 2005 to 2011; Chairman of the Board and a director of Viskase Companies, Inc. from 2003 to 2011, a director of WCI Communities, Inc. from 2008 to 2009. CVR Refining, CVR Energy, American Railcar Industries, Federal Mogul, Icahn Enterprises, XO Holdings, National Energy Group, WestPoint Home, Viskase Companies and PSC Metals are each or previously were indirectly controlled by Carl C. Icahn. Mr. Icahn also has or previously had a non-controlling interest in Dynegy, Hertz Global Holdings, Forest Laboratories, Navistar, Chesapeake Energy, Motorola Solutions and WCI Communities through the ownership of securities. Mr. Intrieri graduated in 1984, with Distinction, from The Pennsylvania State University (Erie Campus) with a B.S. in Accounting. Mr. Intrieri was a certified public accountant.

The Board of Directors has concluded that Mr. Intrieri should remain on the Board of Directors and has recommended that he serve an additional term. The Board of Directors believes Mr. Intrieri's significant financial, executive management and board of directors experience, as well as familiarity with master limited partnerships and other corporate transactions, will benefit the Board of Directors' decision-making process.

**MARTIN B. MCNAMARA**, age 67, U.S. citizen, has served as a director of the Company since 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 served as Ex Officio Trustee and

Ex Officio Member of the Executive Committee of St. Mark's School of Texas from 2002 to 2014. 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 of Directors and has recommended that he serve an additional term. 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 of the Company combined with his professional experience aids the Board of Directors in reviewing strategic decisions for the Company.

**SAMUEL J. MERKSAMER**, age 34, U.S. citizen, has served as a director of the Company since 2013. Mr. Merksamer is a Managing Director of Icahn Capital LP, a subsidiary of Icahn Enterprises L.P., where he has been employed since 2008. From 2003 until 2008, Mr. Merksamer was an analyst at Airlie Opportunity Capital Management. Mr. Merksamer is a director of Navistar International Corp (NYSE: NAV) (since 2012), Ferrous Resources Limited (since 2012), Hologic Inc. (NASDAQ: HOLX) (since 2013), Talisman Energy Inc. (TSX: TLM) (NYSE: TLM) (since 2013), Hertz Global Holdings, Inc. (NYSE: HTZ) (since 2014), and Transocean Partners LLC (NYSE: RIGP) (since November 2014). He previously served as a director of CVR Refining GP, LLC, the general partner of CVR Refining, LP, from 2012 to 2014; CVR Energy, Inc. from 2012 to 2014; American Railcar Industries, Inc. from 2011 to 2013, Dynegy Inc. from 2011 to 2012, Viskase Companies, Inc. from 2010 to 2013, Federal Mogul Corporation from 2010 to 2014, and PSC Metals Inc. from 2009 to 2012. CVR Refining, CVR Energy, American Railcar Industries, Federal Mogul, Viskase Companies and PSC Metals are each indirectly controlled by Carl C. Icahn. Mr. Icahn also has a non-controlling interest in Dynegy, Hologic, Talisman Energy and Hertz Global Holdings through the ownership of securities. Mr. Merksamer received an A.B. in Economics from Cornell University in 2002.

The Board of Directors has concluded that Mr. Merksamer should remain on the Board of Directors and has recommended that he serve an additional term. The Board of Directors believes that Mr. Merksamer's expertise in finance, including master limited partnerships, aids the Board of Directors in reviewing financial strategies for the Company.

**MERRILL A. "PETE" MILLER, JR.**, age 64, U.S. citizen, has served as a director of the Company since September 2014. Mr. Miller is the Executive Chairman of NOW Inc. (NYSE: DNOW), a spinoff of the distribution business of National Oilwell Varco, Inc. (NYSE: NOV), a supplier of oilfield services and equipment to the oil and gas industry. Prior to assuming this role, Mr. Miller served as President and Chief Executive Officer of NOV (from 2001 to 2014) and as Chairman of the Board (from 2002 to 2014). He joined NOV in 1996. Mr. Miller is a director of Chesapeake Energy Corporation (NYSE: CHK) (since 2007), one of the largest producers of natural gas and of oil and natural gas liquids in the U.S., and served as Lead Independent Director from 2010 to 2012. Mr. Miller served as President of Anadarko Drilling Company from 1995 to 1996. Before joining Anadarko, Mr. Miller spent 15 years at Helmerich & Payne International Drilling Company (NYSE: HP) in Tulsa, Oklahoma, serving in various senior management positions, including Vice President, U.S. Operations. Mr. Miller graduated from the United States Military Academy, West Point, New York in 1972. Upon graduation, he served five years in the United States Army and received his MBA from Harvard Business School in 1980. Mr. Miller serves on the Board of Directors for the Offshore Energy Center, Petroleum Equipment Suppliers Association and Spindletop International, and is a member of the National Petroleum Council.

The Board of Directors has concluded that Mr. Miller should remain on the Board of Directors and has recommended that he serve an additional term. Mr. Miller has significant experience in the oilfield services industry, is highly knowledgeable and will provide both customer and supplier perspectives to matters directly relevant to the Company. The Board of Directors believes that these qualities as well as his demonstrated leadership on board and executive roles will enhance the Board's effectiveness and performance.

**EDWARD R. MULLER**, age 62, U.S. citizen, has served as a director of the Company since 2007. He served as a director of GlobalSantaFe Corporation from 2001 to 2007 and of Global Marine, Inc. from 1997 to 2001. Mr. Muller has served as Vice Chairman of NRG Energy, Inc. (NYSE: NRG) since the merger of NRG Energy, Inc. with GenOn Energy, Inc. in 2012. Prior to the merger, he served as GenOn Energy, Inc.'s Chairman and Chief Executive Officer (since 2010) and President (since 2011). He previously served as Chairman, President and Chief Executive Officer of Mirant Corporation from 2005 to 2010 when Mirant Corporation merged with RRI Energy, Inc. to form GenOn Energy, Inc. Mr. Muller is a director of AeroVironment, Inc. (NASDAQ: AVAV) (since 2013). 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, from 2008 to 2012, its chairman.

The Board of Directors has concluded that Mr. Muller should remain on the Board of Directors 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 served as a chief executive officer and thus adds this helpful executive perspective to the Board of Directors deliberations in advising the Company's Chief Executive Officer. His background and education assist the Board of Directors in assessing key strategies for the Company.

**TAN EK KIA**, age 66, Malaysian citizen, has served as a director of the Company since 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 Dialog Systems Asia Pte Ltd (since 2008), Keppel Offshore & Marine Ltd (since 2009), SMRT Corporation Ltd (SGX: MRT) (since 2009), Keppel Corporation Ltd (SGX: KPELY) (since 2010), PT Chandra Asri Petrochemical Tbk (IDX: TPIA) (since 2011), KrisEnergy Ltd (SGX: SK3) (since 2013), and Singapore LNG Corporation Pte Ltd (since 2013). He is also the Chairman of City Gas Pte Ltd (since 2009), and Star Energy Group Holdings Pte Ltd and certain of its subsidiaries (since 2012). Mr. Tan served as a director of PowerSeraya Ltd and Orchard Energy Pte Ltd from 2007 to 2009, and as director of InterGlobal Offshore Pte Ltd from 2007 to 2012. He served as a director of City Spring Infrastructure Trust Pte Ltd from 2010 to 2014.. Mr. Tan served as the Interim Chief Executive Officer of SMRT Corporation Ltd from January to October 2012. Mr. Tan received his Bachelor of Science degree in Mechanical Engineering in 1973 from the University of Nottingham, and is a Chartered Engineer with the UK Engineering Council and a Fellow of the Institution of Engineers Malaysia.

The Board of Directors has concluded that Mr. Tan should remain on the Board of Directors and has recommended that he serve an additional term. Mr. Tan has significant senior management, large project and engineering experience in the international energy sector, particularly in Asia. This international energy experience and the perspective it brings benefit the Board of Directors' ability to assess opportunities in the international energy sector.

#### **Nomination and Standstill Agreement and Appointment of Samuel J. Merksamer and Vincent J. Intriери to the Board of Directors**

On November 10, 2013, we entered into a Nomination and Standstill Agreement (the "Agreement") with High River Limited Partnership, Hopper Investments LLC, Barberry Corp., Icahn Partners LP, Icahn Partners Master Fund LP, Icahn Partners Master Fund II LP, Icahn Partners Master Fund III LP, Icahn Enterprises G.P. Inc., Icahn Enterprises Holdings L.P., IPH GP LLC, Icahn Capital LP, Icahn Onshore LP,

Icahn Offshore LP, Beckton Corp., Samuel J. Merksamer and Vincent J. Intrieri (collectively, the “Icahn Group”), pursuant to which, subject to certain conditions, the Icahn Group agreed to certain standstill and voting provisions and the Company agreed to:

- Nominate Mr. Merksamer and Mr. Intrieri (and, subject to certain conditions, a third Icahn Group nominee) (the “Icahn Designees”) to the Company’s Board of Directors at the 2014 Annual General Meeting; and
- Place the Icahn Designees, if they are elected, on certain committees of the Board. The Company also agreed to submit at the 2014 Annual General Meeting certain proposals to shareholders for their approval.

Under the terms of the Agreement, the Icahn Group agreed, during the Covered Period, not to, among other things, solicit proxies regarding any matter to come before a general meeting of shareholders, including for the election of directors. In addition, among other standstill provisions, the Icahn Group has agreed that during the Covered Period, the Icahn Group will not propose any tender or exchange offer (other than for all the shares of the Company) and will not propose certain extraordinary transactions without prior notice to the Company.

The Agreement defines the “Covered Period” as the period beginning on the date the Agreement was executed and ending upon the earliest to occur of:

- the other party to the agreement materially breaching an obligation thereunder;
- no Icahn Designee is elected to the Board of Directors at the 2014 Annual General Meeting;
- at any time on or after January 15, 2015, if all the Icahn Designees have resigned and the Icahn Group has not designated replacements, as provided in the Agreement;
- 90 days after the Icahn Group ceases to own 3% of the outstanding shares of Company stock as of the date of the Agreement;
- the date on which (A) the Company has announced an extraordinary general meeting of the shareholders for any purpose (except as contemplated in the Agreement or if the Icahn Designees voted in favor of such extraordinary general meeting, which was the case for the Extraordinary General Meeting held in 2014), (B) the Icahn Designees tender their resignation from the Board of Directors and (C) the Icahn Group provides written notice that it does not intend to exercise its right to designate replacement directors; or
- by mutual agreement of the parties.

The foregoing is not a complete description of the terms of the Agreement. For a further description of the Agreement, including a copy of the Agreement, please see our Current Report on Form 8-K that we filed with the SEC on November 12, 2013.

### **Recommendation**

The Board of Directors recommends you vote “**FOR**” the reelection of these candidates as directors.

## **AGENDA ITEM 6.**

### **Election of the Chairman of the Board of Directors for a Term Extending Until Completion of the Next Annual General Meeting.**

#### **Nomination of the Board of Directors**

Pursuant to the Minder Ordinance, the authority to elect the Chairman of the Board of Directors is vested with the general meeting of shareholders. The term of office of the Chairman of the Board of Directors is the same as the directors' term and extends until completion of the next Annual General Meeting. The Chairman elected at the 2015 Annual General Meeting will have the powers and duties as provided for in our Articles of Association and organizational regulations.

Upon the recommendation of the Corporate Governance Committee, the Board of Directors has nominated Merrill A. "Pete" Miller, Jr. for election by the shareholders as the Chairman of the Board of Directors. Mr. Miller has served as a director since the extraordinary general meeting held on September 22, 2014 and as Vice-Chairman of the Board of Directors since November 14, 2014. Biographical information regarding Mr. Miller may be found above under "Agenda Item 5—Reelection of Ten Directors for a Term Extending Until Completion of the Next Annual General Meeting."

#### **Recommendation**

The Board of Directors recommends a vote "**FOR**" the nominee for the Chairman of the Board of Directors.

## **AGENDA ITEM 7.**

### **Election of the Members of the Compensation Committee, Each for a Term Extending Until Completion of the Next Annual General Meeting.**

#### **Nominations of the Board of Directors**

Pursuant to the Minder Ordinance, the authority to elect the members of the Compensation Committee of the Board of Directors is vested with the general meeting of shareholders. The term of office of the members of the Compensation Committee is equal to the directors' term and extends until completion of the next Annual General Meeting.

Upon the recommendation of the Corporate Governance Committee, the Board of Directors has nominated for election by the shareholders at the 2015 Annual General Meeting Frederico F. Curado, Vincent J. Intrieri, Martin B. McNamara and Tan Ek Kia as members of the Compensation Committee of the Board of Directors. Biographical information regarding the nominees may be found above under Agenda Item 5.

#### **Recommendation**

The Board of Directors recommends a vote “**FOR**” the election of the nominees of the Compensation Committee of the Board of Directors.

## **AGENDA ITEM 8.**

### **Reelection of the Independent Proxy for a Term Extending Until Completion of the Next Annual General Meeting.**

Pursuant to the Minder Ordinance, the authority to elect the independent proxy is vested with the general meeting of shareholders. The independent proxy elected at the 2015 Annual General Meeting will serve as independent proxy at the 2016 Annual General Meeting and at any extraordinary general meeting of shareholders of the Company that may be held prior to the 2016 Annual General Meeting.

The Board of Directors has nominated for reelection as independent proxy Schweiger Advokatur / Notariat, Dammstrasse 19, CH-6300 Zug, Switzerland. Schweiger Advokatur / Notariat was elected at the 2014 Annual General Meeting to serve as independent proxy at the 2015 Annual General Meeting.

### **Recommendation**

The Board of Directors recommends a vote “**FOR**” this Agenda Item 8.

## AGENDA ITEM 9.

### Appointment of Ernst & Young LLP as the Company's Independent Registered Public Accounting Firm for Fiscal Year 2015 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 2015 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 2015 Annual General Meeting and terminating on the day of the 2016 Annual General Meeting.

Representatives of Ernst & Young LLP and Ernst & Young Ltd will be present at the Annual General Meeting, will have the opportunity to make a statement and will be available to respond to questions you may ask. Information regarding the fees paid by the Company to Ernst & Young appears below.

#### Recommendation

The Board of Directors recommends a vote "FOR" this Agenda Item 9.

#### FEES PAID TO ERNST & YOUNG

Audit Fees for Ernst & Young LLP and its affiliates for each of the fiscal years 2014 and 2013 and Audit-Related Fees, Tax Fees and Total of All Other Fees for services rendered in 2014 and 2013 are as follows:

	<u>Audit Fees(1)</u>	<u>Audit-Related Fees(2)</u>	<u>Tax Fees(3)</u>	<u>Total of All Other Fees(4)</u>
Fiscal year 2014(5) . . . . .	\$10,000,545	\$223,937	\$—	\$2,138
Fiscal year 2013 . . . . .	\$ 7,415,170	\$181,661	\$—	\$2,755

- (1) The audit fees include those associated with our annual audit, reviews of our quarterly reports on Form 10-Q, statutory audits of our subsidiaries, services associated with documents filed with the SEC and audit consultations.
- (2) The audit-related fees include services in connection with accounting consultations, employee benefit plan audits and attest services related to financial reporting.
- (3) No tax services were rendered for the years ended December 31, 2014 and 2013.
- (4) All other fees were for other publications and subscription services.
- (5) Excludes fees incurred and paid by Transocean Partners LLC, a consolidated subsidiary which became a separate SEC registrant, subsequent to the completion of its initial public offering on August 5, 2014.

#### Audit Committee Pre-Approval of Audit and Non-Audit Services

The Audit Committee pre-approves all auditing services, review or attest engagements and permitted non-audit services to be performed by our independent registered public accounting firm. The Audit Committee has considered whether the provision of services rendered in 2014 other than the audit of our financial statements and reviews of quarterly financial statements was compatible with maintaining the independence of Ernst & Young LLP and determined that the provision of such services was compatible with maintaining such independence.

The Audit Committee has adopted policies and procedures for pre-approving all audit and non-audit services performed by the independent registered public accounting firm. The policy requires advance

approval by the Audit Committee of all audit and non-audit work; provided, that the Chairman of the Audit Committee may grant pre-approvals of audit or non-audit work so long as such pre-approvals are presented to the full Audit Committee at its next scheduled meeting. Unless the specific service has been previously pre-approved with respect to the 12-month period following the advance approval, the Audit Committee must approve a service before the independent registered public accounting firm is engaged to perform the service. The Audit Committee has given advance approval for specified audit, audit-related and other services for 2015. Requests for services that have received this pre-approval are subject to specified fee or budget restrictions as well as internal management controls.

## **AGENDA ITEM 10.**

### **Advisory Vote to Approve Named Executive Officer Compensation.**

#### **Proposal of the Board of Directors**

As required by Section 14A of the Securities Exchange Act, the Company is providing its shareholders the opportunity to vote on an advisory basis to approve the compensation of the Company's Named Executive Officers. The Board of Directors recommends that you vote for the approval of the compensation of the Named Executive Officers as described in this proxy statement.

Accordingly, you may vote on the following resolution:

RESOLVED, that the compensation of the Company's Named Executive Officers, as disclosed pursuant to the compensation disclosure rules of the SEC, including the Compensation Discussion and Analysis, the compensation tables, and the narrative disclosure in the proxy statement for the Company's 2015 Annual General Meeting is hereby APPROVED.

Our compensation program for our Named Executive Officers is designed to reward performance that creates long-term value for the Company's shareholders through the following features, which are discussed in more detail in our Compensation Discussion and Analysis:

- annual cash bonuses based on performance as measured against pre-determined performance goals;
- a compensation mix weighted toward long-term incentives to allow our Named Executive Officers to participate in the long-term growth and profitability of the Company;
- long-term incentives include fully contingent deferred units that vest based on total shareholder return compared to the companies in our performance peer group;
- median pay positioning for target performance, above median pay for above target performance, and below median pay for below target performance;
- a stock ownership policy that requires our executive officers to build and maintain a minimum equity stake in the Company to help align our executive officers' interests with the long-term interests of our shareholders;
- hedging and pledging policies that prohibit any of our executive officers from hedging or pledging our shares or holding derivative instruments tied to our shares, other than derivative instruments issued by us; and
- an Incentive Compensation Recoupment Policy that allows the Company to recover or adjust incentive compensation to the extent the Compensation Committee determines that payments or awards have exceeded the amount that would otherwise have been received due to a restatement of our financial statements or if the Compensation Committee determines that an executive has engaged in, or has knowledge of and fails to prevent or disclose, fraud or intentional misconduct pertaining to any financial reporting requirements.

The vote on this proposal is advisory and therefore not binding on the Company, the Compensation Committee or the Board of Directors. The Board of Directors and the Compensation Committee value the opinions of our shareholders. Following the 2015 Annual General Meeting, we will consider our shareholders' feedback and the Compensation Committee will evaluate whether any actions are necessary to address this feedback.

#### **Recommendation**

The Board of Directors recommends that you vote **"FOR"** approval of the compensation of the Company's Named Executive Officers, as disclosed in this proxy statement.

## AGENDA ITEM 11

### **Prospective Vote on the Maximum Compensation of the Board of Directors and the Executive Management Team.**

#### **11A Ratification of the Maximum Aggregate Amount of Compensation of the Board of Directors for the Period Between the 2015 Annual General Meeting and the 2016 Annual General Meeting.**

##### **Proposal of the Board of Directors**

The Board of Directors proposes that the shareholders ratify an amount of US \$4,121,000 as the maximum aggregate amount of compensation of the Board of Directors for the period between the 2015 Annual General Meeting and the 2016 Annual General Meeting.

##### **Explanation**

As required by our Articles of Association and the Swiss Federal Ordinance Against Excessive Compensation at Public Corporations (the “Compensation Ordinance”), the shareholders are provided the opportunity to vote on the maximum aggregate amount of compensation that can be paid or granted to the members of the Board of Directors for the period between the 2015 Annual General Meeting and the 2016 Annual General Meeting (the “2015/2016 Term”). The shareholder vote is of binding nature.

##### *Directors’ Compensation Principles*

The general principles of the compensation for our Board of Directors are described in article 29b of our Articles of Association.

We use a combination of cash and equity compensation to attract and retain qualified candidates to serve on our Board of Directors. Our directors’ compensation consists of (i) cash retainers, (ii) grants of deferred units and (iii) dividend equivalents on vested and unvested deferred units.

Set forth below is an overview of the non-employee director compensation elements for the term of office between the 2013 Annual General Meeting and the 2014 Annual General Meeting (the “2013/2014 Term”), and the term of office between the 2014 Annual General Meeting and the 2015 Annual General

Meeting (the “2014/2015 Term”). Additionally, the compensation elements contemplated for the 2015/2016 Term are also provided:

	Term of Office 2013 AGM - 2014 AGM	Term of Office 2014 AGM - 2015 AGM	Term of Office 2015 AGM - 2016 AGM
	US\$	US\$	US\$
<b>Cash Retainers</b>			
Retainer for non-executive chairman . . . . .	265,000	265,000	325,000
Retainer for non-executive vice-chairman . . . . .	0	250,000	250,000
Retainer for non-employee directors (other than the chairman and the vice-chairman) . . . . .	90,000	100,000	100,000
<b>Additional retainer for Committee Chairmen:</b>			
Audit Committee . . . . .	35,000	35,000	35,000
Compensation Committee . . . . .	20,000	20,000	20,000
Corporate Governance Committee, Finance Committee, and Health Safety and Environment Committee . . . . .	10,000	10,000	10,000
<b>Attendance fees:</b>			
Board meeting attendance fee (for those meetings in excess of the four regularly scheduled board meetings) . . . . .	2,500	0	0
Committee meeting attendance fee (for those meetings in excess of the first four committee meetings) . . . . .	2,500	0	0
<b>Grant of Deferred Units</b>			
Grant of deferred units to non-executive chairman . . . . .	260,000	260,000	325,000
Grant of deferred units to non-executive vice- chairman . . . . .	0	210,000	210,000
Grant of deferred units to non-employee directors (other than the chairman and the vice-chairman) . . . . .	260,000	210,000	210,000
<b>Dividend equivalents on vested and unvested deferred units . . . . .</b>	Amount depending on (i) dividend paid and (ii) number of vested and unvested deferred units held by the respective director		

A more detailed description of the compensation principles currently in effect for our Board of Directors can be found under “Board Meetings and Committees—Director Compensation Strategy.” The actual amounts paid to each member of the Board of Directors for fiscal year 2014 are disclosed under “2014 Director Compensation” and in our Swiss Compensation Report under the caption “Board of Directors’ Compensation.”

*Proposal for Ratification of Maximum Aggregate Amount*

The Board of Directors proposes that the shareholders ratify an amount of US\$ 4,121,000 as the maximum aggregate amount of compensation of the Board of Directors for the 2015/2016 Term. This amount is a maximum amount that the Company can pay or grant to the members of the Board of Directors for the 2015/2016 Term. The proposed aggregate maximum amount has been calculated based on the directors’ compensation elements as outlined above.

The table below shows the aggregate compensation paid to our Board of Directors for the 2013/2014 Term and the 2014/2015 Term. The 2013/2014 Term includes 13 non-employee directors, one of whom was Chairman of the Board. The 2014/2015 Term includes 11 non-employee directors, one of whom was Chairman and one of whom was Vice-Chairman. Further, the table explains our proposal for the maximum aggregate amount of compensation for our Board of Directors for the 2015/2016 Term. With the anticipated retirement of one non-employee director in May 2015, this proposal includes consideration for 10 non-employee directors, of whom one will be Chairman and one of whom may be Vice-Chairman.

	Term of Office 2013 AGM-2014 AGM (based on 13 non-employee directors and the assumptions described above)	Term of Office 2014 AGM-2015 AGM (based on 11 non-employee directors and the assumptions described above)	Term of Office 2015 AGM-2016 AGM Proposed Maximum Aggregate Amount(1)
	US\$	US\$	US\$
<b>Cash Retainers</b> . . . . .	1,460,550	1,617,550	1,510,000
<b>Grant of Deferred Units(2)</b> . . . . .	3,343,380(3)	2,232,690(3)	2,575,000(4)
<b>Dividend Equivalents(5)</b> . . . . .	441,070	491,760	300,000
<b>Total(6)</b> . . . . .	5,245,000	4,342,000	<b>4,121,000</b>

- (1) The cash retainer and the deferred units include the compensation paid by Transocean Partners LLC (“Transocean Partners”) to two directors for their role as directors of Transocean Partners; each receives a cash retainer of US\$ 75,000 and a grant of deferred units with an aggregate grant date fair value under of US\$ 75,000. Transocean Partner’s common units trade on the New York Stock Exchange. Transocean Ltd holds 21.3 million common units and 27.6 million subordinated units of Transocean Partners, representing a 70.8% limited liability company interest, and all of incentive distribution rights.
- (2) Deferred units are granted to each non-employee director annually immediately following the board meeting held in connection with our Annual General Meeting. On the date of grant, the deferred units have an aggregate value equal to the US\$ figures indicated in the compensation elements table on the previous page, and the deferred units vest on the date first to occur of (i) the first anniversary of the date of grant or (ii) the Annual General Meeting next following the date of grant, subject to continued service through the vesting date. Vesting of the deferred units is not subject to any performance measures.
- (3) Aggregate grant date fair value under accounting standards for recognition of share-based compensation expense for deferred units granted to our directors, computed in accordance with FASB ASC Topic 718.
- (4) Aggregate target amount.
- (5) Dividend equivalents paid or to be paid during the respective terms of office on all vested and unvested deferred units. For the 2015/2016 Term, the amount shown is based on the dividend as proposed under Agenda Item No. 4 and the estimated number of vested and unvested deferred units that will be held by our directors at the respective dividend payment dates during the 2015/2016 Term (for an overview of our directors’ vested and unvested deferred units, please see Note 6-Share Ownership in the Company’s statutory financial statements for fiscal year 2014).
- (6) Social security payments to be paid by the Company pursuant to applicable law are not included in the total amount.

The actual payout and grants will be disclosed in the 2016 and 2017 Proxy Statements, respectively, and the Swiss Compensation Report for fiscal years 2015 and 2016, respectively.

### Recommendation

The Board of Directors recommends that you vote “**FOR**” this Agenda Item 11A.

## **11B Ratification of the Maximum Aggregate Amount of Compensation of the Executive Management Team for Fiscal Year 2016.**

### **Proposal of the Board of Directors**

The Board of Directors proposes that the shareholders ratify an amount of US\$ 29,617,000 as the maximum aggregate amount of compensation of the Executive Management Team for fiscal year 2016.

### **Explanation**

As required by our Articles of Association and the Compensation Ordinance, the shareholders are provided the opportunity to vote on the maximum aggregate amount of compensation that can be paid or granted to the members of the Executive Management Team for fiscal year 2016. The shareholder vote is of binding nature.

#### *Executive Management Team Compensation Principles*

The general principles of the compensation for the Executive Management Team are described in article 29b of our Articles of Association.

We use a combination of cash and equity compensation to attract, motivate and retain leaders from the global executive talent market within and outside our highly competitive industry and to achieve our objective of pay to performance alignment by delivering the vast majority of our Executive Management Team's pay as performance-based, 'at-risk' compensation. Our Executive Management Team's compensation consists of (i) base salary, (ii) annual performance bonus, (iii) long-term incentives, which may comprise grants of deferred units, contingent deferred units and stock options and (iv) other compensation, including company contributions to savings and pension plans, life insurance premiums, dividend equivalents on vested and unvested deferred units, club membership dues, expatriate assignment allowances and expatriate relocation pay.

Our Executive Management Team comprises our President and Chief Executive Officer, our Executive Vice President and Chief Financial Officer, and our Executive Vice President and Chief Operating Officer.

A detailed description of our compensation principles currently in effect for the Executive Management Team (and our other Named Executive Officers) may be found under "Compensation Discussion and Analysis." Pursuant to U.S. securities laws, our Named Executive Officers include: (1) our former President and Chief Executive Officer ("CEO"), Steven L. Newman, and our Executive Vice President and Chief Financial Officer ("CFO"), Esa Ikaheimonen; (2) the three highest paid executive officers, other than the CEO and the CFO, who were serving as executive officers of the Company at the end of fiscal year 2014. These executive officers were: John B. Stobart, our Executive Vice President and Chief Operating Officer ("COO"), Lars Sjobring, our Senior Vice President and General Counsel, and David Tonnel, our Senior Vice President and Controller; and (3) up to two additional executive officers who would have met the requirements in (2), but for the fact that the individual was not serving as an executive officer of the Company at the end of fiscal year 2014. In fiscal year 2014, there were no executive officers that would qualify as Named Executive Officers under the requirements in (3). Accordingly, all our Executive Management Team members are part of the group of executive officers who, pursuant to U.S. securities laws, are considered Named Executive Officers. We recommend our shareholders read the Articles of Association and the Compensation Discussion and Analysis to understand our Executive Management Team compensation principles and process when considering this proposal. The actual amounts paid to each member of the Executive Management Team for fiscal years 2012-2014 are further disclosed under "Executive Compensation—Summary Compensation Table," and in our Swiss Compensation Report under the caption "Executive Management Team Compensation."

In addition to this binding prospective vote on the maximum aggregate Executive Management Team compensation, shareholders have had the opportunity since 2011 under U.S. law to cast a non-binding

retrospective advisory vote to approve the compensation paid to our Named Executive Officers (including our Executive Management Team members) for the fiscal year preceding the Annual General Meeting. Since 2011, our shareholders have consistently expressed their strong support for the Company's executive compensation principles. For fiscal years 2011, 2012 and 2013, the shareholder approval levels have been 86%, 81% and 92%, respectively. Our shareholders are again provided the opportunity to cast a non-binding advisory retrospective vote to approve the compensation paid to our Named Executive Officers (including our Executive Management Team members) in fiscal year 2014, as is explained in detail in Agenda Item No. 10.

The proposed maximum aggregate amount of compensation for the Executive Management Team for fiscal year 2016 is derived substantially from the Company's executive compensation principles receiving strong historical shareholder support as noted above. Consistent with our historical practice in setting executive compensation, we do not anticipate that the aggregate amount actually paid to our Executive Management Team members for fiscal year 2016 will be at the proposed maximum aggregate amount. More information regarding our compensation practices can be found under "Compensation Discussion and Analysis."

*Proposal for Ratification of Maximum Aggregate Amount*

The Board of Directors proposes that the shareholders ratify an amount of US \$29,617,000 as the maximum aggregate amount of compensation of the Executive Management Team for fiscal year 2016. This amount is a maximum amount that the Company can pay or grant to its members of the Executive Management Team for fiscal year 2016, subject to the authority of the Board of Directors to grant or pay a "supplementary amount" pursuant to Article 29c of our Articles of Association.

Pursuant to Article 29c of our Articles of Association, the Board of Directors may pay or grant compensation for the 2016 fiscal year without additional shareholder ratification to persons who newly assume an Executive Management Team function after the prospective vote at the 2015 AGM. The compensation that the Board of Directors may grant or pay to such persons is limited, as further described in Article 29c of our Articles of Association.

The table below shows the maximum aggregate amount of compensation that could have been paid or granted in the last fully completed fiscal year (fiscal year 2014) under our compensation principles and plans, the maximum aggregate amount of compensation available to be paid or granted for the 2015 fiscal year under our compensation principles and plans currently in effect, and our proposed maximum aggregate amount of compensation for fiscal year 2016. The proposed maximum aggregate amount of compensation for fiscal year 2016 represent a 4.4% increase over the 2015 fiscal year maximum aggregate amount of compensation noted below. This proposed 2016 maximum amount of compensation is based on our estimated compensation levels and provides for a possible increase in base salary (with corresponding increases in long-term incentives, annual performance bonus and other compensation due to the link between the base salary and target levels for all other compensation elements). Whether the Board of Directors will actually adopt such increases in fiscal year 2016 will be determined by the Board at the

beginning of fiscal year 2016 and depend, among other things, on competitive market data, job responsibilities and expected future contributions.

	Fiscal Year 2014 Maximum Payable(1)	Fiscal Year 2015 Maximum Payable(1)	Fiscal Year 2016 Proposed Maximum Amount(2)
	US\$	US\$	US\$
<b>Base Salary</b> . . . . .	2,680,000(3)	2,880,000(4)	3,024,000
<b>Annual Performance Bonus(5)</b> . . . . .	5,757,000	6,257,000	6,570,000
<b>Long-Term Incentives(6)</b> . . . . .	14,055,000	15,762,500	16,483,000
<b>All Other Compensation(7)</b> . . . . .	2,614,000	3,467,500	3,540,000
<b>Total</b> . . . . .	25,106,000	28,367,000	29,617,000

- (1) Assuming that the base salary, the annual performance bonus and all other compensation have been, or will be, paid or granted at the maximum level as provided under our compensation principles and plans (e.g., in relation to the annual performance bonus, assuming a payout of annual incentive bonuses at the maximum payout level of 200%). In relation to the long-term incentive compensation, the fair value calculations are based on an assumed achievement of performance targets at 100%; see note 6 below for further information.
- (2) The proposal of the Board of Directors for ratification by our shareholders only relates to the maximum aggregate amount of total compensation as shown in the “Total” row. The subtotals shown for each compensation category are included for illustration purposes only.
- (3) Reflects actual base salaries paid to our Executive Management Team members.
- (4) Reflects actual base salaries paid to, and base salaries for the remaining fiscal year to be paid to, our Executive Management Team members, based on base salary levels effective for fiscal year 2015, and consideration of potential compensation necessary to replace the former President and CEO, Steven Newman.
- (5) Based on individual target award opportunities and maximum payout at 200%. As further described under “Compensation Discussion and Analysis—Annual Performance Bonus, the potential payout ranges from 0% to 200% of the individual target award opportunity. Maximum payout is only available upon achievement of superior performance. Individual target award opportunities ranged, and will range, between 85% and 125% of the base salary, depending on the level of responsibility.
- (6) Based on target amounts and fair value calculations. With regard to performance-based long-term incentives such as contingent deferred units, the fair value calculations are based on an assumed achievement of performance targets at 100%. The actual number of shares to be allocated under such long-term incentive units will be determined in 2019 depending on performance achievement over a three-year performance cycle and may range between 0-200%.
- (7) Assumes that all compensation has been paid or granted at the maximum level as provided under our compensation principles and plans. Social security payments to be paid by the Company pursuant to applicable law are not included in the total amount.

We do not anticipate that the aggregate amount actually paid to our Executive Management Team members for fiscal year 2016 will be at the proposed maximum aggregate amount. Actual compensation paid to our Executive Management Team members for fiscal year 2014 was US\$ 19,376,859 million (on the basis of the grant date fair values of the long-term incentive grants for fiscal year 2014) (compared to a maximum amount payable under our compensation plans and principles of US\$ 25,106,000 million). Notwithstanding that we do not anticipate that the aggregate amount actually paid to our Executive Management Team members for fiscal year 2016 will be at the proposed maximum aggregate amount, we request our shareholders to approve the proposed maximum aggregate amount. This is because we want to ensure that the authorized compensation is set at a level that allows us to honor our compensation obligations and promises under our compensation principles and plans if the Executive Management Team

or its individual members deliver superior performance and achieve all of the performance objectives at maximum performance level.

The actual payout and grants will be disclosed in the 2017 Proxy Statement and the Swiss Compensation Report for fiscal year 2016.

**Recommendation**

The Board of Directors recommends that you vote “**FOR**” this Agenda Item 11B.

## AGENDA ITEM 12

### Approval of the Transocean Ltd. 2015 Long-Term Incentive Plan

We are asking shareholders to vote to approve our 2015 Long-Term Incentive Plan, or 2015 LTIP. On February 12, 2015, the Compensation Committee recommended to the Board of Directors that it adopt the 2015 LTIP to replace the Long-Term Incentive Plan of Transocean Ltd., or Prior LTIP, which was originally approved by shareholders on May 1, 1993. The 2015 LTIP was unanimously approved by our Board on February 13, 2015. The 2015 LTIP will become effective as of May 15, 2015 only if approved by our shareholders. If approved, the 2015 LTIP will provide for up to 19,500,000 shares that may be issued as long-term incentive compensation to our employees and non-employee directors.

The 2015 LTIP shares would be an increase of 19,500,000 shares above the approximately 1,960,183 shares available for award under the Prior LTIP as of the record date. If the proposed 2015 LTIP is approved by shareholders, the Prior LTIP will be terminated, shares remaining available for awards under the Prior LTIP as of May 15, 2015 will be available for awards under the 2015 LTIP and equity-based awards to employees and non-employee directors will thereafter be made only from the 2015 LTIP. Equity-based awards previously granted under the Prior LTIP will remain outstanding in accordance with their terms. If the proposed 2015 LTIP is not approved by shareholders, the Prior LTIP will remain in effect. As of March 9, 2015, we had the following with regard to all of our share-settled equity plans:

Total Stock Options Outstanding . . . . .	1,883,683
Total Restricted Share Awards/Units Outstanding . . . . .	3,368,390
Total Shares Outstanding . . . . .	363,338,805
Weighted-Average Exercise Price of Stock Options Outstanding . . . . .	\$73.52
Weighted-Average Remaining Duration of Stock Options Outstanding . . . . .	5.38 years
Total Shares Available for Grant Under the Prior LTIP . . . . .	1,960,183

#### Summary of the 2015 Long-Term Incentive Plan

The following summary of the material features of our 2015 LTIP is qualified by reference to the full text of the 2015 LTIP, which is attached to this proxy statement as **Annex B**. Capitalized terms not defined in the summary are defined in the plan document.

#### Highlights of the 2015 LTIP

- *Fungible share pool.* The 2015 LTIP uses a fungible share pool under which each share issued pursuant to a restricted share award or restricted share unit (including performance awards) will reduce the number of shares available under the 2015 LTIP by 1.68 shares, and each share issued pursuant to awards other than restricted share awards and restricted share units will reduce the number of shares available by 1.0 share.
- *No liberal share counting.* The 2015 LTIP prohibits the reuse of shares withheld or delivered to satisfy the exercise price of, or to satisfy tax withholding requirements for any awards under the 2015 LTIP. The 2015 LTIP also prohibits “net share counting” upon the exercise of options or stock appreciation rights (or SAR) and the use of shares reacquired in the open market or otherwise using cash proceeds from the exercise of stock options.
- *No repricing or reloading of stock options or SARs; no cash outs.* The 2015 LTIP prohibits the direct or indirect repricing of stock options or SARs without shareholder approval and also prohibits the repurchase by the Company of outstanding stock options or SARs with an exercise price higher than the current fair market value.
- *No discounted stock options or SARs.* All stock options and SARs must have an exercise price or base price equal to or greater than the fair market value of the underlying shares on the date of grant.

- *Definition of change of control.* The 2015 LTIP defines “change of control” in a manner such that a change of control would not be deemed to occur until the actual consummation of the event that results in the change of control.
- *No automatic vesting on a change of control.* The terms of the 2015 LTIP do not provide for automatic single-trigger vesting upon the occurrence of a change of control.
- *Minimum vesting.* Awards granted to employees under the 2015 LTIP may not vest earlier than the first anniversary of the grant date and awards granted to directors may not vest earlier than the first to occur of (i) the first anniversary of the grant date or (ii) the date of the annual general meeting of the Board next following the grant date.
- *No dividend equivalents on options, SARs or unvested awards.* The terms of the 2015 LTIP do not permit dividend equivalents to be made a part of an award of stock options or SARs and do not permit payment of dividend equivalents with respect to awards that are unvested.
- *Administered by an independent committee.* The Compensation Committee, which is made up entirely of independent directors, will have ultimate administration authority for the 2015 LTIP. More information about the Compensation Committee is provided under “Board Meetings and Committees—Compensation Committee.

### **Purpose of the 2015 LTIP**

The 2015 LTIP is designed to attract and retain employees of the Company and its subsidiaries, to attract and retain qualified non-employee directors of the Company, to encourage the sense of proprietorship of such employees and directors and to stimulate the active interest of such persons in the development and financial success of the Company and its subsidiaries. These objectives are to be accomplished by making awards under the 2015 LTIP and thereby providing award recipients with a proprietary interest in the growth and performance of the Company and its subsidiaries.

### **Shares Available for Award and Share Counting**

Subject to the approval of the shareholders, the aggregate number of shares which are available for award under the 2015 LTIP will be 19,500,000 shares, plus the number of shares remaining available for awards under the Prior LTIP as of the record date (approximately 21,460,183 shares). If the proposed 2015 LTIP is approved by shareholders, no further awards will be made under the Prior LTIP and equity-based awards to employees and non-employee directors will be made only from the 2015 LTIP. Awards under the 2015 LTIP will reduce the shares available for grant under the 2015 LTIP as follows: each share issued pursuant to a restricted share award or restricted share unit will reduce the number of shares available under the 2015 LTIP by 1.68 shares, and each share issued pursuant to awards other than restricted share awards and restricted share units will reduce the number of shares available by 1.0 share.

We believe we have demonstrated our commitment to sound equity compensation practices. Management and our Board are cognizant of the expense attributable to compensatory share awards, as well as dilution, and strive to maintain both at appropriate levels. As of March 15, 2015, the 19,500,000 shares the Board has reserved for issuance under the 2015 LTIP represent approximately 5% of our outstanding common shares. This level of dilution is in the bottom 25% of equity plan dilution levels relative to our peer group companies. The three-year average annual percentage of the Company’s outstanding shares that was issued under the Company’s various equity incentive plans, or the Company’s “burn rate,” was 1.36%, well below the ISS cap for our industry of 2.0%. We calculated our burn rate by (a) applying a factor of two and a half to restricted share and restricted share unit awards and a factor of one to stock option awards during the calendar year and (b) dividing the resulting number by the weighted average number of shares outstanding during such year. Based on recent and expected granting practices and the trading price of the Company’s shares, the 2015 LTIP is expected to cover awards for at least three years.

Any of the authorized shares may be used for any of the types of awards described in the 2015 LTIP. Shares related to performance awards that are payable solely in cash, which include performance share units to be awarded under the 2015 LTIP, will not be counted against the aggregate number of shares available under the 2015 LTIP. The aggregate number of shares underlying options and SARs and the aggregate number of shares pursuant to restricted share, restricted share units or other share-based awards that may be granted to any participant in any calendar year each may not exceed 600,000 shares. In addition, the maximum amount granted to an employee participant pursuant to awards that may be settled in cash in any calendar year may not exceed a grant date value of \$5,000,000. The maximum award value granted to a non-employee director in any calendar year may not exceed \$1,000,000.

If any shares subject to an award under the 2015 LTIP or, after May 15, 2015, any shares subject to an award under the Prior LTIP, are forfeited, expire, are settled for cash or otherwise cancelled, then, in each case, the shares subject to the award may be used again for awards under the 2015 LTIP to the extent of the forfeiture, expiration, cash settlement or cancellation. The shares will be added back as (a) 1.68 shares for every share if the shares were subject to restricted share awards or restricted share units granted under the 2015 LTIP or restricted shares, restricted share units or performance units granted under the Prior LTIP between May 15, 2009 and May 15, 2015 and (b) as 1.0 share for every share if the shares were subject to awards other than restricted share awards or restricted share units granted under the 2015 LTIP and other than restricted shares, restricted share units or performance units granted under the Prior LTIP between May 15, 2009 and May 15, 2015.

The following shares will not be added to the shares authorized for grant as described above:

- (i) shares tendered by the participant or withheld by us in payment of the purchase price of an option;
- (ii) shares tendered by the participant or withheld by us to satisfy any tax withholding obligation with respect to an award;
- (iii) shares that are not issued due to net settlement of an award; and
- (iv) shares reacquired by the Company on the open market or otherwise using cash proceeds from the exercise of options.

The 2015 LTIP provides for appropriate adjustments in the event of a merger, demerger, consolidation, recapitalization, stock split, combination of shares, plan of exchange, share dividend or similar transaction involving the Company.

### **Administration**

The Compensation Committee of the Board has overall authority to administer the 2015 LTIP. The Board may designate another committee or committees to administer the 2015 LTIP.

### **Eligible Participants**

As of the record date, the Company had approximately 10,000 employees (of which four employees were executive officers) and 10 non-employee directors who would be eligible to participate in the 2015 LTIP.

### **Types of Awards**

The 2015 LTIP authorizes the issuance of the following types of awards:

- *Nonqualified and Incentive Stock Options.* Nonqualified stock options and incentive stock options may be granted under the 2015 LTIP. The exercise price of options may not be less than the fair market value of our shares on the date of grant and no option may be exercised after the expiration of ten years from the date of grant. The fair market value of our shares is determined by reference to the reported closing price on the NYSE. An option may be exercised only to the extent that the

option is vested in accordance with a schedule determined by the Compensation Committee in its sole discretion.

- *Stock appreciation rights or SARs.* SARs may be granted to participants under the 2015 LTIP. The exercise price of a SAR may not be less than the fair market value of our shares on the date of grant and no SAR may be exercised after the expiration of ten years from the date of grant. The payment of the appreciation associated with the exercise of a SAR will be made by the Company in shares of our common stock or in cash as determined by the Compensation Committee. A SAR may be exercised only to the extent that the SAR is vested in accordance with a schedule determined by the Compensation Committee in its sole discretion.
- *Restricted share awards and restricted share units.* Restricted share awards and restricted share units, or RSUs, may be granted under the 2015 LTIP. Restricted share awards and RSUs granted under the 2015 LTIP will vest in accordance with a schedule or achievement of certain performance or other criteria as determined by the Compensation Committee. Upon termination of service or employment prior to vesting, the restricted shares or RSUs will be forfeited, unless otherwise determined by the Compensation Committee. The Compensation Committee has the discretion to grant a holder of restricted shares the right to vote such shares and to receive dividends. RSUs do not entitle a holder to any of the rights of a shareholder with respect to the shares; however, the Compensation Committee has the discretion to grant dividend equivalents with respect to the RSUs provided that no dividend equivalents may be paid with respect to an award that has not vested.
- *Performance awards.* Performance awards may be granted under the 2015 LTIP. Performance awards issued under the 2015 LTIP will become payable in accordance with the achievement of certain performance or other criteria as determined by the Compensation Committee, provided that a performance period may be no less than one year in duration. Performance measures may be based on the achievement of one or more of the following: (1) increased revenue; (2) net income measures (including but not limited to income after capital costs and income before or after taxes); (3) share price measures (including but not limited to growth measures and total shareholder return); price per share; market share; earnings per share (actual or targeted growth); (4) earnings before interest, taxes, depreciation, and amortization (“EBITDA”); (5) economic value added (or an equivalent metric); (6) market value added; (7) debt to equity ratio; (8) cash flow measures (including but not limited to cash flow return on capital, cash flow return on tangible capital, net cash flow and net cash flow before financing activities, cash flow value added, cash flow return on market capitalization); (9) return measures (including but not limited to return on equity, return on average assets, return on capital, risk-adjusted return on capital, return on investors’ capital and return on average equity); (10) operating measures (including operating income, funds from operations, cash from operations, after-tax operating income; sales volumes, production volumes and production efficiency); (11) expense measures (including but not limited to overhead cost and general and administrative expense cost control and project management); (12) margins; (13) shareholder value; (14) total shareholder return; (15) proceeds from dispositions; and (16) total market value and corporate values measures (including ethics compliance, environmental, human resources development and safety). Approval of the 2015 LTIP will be considered approval of the use of these performance measures for purposes of Section 162(m) of the Code.
- *Cash awards.* Cash awards may be granted under the 2015 LTIP and may be made subject to a vesting schedule or other performance measures as determined by Compensation Committee.

### **Non-Employee Director Awards**

The Compensation Committee may grant awards of restricted share awards or restricted share units to non-employee directors under the 2015 LTIP.

### **Minimum Vesting Requirements**

The 2015 LTIP does not permit employee awards to vest earlier than the first anniversary of the grant date and does not permit non-employee director awards to vest earlier than the first to occur of (a) the first anniversary of the grant date or (b) the date of the annual general meeting of the Board next following the grant date.

### **Prohibitions Related to Stock Options and SARs**

Unless the approval of shareholders is obtained first, the 2015 LTIP does not permit (a) repricing of stock options or SARs after the grant date, (b) accepting outstanding stock options or SARs for surrender as consideration for the grant of a new option or SAR with a lower exercise price or for the grant of another award, (c) repurchasing from award recipients any outstanding stock options or SARs that have an exercise price higher than the current fair market value of a share, or (d) granting any stock option or SAR that contains a “reload” feature under which additional stock options, SARs or other awards are granted automatically upon exercise of the original stock option or SAR. The 2015 LTIP also prohibits dividend equivalents with respect to stock options and SARs.

### **Treatment of Awards Upon Certain Events**

*Retirement, Death, Disability or Change of Control.* The Committee may, in its sole discretion, accelerate the vesting of unvested awards or waive, eliminate or make less restrictive the restrictions or provisions governing awards or otherwise amend or modify awards in the case of retirement from employment or service on the Board, death, disability, change of control, or any other reason, except that any modification may not be materially adverse to the award recipient unless the recipient has consented to the modification or the modification relates to a merger, reorganization or similar transaction.

### **Termination and Agreement**

The 2015 LTIP may be terminated or amended by the Board. Shareholder approval is required for any amendment to the 2015 LTIP if (i) such approval is necessary or desirable to qualify or comply with any tax or regulatory requirement for which or with which the Board deems it necessary or desirable to qualify or comply; or (ii) in the opinion of counsel to the Company, shareholder approval is required by any federal or state laws or regulations or the rules of any stock exchange on which the shares may be listed.

### **Transferability**

Awards are not transferable except by will or by the laws of descent and distribution.

### **U.S. Federal Income Tax Consequences**

Under current federal tax law, the following are the U.S. federal income tax consequences generally arising with respect to restricted shares, performance shares, options and other awards granted under the 2015 LTIP. The discussion is not a complete analysis of all federal income tax consequences and does not cover all specific transactions which may occur.

Absent the filing of a Section 83(b) election with the IRS, no income will be recognized by a participant for U.S. federal income tax purposes upon the grant of restricted shares, performance shares or other stock awards. Upon the vesting of an award for which no payment was made by the participant, the participant will recognize ordinary income in an amount equal to the fair market value of the shares on the vesting date. Income recognized upon vesting by a participant who is an employee will be considered compensation subject to withholding at the time the income is recognized and, therefore, the Company must make the necessary arrangements with the participant to ensure that the amount of tax required to be withheld is available for payment. Stock awards provide the Company with a deduction equal to the amount of income recognized by the participant, subject to certain deduction limitations. A participant's adjusted basis in the shares received through stock awards is equal to any ordinary income related to the

award recognized by the participant. If a participant thereafter sells the shares, any amount realized over (under) the adjusted basis of the shares will constitute capital gain (loss) to the participant for U.S. federal income tax purposes. If a participant forfeits an award prior to its vesting, the participant will not recognize any ordinary income as a result of such forfeiture, and no deduction will be provided to the Company.

Upon the grant of restricted shares, the participant may file an election under Section 83(b) of the Code to accelerate the recognition of ordinary income to the grant date of the award. Such ordinary income is equal to the fair market value of the shares on the grant date (assuming no payment by the participant for the shares) and is considered compensation subject to withholding for employees.

There are no tax consequences associated with the grant or timely exercise of an incentive stock option. If a participant holds the shares acquired upon the exercise of an incentive stock option for at least one year after exercise and two years after the grant of the option, the participant will recognize capital gain or loss upon sale of the shares equal to the difference between the amount realized on the sale and the exercise price. If the shares are not held for the required period, the participant will recognize ordinary income upon disposition in an amount equal to the excess of the fair market value of the shares on the date of exercise over the exercise price, up to the amount of the gain on disposition. Any additional gain realized by the participant upon disposition will be capital gain. The excess of the fair market value of shares received upon the exercise of an incentive stock option over the option price for the shares is a preference item for purposes of the alternative minimum tax. An expense deduction by the Company in connection with the exercise of an incentive stock option is not allowed unless the participant recognizes ordinary income.

Generally, no income will be recognized by a participant for U.S. federal income tax purposes upon the grant of a nonqualified stock option. Upon exercise of a nonqualified stock option, the participant will recognize ordinary income in an amount equal to the excess of the fair market value of the shares on the date of exercise over the amount of the exercise price. Income recognized by a participant who is an employee, upon the exercise of a nonqualified stock option, will be considered compensation subject to withholding at the time the income is recognized and, therefore, the Company must make the necessary arrangements with the participant to ensure that the amount of tax required to be withheld is available for payment. Nonqualified stock options provide the Company with a deduction equal to the amount of income recognized by the participant, subject to certain deduction limitations. The adjusted basis of shares transferred to a participant pursuant to the exercise of a nonqualified stock option is the price paid for the shares plus an amount equal to any income recognized by the participant as a result of the exercise of the option. If a participant thereafter sells shares acquired upon exercise of a nonqualified stock option, any amount realized over (under) the adjusted basis of the shares will constitute capital gain (loss) to the participant for U.S. federal income tax purposes.

If a participant surrenders shares which the participant already owns as payment for the exercise price of a stock option, the participant will not recognize gain or loss as a result of such surrender. The number of shares received upon exercise of the option equal to the number of shares surrendered will have a tax basis equal to the tax basis of the surrendered shares. The holding period for such shares will include the holding period for the shares surrendered. The remaining shares received will have a basis equal to the amount of income the participant recognizes upon receipt of such shares. The participant's holding period for such shares will commence on the day after such exercise.

Generally, no income will be recognized by a participant for U.S. federal income tax purposes upon the grant of a SAR. Upon exercise of a SAR, the participant will recognize ordinary income in an amount equal to the excess of the fair market value of the shares on the date of exercise over the amount of the exercise price. Income recognized by a participant who is an employee, upon the exercise of a SAR, will be considered compensation subject to withholding at the time the income is recognized and, therefore, the Company must make the necessary arrangements with the participant to ensure that the amount of tax required to be withheld is available for payment. SARs provide the Company with a deduction equal to the amount of income recognized by the participant, subject to certain deduction limitations. The adjusted basis of shares transferred to a participant pursuant to the exercise of a SAR is the price paid for the shares

plus an amount equal to any income recognized by the participant as a result of the exercise of the SAR. If a participant thereafter sells shares acquired upon exercise of a SAR, any amount realized over (under) the adjusted basis of the shares will constitute capital gain (loss) to the participant for U.S. federal income tax purposes.

Upon the receipt of a cash award, the participant will recognize ordinary income in an amount equal to the cash received. Income recognized upon the receipt of a cash award by a participant who is an employee will be considered compensation subject to withholding at the time the cash is received and, therefore, the Company must properly withhold the required tax.

Section 162(m) limits the annual tax deduction to \$1 million for compensation paid by a publicly held company to its chief executive officer and each of the company's three other most highly compensated named executive officers (other than the chief financial officer), unless certain performance-based requirements are met. Stock options and SARs granted under the 2015 LTIP meet the performance-based requirements. Performance awards will meet such requirements if they are subject to performance objectives and administered in a manner that satisfies Code Section 162(m).

Code Section 409A generally provides that any deferred compensation arrangement must satisfy specific requirements, both in operation and in form, regarding (1) the timing of payment, (2) the election of deferrals, and (3) restrictions on the acceleration of payment. Failure to comply with Code Section 409A may result in the early taxation (plus interest) to the participant of deferred compensation and the imposition of a 20% penalty on the participant on such deferred amounts included in the participant's income. The Company intends to structure awards under the 2015 LTIP in a manner that is designed to be exempt from or comply with Code Section 409A.

#### **New Plan Benefits**

The selection of officers, employees, and non-employee directors who will receive future awards under the 2015 LTIP and the size and types of awards will be determined by the Compensation Committee. No awards have been made under the 2015 LTIP at this time, and it is not possible to predict the benefits or amounts that will be received by, or allocated to, particular individuals or groups eligible to receive future awards.

#### **Effectiveness and Vote Required**

If the 2015 LTIP is approved, future equity-based awards will be made from the 2015 LTIP, and we will not grant any additional awards under the Prior LTIP. The affirmative vote of a majority of the votes cast for this proposal is required to approve the adoption of the 2015 LTIP.

#### **Recommendation**

The Board of Directors recommends that you vote “**FOR**” this Agenda Item 12.