The Noble Way to HSE Excellence

Submitted by:
Noble Corporation

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Case Study
The Noble Way to HSE Excellence

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EXECUTIVE SUMMARY

Noble Corporation (NYSE: NE) is a leading provider of diversified services for the oil and gas industry, performing contract drilling services with a fleet of 59 (includes options to buy 2 premium jackup rigs) mobile offshore drilling units worldwide. The Company is headquartered in Sugar Land, Texas. Noble is a member of the S&P 500 and holds an S&P investment rating of A- and a Moody’s Investors Service rating of Baa1.

Founded in 1921, today 70 percent of the Company’s fleet is deployed in international markets. Noble offers technologically advanced drilling-related products and services designed to create value for its customers, the Company also provides contract labor drilling services, wellsite and project management services, and engineering services.

Since 1986, Noble has expanded our fleet through a series of strategic acquisitions of companies and individual assets and subsequent deployment of these assets in proven offshore geological areas of oil and gas. These acquisitions have enabled Noble to assimilate an experienced and highly trained work force of 3,265 men and women of 38 different nationalities.

Noble possesses superior technology capabilities that complement our core drilling business. Through Noble Technology Services Division and its four subsidiaries, Noble customers benefit from advanced technology as well as from Noble’s operational and financial strength, safety focus, environmental stewardship and competent personnel.

Noble has a strong culture of teamwork and of developing leaders who possess a broad understanding of business, dedication to Company values, commitment to proactive practices, and strong HSE emphasis. For more than 80 years, Noble has emphasized that people are our most important asset. This value is articulated and communicated through the Noble Legacy for Management, Code of Business Conduct, Noble Paradigms and Sustainable Global Performance Reports issued in 2002 and 2003.

Noble regards our health, safety and environmental (HSE) performance to be paramount to our ability to conduct business and compete around the world. Therefore, HSE is thoroughly integrated into and aligned with the management and measurement of Noble’s business from the top level of corporate
strategy down to the daily rig management level. In addition, we understand that we must maintain strong financial performance in order to reinvest in the training, equipment upgrades and initiatives that ensure our ability to operate safely and with minimal impact on the environment.

Health, Safety and Environment (HSE) and business management are integrated through the capital budgeting process; the computerized Noble Drilling Operations Report (NDOR); quarterly Health, Safety and Environment Committee meetings; weekly worldwide operations management conference calls; the SAP purchasing and accounting system; rig standardization initiatives; Safety Leadership Workshops; and other programs and initiatives.

Noble’s Health, Safety, Environment and Quality (HSEQ) Management System is certified to the ISO 14001 Environmental Management System Standard. It contains all HSEQ policies, procedures and standards in a web-based setting that is easy to update and widely accessible internally. The HSEQ system provides a common framework for determining and implementing policy, complying with all applicable regulatory and client requirements, setting goals and objectives, measuring and reporting key performance indicators, and providing feedback mechanisms to continually improve performance.

Noble’s HSE and business performance standards are based on accepted industry and international standards and guidelines, including ISO 14001, ISO 9001 and the International Safety Management Code. Many Noble assets are certified to one or more of these standards. The Company’s health and safety metrics primarily comply with or are based on guidance from the International Association of Drilling Contractors and National Safety Council. We comply with reporting requirements of all legal and regulatory authorities in every country where Noble operates.

Noble strives to lead the industry in HSE matters. The main driver of our HSE efforts is continuous improvement. We use a combination of leading and lagging performance indicators to develop performance baselines, track performance, identify trends and initiate continuous improvement opportunities. Noble has reduced both lost time incidents (LTI) and recordable incidents for the past 11 consecutive years. At year-end 2003, one-quarter of our rigs had worked five or more years without an LTI and 49 rigs, or 94 percent of our fleet, operated LTI-free for more than one year.
BUSINESS PROFILE

Noble Corporation is celebrating its 83rd year in business in 2004. Noble is a publicly traded company listed on the New York Stock Exchange (ticker symbol: NE) and a member of the S&P 500. We are a leading provider of diversified services for the oil and gas industry, performing contract drilling services with a fleet of 59 (includes options to buy 2 premium jackup rigs) mobile offshore drilling units worldwide. Currently, 70 percent of Noble’s fleet is deployed in international markets, principally the North Sea, Brazil, West Africa, the Middle East, Mexico, India and the Mediterranean Sea.

Noble offers technologically advanced drilling-related services designed to create value for our customers. These include labor contract drilling services, wellsite and project management services, and engineering services. Since 1986, Noble has expanded our fleet through a series of strategic acquisitions of companies and individual assets and subsequent deployment of these assets in proven offshore geological areas of oil and gas. These acquisitions have enabled Noble to assimilate an experienced and highly trained work force of 3,265 men and women of 38 different nationalities working in 14 countries.

Noble has recorded many energy “firsts” during our colorful history in the drilling industry. These include using an offshore submersible type drilling unit in the early 1930s in the United States Gulf of Mexico; managing a clandestine drilling program in England to supply oil during World War II; drilling offshore using electrical power from shore in the early 1950s; and achieving ISO 14001 Environmental Management System certification.

Noble possesses superior technology capabilities that complement our core drilling business to help customers improve performance and reduce costs. Through Noble Technology Services Division and its four subsidiaries, Noble customers benefit from advanced technology as well as from Noble’s operational and financial strength, safety focus, environmental stewardship and competent personnel.

Noble Technology Services’ four subsidiaries are:

- **Triton Energy Services Company** provides project management, feasibility studies, drilling and completion engineering, reservoir studies, knowledge management and other services with an emphasis on operational and logistic efficiency.
- **Maurer Technology Inc.** is a clearinghouse for state-of-the-art oil and gas drilling and completion technology through research. Often working with government agencies, Maurer
focuses on new, cost-effective technology development applications for hundreds of clients worldwide.

- **Noble Engineering and Development Ltd.** develops and provides technology based energy products and solutions that significantly improve safety and operational performance.
- **Noble Downhole Technology** adds complementary drilling technologies to Noble’s portfolio with rotary steerable tools.

Noble is an industry leader in HSE initiatives and performance. Noble is annually among the performance leaders as recorded by the International Association of Drilling Contractors (IADC), with 11 consecutive years of improved safety results. In 2000, Noble was the first drilling contractor in the world to receive third party certification to ISO 14001. Noble is the only offshore drilling contractor to achieve ISO 14001 certification for assets in the Gulf of Mexico, Mexico, Brazil, Canada and the Middle East. Currently, 31 of Noble’s mobile offshore drilling units are ISO 14001 certified.

By pursuing a conservative financial policy, sustaining HSE excellence and successfully adapting to ever-changing world energy markets, Noble maintains our position as a global leader in the oil and gas services industry.

LEADERSHIP

Noble’s longevity is due in great part to our successful development of leaders who possess a broad understanding of business, dedication to the Company’s values, commitment to proactive practices, and strong HSE emphasis. Since our inception in 1921, Noble has emphasized that people are our most important asset, and articulated and communicated this value through the Noble Legacy for Management (Exhibit D), The Noble Way Health, Safety, Environment and Quality (HSEQ) Management System, Code of Business Conduct (Exhibit E) and Noble Paradigms (Exhibit F). These references are widely available to employees and the public in documents available in print and online.

“The Noble Way” of doing things drives the Company’s policies, practices and management style. The Noble Way philosophy is translated into day-to-day practices that promote the value of the individual, teamwork, communication, job security, profit sharing, training and development and goal setting.

Noble’s expectations in regard to corporate governance and organizational leadership are set fourth in the Noble Code of Business Conduct. This code articulates our expectations for honesty and
integrity in all business dealings; our primary responsibility, the safety of our people; responsibility and respect for the safety and welfare of the lives and property of our own people and the public at large; Noble’s voluntary commitment to proactive environmental stewardship; and strict adherence to the rule of law and professional ethics in every country where Noble operates.

In addition, leadership philosophies that guide Noble are communicated by the Noble Paradigms. Written by the Chairman and Chief Executive Officer (CEO), the paradigms highlight the operational values that lead the Company toward success and continuous improvement.

Leadership Training

In 1998, Noble introduced the Safety Leadership Workshop (SLW), a leadership and safety training program with a specific curriculum tailored for rig-based supervisory and non-supervisory crews. The objective of SLW is to develop leadership and safety training skills, with an emphasis on communication, decision-making, training, coaching and counseling. The curriculum covers the following subjects (Exhibit O):

- Leadership skills
- HSEQ Management System
- Personality assessments
- Risk management
- Liability insurance and claims
- Observation skills
- Stress management
- Behavior based safety
- Appraisal and coaching
- Industrial relations

Management is committed to conducting these workshops throughout all our worldwide operations in order to foster a Company-wide safety culture. Based on safety data, Noble management believes that the SLW has played a significant role in helping to reduce the occupational injury rate. Since SLW was introduced, Noble has recorded a 71 percent reduction in the total recordable incident rate and an 83 percent reduction in the lost time incident (LTI) rate. In 2002, the IADC North Sea
Chapter endorsed Noble’s SLW following a comprehensive eight-month peer review. Noble is the first drilling contractor to receive IADC’s endorsement for a training program.

Management Advancement via HSE

Noble strives to develop managers who possess a broad understanding of business. Toward this end, Noble’s most successful rig based management development tool is the Safety Training Supervisor (STS) position in the rig management career advancement path. The STS role allows operations people to gain safety experience and attracts good safety candidates to enter operations. The position enhances safety and promotes a “Total Safety Culture” by making the STS acutely aware of the need for safety training. It fosters a strong appreciation for behavioral safety processes, the HSEQ Management System and tools such as the Job Safety Analysis, Toolbox Talks, pre-job meetings and the STOP™ Program. Finally, the STS position enhances people skills through broad interface with employees, operators, third-party service personnel and regulatory authorities. Since 1996, 167 employees have worked in the STS position, and 45 percent have been promoted to operational management positions.

Behavioral / Personality Assessments

A cornerstone of a true safety culture is safe behavior in the workplace. Noble performs four personality behavior assessments (Exhibit P) to help employees understand the root of their beliefs and behaviors that can affect safety and leadership potential. These assessments are issued by a qualified administrator and provide each employee with insight to help reach his or her full potential within the Company. With a database of over 4,000 employee assessments, we are better able to find the right person for a job and to identify candidates for leadership roles and for jobs that require a particular focus on safe work behaviors.
Corporate Citizenship

Noble employs over 3,200 men and women whose 38 nationalities reflect the international scope of our business. With operations in 14 countries, some of our rig-based employees commute across continents as part of their jobs. In this environment, bridging and blending cultures is a way of life and a way of doing business for Noble. As an equal opportunity employer, Noble seeks to provide employment opportunities for local citizens in communities where we have operations. In some locations where there is a small local labor pool, we recruit from other countries to fill positions, further contributing to the cultural richness of our workforce. Localized training and development programs help ensure that our workforce diversity does not compromise the safety and efficiency of our operations.

Noble’s community programs focus mainly on organizations dedicated to children, education and health. The annual budgeting process allows divisions to develop a community support plan to provide time and financial assistance for specific local initiatives.

One of Noble’s most successful community relationship is with The Arc of Iberia, a non-profit organization in New Iberia, Louisiana. Individuals with developmental disabilities at The Arc process segregated recyclable waste from Noble’s Gulf of Mexico rigs into a saleable commodity. This recycling partnership creates a viable enterprise and employment opportunities that would not exist otherwise, while providing a responsible method of handling waste (Exhibit R).

LINKAGE BETWEEN SH&E AND PRODUCTIVITY

Integration of SH&E and Business Management Systems

Noble regards our health, safety and environmental (HSE) performance to be paramount to our ability to conduct business and compete around the world. Therefore, HSE is thoroughly integrated into the management and measurement of Noble’s business from the top level of corporate strategy down to the daily rig management level. We understand that we must maintain strong financial performance in order to reinvest in the training, equipment upgrades and initiatives that ensure our ability to operate safely and with minimal impact on the environment.
HSE and business management are integrated through the capital budgeting process; the computerized Noble Daily Operations Report (NDOR), which tracks daily operations; quarterly HSE Committee meetings; weekly worldwide operations management conference calls; the SAP purchasing and accounting system; rig standardization efforts; and other programs and initiatives.

Operations management at every level, including rig managers, are accountable for financial, operational and safety performance within their realm of responsibility. During the **budgeting process**, operations management must highlight and document their budget for HSE equipment and initiatives. The purpose of this practice is to ensure that expenditures targeting HSE excellence are not short-changed.

The **Noble Daily Operations Report (NDOR)** is updated daily and accessible to all onshore and offshore management personnel. NDOR is the database for detailed information about drilling operations. All safety-related downtime (lost time incidents, recordable incidents, near misses, etc.) is tracked in NDOR because it can lead to significant downtime, lost productivity, medical claims and insurance claims, and otherwise affect operations and financial performance.

The **HSE Committee** meets quarterly to present results, assess goals and performance, and raise issues. In addition to the Chairman and CEO, senior management from operations, risk, human resources, engineering and other functions attend HSE Committee meetings in recognition of the strategic importance of HSE to Noble’s business.

Another nexus of HSE and business is the **weekly worldwide operations conference call**. The first agenda item of every business unit is a report on division HSE results. Other agenda items include division operating results, market opportunities and corporate financial performance.

The **SAP purchasing and accounting system** closely tracks medical claims and the costs of every injury or illness on a rig. This allows Noble to monitor case histories and trends and then develop preventive programs and initiatives. Noble utilizes **case management** so that our employees receive early assistance in managing injuries and illnesses and to facilitate employees’ safe and timely return to work following any injury or illness, whether it is work-related or non-occupational. Medical case management
is tracked by rig in SAP and is a factor in the Short Term Incentive Plan bonus program, again reinforcing the role of safety and health in Noble’s financial performance and business success.

Another Noble initiative that integrates HSE with the business is **rig standardization**. Driven by field operations, the Rig Standardization Team reviews existing standards and identifies new standards for equipment, parts, consumables and services by focusing on safety, reliability, quality and total cost of ownership. The team clearly communicates these standards company-wide. Noble’s safety staff is responsible for defining **minimum safety standards for purchasing** equipment, products and services.

We also integrate news and information about corporate functions in Noble’s **Safety Leadership Workshops**. For instance, the 2003 SLW series focused on Noble’s Code of Business Conduct and on management’s expectation that all employees represent Noble with the utmost attention to integrity and honest business dealings.

Through these management, communications and operations practices, Noble continuously reinforces the importance of HSE excellence as a business strategy.

**SH&E as a Core Corporate Value**

Protecting human health and safety and the environment is a core value at Noble. This commitment is documented and reinforced both internally and publicly in the Company’s:

- Code of Business Conduct and Ethics (Exhibit E)
- Safety Policy (Exhibit H)
- Policy of Environmental Protection (Exhibit G)
- Chairman and CEO’s Letter to Shareholders in every annual report (Exhibit C)
- Sustainable Global Performance Report (Exhibits A and B)
- The Noble Link internal Company magazine (Exhibit V)
- Employee training and development programs (Exhibit T) and the
- Short Term Incentive Plan (Exhibit I).

**Alignment of SH&E with Corporate Objectives and Strategies**

Noble is a recognized industry leader in HSE policies and practices (Exhibit U). This helps us maintain our position as a drilling contractor of choice, which in turn contributes to our financial strength. Therefore, superior results in HSE are among Noble’s key objectives.
Through voluntary, proactive programs to improve Noble’s environmental performance, our customers benefit from cost savings, operational efficiencies and a cleaner work environment. They also avoid reporting emissions that are generated by Noble drilling operations, while Noble minimizes our impact on the environment and improves efficiency.

Noble’s Short Term Incentive Plan (STIP) (Exhibit I) rewards eligible employees for achieving specific goals that improve shareholder value. STIP focuses on quantifiable, measurable financial and operational targets. Employees who achieve their stated goals can earn from 5 percent to 75 percent of their annual salary. For eligible employees in operating divisions, safety results currently have the highest weight (50 percent), and therefore are the most important factor in receiving the STIP bonus. Safety results are followed by net income (15 percent), optimization of operating performance (15 percent), cash flow from operations (10 percent) and claims management (10 percent). This weighting emphasizes that working safely is the most important action eligible employees can take to positively impact Noble’s shareholder value.

Continuous improvement in safety performance continues to be a top corporate objective, and is the CEO’s stated top objective. In addition to reducing injuries, Noble’s safety performance improves our bottom line through lower injury claims and less downtime.

Noble is a leader in efforts to minimize the impact of drilling operations on the environment. As an example of our progressive practices, in 2003 Noble created a three-year baseline of data on engine diesel fuel consumption and became the first drilling contractor to complete a three-year baseline of greenhouse gas emissions (Exhibit Q) for every rig in our fleet. The data covers the years 2001-2003. It is helping Noble to develop maintenance programs that will improve engine efficiency. Engines that run efficiently consume less oil, which lowers their emissions and reduces costs for both Noble and our clients.

In 2000, Noble became the first offshore drilling contractor to certify a mobile offshore drilling unit to the ISO 14001 standard for management and protection of the environment. Today, Noble continues to lead the industry in ISO 14001 certifications, with 40 drilling units and locations worldwide.
certified to ISO 14001. Noble pursued and achieved all of these certifications voluntarily. Our goal is to receive ISO 14001 certification for all of our assets. ISO 14001 certification ensures that Noble operates to the highest international standards; continuously improves environmental performance; lowers our business risk from an environmental perspective; and heightens stakeholder confidence in our management systems because our environmental practices are certified by a third party.

**Continuous and Systematic SH&E and Business Performance Improvement**

To continuously improve our service to clients, every Noble client receives a Quality Improvement Survey. Clients are asked to rate Noble’s performance on eight criteria: HSE; rig and equipment operating efficiency and reliability; rig manager and driller performance; orderliness and maintenance of drilling unit; professionalism and responsiveness of Noble team; problem resolution; quality of food and cleanliness of quarters; and overall value. In addition, clients have the option to comment on exceptional employees and make suggestions. The Chairman and CEO, top operations management and rig management review the returned surveys. Rig managers are accountable to make improvements based on the survey results.

Audits are a key component of our continuous improvement efforts. Noble’s HSE audit plan ensures that all levels of our organization comply with corporate policies and procedures; government rules and regulations; and international regulations and standards such as ISO 14001, ISO 9001 and the ISM Code.

Informal audits occur virtually daily aboard drilling units. Division management conducts regularly scheduled rig audits. Corporate management strives to audit every division during the course of a year. Audits cover operational and HSE policies, HSE metrics and engineering design standards.

Noble’s safety goal is zero incidents. We have continuously improved our safety results for 11 consecutive years, effectively getting closer to this goal every year. Noble measures safety results quarterly and yearly, against internal historical results and IADC/industry results.
Noble’s **Policy of Environmental Protection** documents our commitment to preserve and protect the environment through pollution prevention, continuous improvement, and collaboration with government agencies to develop and adhere to legal requirements for environmental protection.

Noble’s pursuit of **ISO 14001 certification** for all eligible assets is our most effective vehicle for continuous improvement in environmental protection. Our drilling units and locations must attain the highest international standards for environmental management and protection in order to be ISO 14001 certified. ISO 14001 certified rigs and locations are subject to third party review every six months to ensure they maintain the standards and practices they put in place to receive initial certification, and that they continuously improve their performance.

**Dynamic Nature and Interactivity of SH&E with Other Operational Functions**

HSE is fully integrated into Noble’s business strategy and day-to-day management, facilitating interaction with human resources, risk, finance, investor relations and other corporate functions. There are two key methods of ensuring that organizational and HSE changes are reconciled within Noble.

The Noble Way Health, Safety, Environment and Quality (HSEQ) Management System provides a method for the timely update of HSEQ policies, processes and practices. In the course of these updates, the HSEQ Department continuously communicates and coordinates with other affected areas, such as human resources, labor relations and engineering. For example, HSE constantly seeks methods of improving safety by reducing the amount of manual handling involved in drilling operations. The HSE staff works with engineering, human resources, training, risk management and other relevant staff to design and introduce equipment, tools and processes that reduce manual handling.

The second method for integrating HSE with business strategy is training and professional development. The Safety Leadership Workshops integrate leadership development and safety training with investor relations, benefits, human resources and other corporate topics. This helps operations employees understand how HSE affects the total business.
Demonstration of Improvement in Productivity Through SH&E

Several programs and initiatives at Noble demonstrate the connection between continuous improvement in HSE and productivity.

I.D.E.A.S.™ (Improved Drilling Efficiency Accountability System) was introduced in 1995 to encourage and document activities that improve the efficiency of drilling operations. I.D.E.A.S.™ requires establishing benchmarks based on past performance, utilizing an adopted measurement system to track progress against these benchmarks, and improving performance through pre-planning, critical path analysis and personnel training. The program stresses that the actions required to increase efficiency – pre-planning, communications and teamwork – promote and enhance safety (Exhibit N).

I.D.E.A.S.™ and NDOR are complementary programs. Through shared coding to record operational and safety data, both programs improve job planning, which leads to safer operations.

A related practice is maintaining a Job Safety Analysis (JSA) for any work that is potentially hazardous to personnel or equipment. Noble has a database of 10,244 JSAs, which break down a work task into manageable steps and analyze each step methodically to evaluate the potential for risk.

Noble has employed the Lean Six Sigma process to improve operational results and recorded a concurrent improvement in safety results. In Brazil, using Lean Six Sigma in 2003 resulted in a 20 percent reduction in operational downtime, a 46 percent reduction in LTIs and a 54 percent reduction in recordable incidents saving the Company millions of dollars. Noble believes that Lean Six Sigma’s systematic, fact-based problem-solving approach improves efficiency and heightens employees’ overall awareness and powers of observation, leading to increased focus on safety.

SH&E MANAGEMENT SYSTEM

Management Leadership and Commitment

A primary demonstration of Noble management’s leadership and commitment to continuous improvement in HSE results is the Company’s goal to voluntarily and proactively certify all drilling units and shore-based operations to the ISO 14001 Environmental Management Standard. Currently, 40 Noble
drilling units and shore-based operations worldwide are ISO 14001 certified. The comprehensive Noble Way Health, Safety, Environment and Quality (HSEQ) Management System is certified to ISO 14001.

A total of 18 drilling units and locations are certified to the ISO 9001 quality management standards. In addition, 13 Noble drilling units in Mexico and Brazil are certified to the ISM Code.

Senior management provides strong, visible leadership and commitment to the HSEQ Management System. This commitment translates into the necessary resources to achieve continuous HSE improvement. Noble increased our spending on HSE as a percentage of net income from about 5.1 percent in 2001 to about 8.5 percent in 2003.

Organizational Communications and System Documentation

Noble management communicates about HSE internally through weekly worldwide operational conference calls; monthly safety reports and division HSE Dashboard summaries; quarterly HSE Committee meetings; Environmental Steering Committee meetings where management monitors continuous improvement in environmental performance; Safety Leadership Workshops; and in-house magazine. Information about Noble’s HSE performance is available to external stakeholders, as well, in the annual report (Exhibit C); and Sustainable Global Performance Reports for 2002 and 2003 (Exhibits A and B).

At the operations level, employees and rig management engage in daily communications about HSE through pre-job safety meetings, Job Safety Analyses, the Permit to Work process, and behavior-based safety observation programs such as Advanced STOP™.

Noble documents HSE policies, practices and processes in the HSEQ Management System. We also record and document HSE metrics; safety alerts and HSE lessons learned; incident database (root cause and corrective action taken); emissions; and audit and corrective action taken.

Noble’s integrated HSEQ Management System provides a common framework for:
- determining and implementing policy
- complying with all applicable regulatory and client requirements
- setting goals and objectives
- measuring and reporting key performance indicators
- providing feedback mechanisms to continually improve performance
Within the management system, corporate policy is supported by each division’s local HSEQ Management System procedures and supporting documentation. If a business risk is identified, it is visible in the system in the form of a procedural control in place to manage it.

Noble maintains all HSEQ policies, procedures and standards in a web-based environment. This enables Noble to update the management system quickly and efficiently and disseminate policy and best practice throughout the Company.

Assessments, Audits, Evaluations and Continuous Improvement

Noble philosophy supports a management system that facilitates continuous improvement through strict process control, behavior based safety leadership and environmental stewardship. Every significant activity is controlled by the HSEQ Management System with formal procedures, management system documents, process flow charts or formal work routines. These have been established to effectively manage safety and environmental risks associated with a particular task or activity.

Key HSEQ Management System Elements include:

000 Policy and Management Commitment – Employees at all levels are held accountable for HSE performance.
100 Tender and Contract Management – Customer requirements are identified, resolved and documented.
200 Design Control and Project Management – All projects and change are evaluated early in their design phase for HSE impact.
300 Operations and Resource Management – Operations management and process control is key to maintaining a safe and efficient workplace.
400 Maintenance Management – Maintenance of equipment is critical to ensuring operational integrity and safety within the work environment.
500 Communication and Administration – Open lines of communication are important in ensuring people have the necessary information to work safely.
600 Personnel Management and Training – Meeting high performance standards requires that employees are competent and continuously developing skills.
700 Purchasing and Logistics Management – Sourcing products and services that are fit for purpose ensures operational safety and asset integrity.
800 HSEQ Risk Management – Systematic review to evaluate and manage risk helps prevent incidents.
900 Emergency Preparedness and Response – Emergency preparedness ensures that in the event an emergency arises, its effects will be mitigated.
1000 Control of System Integrity – Systems integrity processes facilitate information management and feed the continuous improvement loop.
Noble’s internal HSE audit plan calls for regular audits of HSE policies and metrics, operational policies and engineering design standards. Drilling units and divisions are audited regularly by rig, division and corporate management. In addition, every ISO 14001-certified drilling unit and location is audited regularly by a third party to ensure compliance to the standards and continuous improvement.

Hazard Recognition, Evaluation and Control

Noble policies and processes related to hazard recognition, evaluation and control include Advanced STOP™ observations and audits; JSAs; Permit to Work system; pre-job planning; Pause Program pertaining to changes occurring to the work site or people; and performing the work. All policies and processes are documented in the Safety Policy Manual, which is included in the HSEQ Management System.

Workplace Design and Engineering

Noble’s Design Control and Project Management policy governs HSE staff involvement in ensuring the design and development of a safe, healthful working environment and equipment. The Engineering and HSE Departments are actively involved in designing and purchasing equipment, materials and products to minimize the risk to human health and safety and the environment.

In addition, Noble has amassed a comprehensive database of the workplace environment on all Noble drilling units in the Europe Division. Every process, task, piece of equipment, physical area and chemical is part of the database designed to identify and map the possible hazards on-board each rig. Employees actively participate in collecting data and mapping workplace exposures, gaining insight to help them modify behavior, improve work methods and avoid problem areas. We continuously update the database, which Noble developed in-house.
Operational SH&E Programs

The Noble Safety Policy Manual documents all programs and processes pertaining to external exposures. These include the Permit to Work System; contractor audit and approval process; and maintenance management by in-house and contracted third party services. HSE coordinates with the Risk Management Department to ensure the compliance of all contract and subcontractor work.

Employee Empowerment and Involvement

Noble policies and training directly spell out the responsibility of every Noble employee to watch out for their personal safety, the safety of those around them, and the environment. Noble’s “Right to Refuse Work” policy empowers every employee to refuse work that he or she believes to be inherently dangerous. We take this one step further by obligating employees to stop any job they feel is inherently unsafe.

Employees are engaged daily in cooperative efforts to contribute their ideas to a healthier, safer and cleaner workplace. Programs and processes in place that encourage or require this cooperation include the Job Safety Analysis, safety meetings, Advanced STOP™ and Safety Leadership Workshop.

Employee empowerment and involvement are reinforced through individual and asset-level safety awards and STIP bonus.

Motivation, Behavior and Attitude

From their first day on the job, Noble employees learn about “The Noble Way” of doing things. Noble employees are expected to do their best, support the team effort, work safely and be responsive at all times. The expected behaviors and attitudes are communicated in entry-level training for roustabouts and the Safety Leadership Workshop attended by rig supervisory and non-supervisory personnel. Motivation, behavior and attitudes are covered thoroughly in the Noble Supervisor Manual, are a common theme in the Safety Policy Manual and are addressed in annual performance appraisals.
Employee Competency-Building

Noble’s competency-based, entry-level training ensures that roustabouts and floorman can do their jobs safely and to the best of their abilities. Noble established a Competency Assurance Program in the Europe Division in 1994 and proactively introduced the program in the Gulf of Mexico Division in 2003. The process formally documents the competency up to the level of rig manager. Employees must provide proof of their competency by documenting specific criteria for job knowledge, performance and training. After establishing competency in their current job and performing the job for a set time period, employees may begin working on the core competency requirements for a position at the next higher level.

PERFORMANCE MEASUREMENT AND INFORMATION MANAGEMENT

Noble’s health, safety, environmental and business performance standards are based on accepted industry and international standards and guidelines. In over 80 years of operation, Noble has found these established, respected measures and standards to be the most valid, reliable, comparable and useful. We continuously work on improving our data collection and management for better feasibility and accessibility. The Noble HSEQ Department regularly audits internal performance measures to ensure they continue to add value.

The Company’s health and safety standards primarily are provided by or based on guidance from the International Association of Drilling Contractors (Exhibit J) and National Safety Council. In addition, our health and safety programs utilize guidance from the Red Cross, American Heart Association and other recognized authorities.

Noble has developed environmental performance standards in compliance with international standards, including ISO 14001 and the International Safety Management Code. The Noble Way HSEQ Management System complies with and is certified to the ISO 14001 standard. Noble has 40 rigs and shore-based operations certified to the ISO 14001 standard and a goal to achieve this certification for all eligible assets. This ensures that our operations meet the highest recognized international standards.
Noble complies with environmental reporting requirements of the Minerals Management Service and Coast Guard, among other government entities, in the U.S., and comparable regulatory bodies in other nations where we have operations.

Noble’s specific performance measures include a wide variety of lagging and leading indicators. This provides a historical perspective as well as the ability to spot trends and take preventive measures.

All results are reported to the CEO and senior management monthly, quarterly and at year-end, broken down by individual rigs and operational divisions. Yearly statistics for safety incidents, hours worked, emissions levels, energy consumption and recycling are reported in the 2003 Noble Sustainable Global Performance Report (Exhibit A).

In addition, in 2003; the HSEQ Department introduced a new monthly HSE Dashboard Report (Exhibit L) that summarizes key data by division. The dashboard focuses attention on recordable incidents, JSAs, STOP™ observations, HSE audits by management, recycling totals and carbon dioxide emissions. The goal of increased focus is improvement.

Certain key indicators have been in use for years or even decades. These include LTI and recordable incident rates. We compare rates for LTIs and recordables against internal benchmarks established in 1985.

Noble continuously reviews our use of leading and lagging indicators to ensure that we are measuring and improving in the right areas. For instance, we began measuring recycling data (in pounds) in 2002 after successfully launching recycling in our entire Gulf of Mexico fleet. In 2003, we created a three-year baseline to measure and report engine diesel fuel consumption, carbon dioxide emissions and greenhouse gas emissions for every rig as part of our plan to reduce diesel consumption and emissions.

In addition, Noble records and documents HSE metrics; safety alerts and HSE lessons learned; incident database (root cause and corrective action taken); emissions; and audit and corrective action taken. The management system and other HSE records are available online and/or on the Company server.
The Use of Key Leading Indicators

Noble defines a key leading indicator as a metric that is generated proactively with the goal of preventing an undesired event. Leading indicators include the following (Exhibit K):

- HSE audits of Noble-owned or operated installations by shore-based management, normally in the form of pre-prepared checklists. Rig management receives feedback upon completion of the audit.
- HSE audits of Noble-owned or operated installations by rig-based management, normally in the form of pre-prepared checklists. Rig management receives feedback upon completion of the audit.
- A Job Safety Analysis (JSA) may be created, reviewed or updated, as needed, to ensure the safe and efficient completion of new or repeat tasks.

As an example of Noble’s successful use of leading indicators, we identified hand and finger injuries as an area for improvement based on a review of JSAs and initiated a Hands Off safety program in mid-2001. In the first quarter of 2004, hand and finger injuries were approximately 50 percent lower than at the time of program inception (Exhibit S).

The Use of Lagging Indicators

Noble measures and reports numerous indicators that provide a historical baseline for tracking performance, including the following (Exhibit K):

- Incidents, including first aid; recordable; lost time; near hit/miss; damaged equipment; uncontrolled discharges (such as spills); consumption of diesel and oil/lubricants (gallons); emissions/waste; general waste/garbage; and regulated/hazardous waste including liquid paint and paint thinner, solvents fluorescent light tubes, medical/biological waste, batteries and oily waste materials.
- Recycled materials (materials segregated from garbage and general waste)
- Greenhouse gases
- Personnel (average number of employees, terminations and turnover)
- Work permits (hot, cold, over-the-side, man-riding and critical lifts)
- Operations safety meetings (pre-tour, weekly, pre-job and post-job)
- Emergency drills (environmental, fire, abandon rig, hydrogen sulfide, man overboard, man down/injury, stability/ballast control and helicopter)
- STOP™ Cards for safe and unsafe actions (STOP™ is a behavior-based safety observation program)

In terms of business performance, Noble uses accepted financial, accounting and investment reporting measures. We comply with all applicable laws, regulations and standard practices in countries where we operate, including the U.S. Securities and Exchange Commission. Our financial results are...
subject to internal and external third-party auditing annually. Noble complies with all aspects of the Sarbanes-Oxley Act of 2002.

Noble’s financial objective is consistent profitability in a highly cyclical business. We have successfully met this objective by building a premium fleet and providing quality service around the world. Noble is a NYSE-listed company and a member of the S&P 500. Noble’s S&P investment rating is A- and our Moody’s Investors Service rating is Baa1. The Company is extensively covered by stock and financial analysts. Approximately 85 percent of our common stock is held by institutions and mutual funds.

In 2003, Noble posted our third best year with respect to net income, despite a relatively sluggish business environment and unfavorable market factors, while continuing to lead our peer group in fleet expansion with the acquisition of two premium jackup rigs and options to purchase two additional premium jackups. The fourth quarter of 2003 was Noble’s 34th consecutive quarter of positive earnings. In 2004, Noble outperformed our peer group with the highest return on capital employed, earnings per share (for the fourth consecutive year) and cash flow per share (Exhibit M).

Noble’s financial strength enables us to support initiatives and programs to ensure the safety of our people, the efficiency of our equipment and continued growth and sustainability of the Company.
SH&E RESULTS

Continuous SH&E Performance Improvement

Continuous improvement is the main driver of Noble’s HSE efforts. Noble employs a wide range of performance standards, including leading and lagging indicators, to track HSE performance, all with the goal of identifying trends and initiating measures to promote improvement.

Specific areas measured include: STOP™ cards; Job Safety Analysis (JSAs); HSE audits; general and regulated/hazardous waste; six categories of recyclable materials; diesel and oil consumption; greenhouse gas emissions; work permits; safety meetings; number of emergency drills.

All results are reported to the CEO and senior management monthly, quarterly and at year-end, broken down by individual rigs and operational divisions. Yearly statistics for safety incidents, hours worked, emissions levels, energy consumption and recycling are reported in the 2003 Noble Sustainable Global Performance Report (Exhibit A).

In 2003, the HSEQ Department introduced a new monthly HSE Dashboard Report (Exhibit L) that summarizes key data by division. The purpose of the dashboard is to focus attention on recordable incidents, JSAs, STOP™ observations, HSE audits by management, recycling totals and carbon dioxide emissions. The goal of increased focus is improvement.

Noble has used certain key indicators for years or even decades. These include lost time incident (LTI) rates and recordable incident rates. We compare LTI and recordable rates against benchmarks established in 1993. Noble continuously reviews our use of leading and lagging indicators to ensure that we are measuring and improving in the right areas. For instance, we began measuring recycling data (in pounds) in 2002 after successfully launching recycling in our entire Gulf of Mexico fleet. In 2003, we began measuring and reporting carbon dioxide emissions for every rig as part of our plan to reduce both carbon dioxide and greenhouse gas emissions.

In addition, Noble records and documents HSE Metrics, Safety Alerts & HSE Lessons Learned, Incident Database (Root Cause and Corrective Action Tracking), Emissions, and Audit and Corrective...
Action Tracking. All these databases and metrics are accessible to every Noble employee through the online HSEQ Management System.

![Fleet-wide Post Consumer Recycling Data](image)

Since introducing recycling in the Gulf of Mexico Division in 2002, Noble rigs and locations have recycled more than one million pounds of waste materials worldwide. Noble’s recycling program prevents water pollution and keeps waste out of landfills. We introduced recycling in Brazil in 2003 and are working with clients to expand the scope of our recycling capabilities in all areas of operations.

![Carbon Dioxide Baseline Emissions](image)

Noble measures engine diesel fuel consumption and carbon dioxide (CO2) emissions from operations as the basis for determining greenhouse gas emissions from our operations. Diesel consumption and related emissions increased in 2003 compared to 2002 due to fleet expansion.
Noble’s rate of lost time incidents has decreased for the past 11 consecutive years, compared to both internal and IADC industry benchmarks. Noble recorded six LTIs in 2003 compared to nine in 2002. Continuous improvement in safety performance is the result of reinforcing Noble’s true safety culture with written policies, training, development, behavior based awareness programs and recognition.

**OTHER FACTORS**

Noble continues to grow our fleet through acquisitions and to deploy the fleet in international markets where our clients are active. Since 2001, Noble has added 10 rigs and 322 employees to the fleet.

This poses challenges to HSE performance initiatives such as ISO 14001 certification. Every year, new rigs must be integrated into our systems and, if necessary, brought up to Noble standards. New rig crews and shore-based employees must be introduced to The Noble Way of doing things, Noble’s true safety culture and numerous continuous improvement initiatives. Noble must comply with HSE and business laws, regulations and standards in new countries of operation.

Noble’s HSEQ Management System, Safety Leadership Workshops, and true safety culture enable the Company to achieve systematic integration of new rigs and employees.

**CONCLUSIONS AND RECOMENDATIONS**

From 2001-2003, Noble experienced our three most successful years with respect to financial returns (specifically earnings per share) and HSE performance, compared to both internal and industry benchmarks. Noble achieved these successes despite sluggish industry and general business conditions.
Our accomplishments are the result of concentrated focus on business, operational and HSE results, and of the Noble philosophy. This philosophy supports a management system that facilitates continuous improvement through strict process control, behavior based safety leadership and environmental stewardship.

It is Noble’s experience that sustained business and HSE excellence and continuous improvement don’t happen by accident. They require leadership commitment to integrity, strong and deeply held values, and a true safety culture. These are elements of The Noble Way that are communicated and reinforced daily.