

Welltec Annual Report

Welltec International ApS
CVR No.: 30695003
Gydevang 25, DK-3450 Allerød

Welltec International's Annual report 2022
Approved at the Annual Shareholders'
Meeting on 11 May 2023



Meeting chairperson: Ole Nørgaard



Welltec®

Environment, social, and governance

The following statement on Environment, social, and governance (ESG) pursuant to the Danish Financial Statement Act Section 99a, b and d is part of the Management Review in the Annual Report 2022. It also serves as the Group's Communication on Progress as required by the UN Global Compact. We continue to support and promote the principles of the UN Global Compact in our sphere of influence, in particular by integrating them in our business operations. For our description of the Welltec business model, please refer to page 11.

Completions
Manufacturing
in Saudi Arabia



Environment, social, and governance **continued**

Environment, social, and governance Policy

Welltec focuses its ESG efforts on areas and issues directly affecting our business. We have outlined our responsibility in policies developed to comply with the objectives of ESG. The policies are approved by the Board of Directors. These principles are reviewed on a regular basis and updated against relevant codes of corporate governance and international standards, including the UN's Universal Declaration of Human Rights, the ILO's Declaration on Fundamental Principles and Rights at Work, the OECD's Guidelines for Multinational Enterprises, the Rio Declaration on Environment and Development, the UN Convention against Corruption, as well as applicable legislation governing the interest of our stakeholders. In addition to working towards the respect for human rights, we strive to make sure that Welltec's business, including the people contributing to it, is not involved in or related to any form of human rights abuses.

Our ESG Policies are incorporated in a Code of Conduct applicable globally and was updated in 2021 to further clarify our Entertainment policy in the countries we operate in. The areas currently covered by the Code of Conduct are: (i) Business Ethics, (ii) Anti-Corruption, (iii) Health, Safety and Environment, (iv) Employment, (v) Customers, and (vi) Community. The responsibility of monitoring overall ESG compliance has been delegated to the heads of Legal, Human Resources, QHSE (Quality, Health, Safety, and Environment) and commercial departments.

The policies continue to be communicated to all employees and are accessible on both our website and intranet and through awareness training. Moreover, a concerted effort is made to ensure that these are rooted in our thinking and our way of doing business.

Business Ethics Policy

At Welltec 'we say what we do and we do what we say'. This principle is the back-bone of Welltec's Code of Conduct and promotes certainty in relation to all our stakeholders that predictability and reliability are the norm when dealing with Welltec. It is our policy to comply with all laws, rules and regulations applicable to our business and we strive to follow the course of action leading to the highest degree of integrity in situations where the law may be permissive.

Implementation

Integrity and ethical conduct is a fundamental part of management procedures and Welltec's Code of Conduct and is an underlying driver in all we do. The methods we employ to attain results are as important as the results themselves. Welltec employees are expected to perform their work with honesty, truthfulness and integrity, and conduct their business affairs fairly. All employees are responsible for the immediate and accurate reporting to higher management of work-related information of importance to the governing guidelines. We strongly encourage dialogue to make each other aware of situations that give rise to ethical questions and to articulate acceptable ways of handling those situations.

Welltec® Puncher, WP218. Non-explosive, high precision casing and tubing puncher developed for slim-hole applications



Environment, social, and governance continued

Key Results in 2022 and Future Plans

The Code of Conduct includes a training program for all existing employees. The training program was continued as mandatory for all new employees during their onboarding process and regular reminder and awareness training was conducted for all employees.

To continually improve our efforts to facilitate sound business ethics, an externally supported compliance audit program has been launched to focus on awareness training and to encourage direct reporting on matters of concern and the use of our whistle-blower program.

We have continued to conduct an anti-trust training program for all relevant employees also including more specific awareness building around areas of potential conflicts of interest. We will continue to work actively with human rights by conducting code of conduct training and spreading awareness.

Anti-Corruption Policy

Our conviction to uphold ethical standards in all our corporate activities is a common mindset of all our employees and we strive to do business with customers and suppliers of sound business character and reputation. We have strict guidelines covering facilitation payments, bribery, entertainment and gifts, and our screening processes provide full transparency to mitigate the risk of corruption.

Implementation

Welltec maintains a general Partner Screening Program applicable for agents, representatives and joint venture partners in territories where transparency and corruption are imminent issues. This includes a questionnaire combined with a review process under which a potential partner is vetted for undue relationships and channels of influence. Furthermore, Welltec operates a zero-tolerance policy towards corruptive behaviour of employees and representatives.

The Code of Conduct review and training in 2022 included the section on anti-corruption. The review was monitored by the Legal Department and the HR Department.

Key Results in 2022 and Future Plans

Multiple partner screenings were performed in 2022. In our screenings we continue to use external screening partners and their databases. We use a global screening service, which supports our due diligence and mitigate risks relating to financial crime, bribery and corruption.

We have further maintained our Anti-Bribery and Corruption program. We continue to improve the screening procedures, review processes and further incorporate additional initiatives based on US and UK anti-corruption legislation, including incorporating appropriate measures in our contracts. We also carry on screening of vendors. Furthermore, we continue to monitor the initiatives and guidelines issued by relevant international bodies to identify policies and procedures that could improve our anti-corruption measures.

Implementation

We strongly oppose facilitation payments. However, facilitation payments are still a challenge to some parts of our business, and we continue to train our employees in how to handle these situations and avoid facilitation payments. We focus in particular on employees in high-risk countries and where interaction with public authorities is frequent.

Health, Safety and Environment (HSE) Policy

Welltec's mission is to provide effective and quantifiable energy solutions in a safe and sustainable manner. Our lightweight engineering and technological solutions are constructed with the vision to improve safety of our employees, customers and everyone that comes into contact with our operations. Furthermore, the respect for and preservation of the environment is a key element of our business proposition and as such an integrated way of thinking in Welltec, driving reduced environmental impacts, fuel consumption and carbon footprint. We already see the changes in the industry, and we believe that the environmental perspective will become a key business parameter for the selection of our products and services. We are committed to developing and applying occupational health and safety standards and practices that are appropriate to the risks associated with our business activities. This is leveraged through a culture of learning and continuous improvement of internal Health, Safety and Environmental standards, procedures, and practices.

Implementation

HSE is an integral part of all decision-making, process-design and internal training programs. Management meetings are opened with a review of any health and safety events or focus areas. All locations have a HSE representative employed to lead the HSE efforts, ensure compliance with Welltec policies and local legislation and conduct monthly meetings where all employees are required to attend. New hires attend a QHSE introduction program and participate in our Safety Card Observation Program (SCOP) to report on and proactively encourage safe working practices. At any local operation, we ensure that respect for the environment is applied such that sustainability and recycling is promoted and secured to the greatest extent reasonably possible, while at the same time closely monitoring consumption of chemicals, waste, electricity, heat and water. All safety and environmental incidents are recorded and analysed to ensure adoption of best HSE practices and to safeguard the environment.

Key Results in 2022 and Future Plans

Throughout 2022 Welltec delivered solid HSE performance despite the continued increase in global activity levels. Frontline TRCF (Total Recordable Case Frequency) was improved year-over-year and finished lower than the reference IOGP (the International Association of Oil & Gas Producers) TRCF rate for 2021, underscoring the solid performance.

Several important initiatives were launched in 2022. The adoption and implementation of

Environment, social, and governance **continued**

the IOGP 'Life Saving Rules', was a key lever to promote the HSE agenda internally. Internal standardized 'Life Saving Rules' campaigns were developed and distributed to all Welltec sites globally, to strengthen and promote the HSE agenda building on industry best practices. An internal 'Safety Award Program' – building on the internal SCOP, was rolled-out globally to recognise and encourage an engaged safety culture across all Welltec sites. Finally, Welltec continues to take an active role in reducing CO2 emissions from our manufacturing facilities, through the continued adoption of green energy sources.

Quality

Quality is, and has always been, deeply ingrained in all processes at Welltec. Welltec is ISO 9001 certified by "Det Norske Veritas" (DNV), with periodic recertification audits every 3 years. Additionally, Welltec's Management System and processes have been further developed to comply with API Specification Q1 and Q2 certifications. Welltec Brazil has achieved API Specification Q1 and Welltec Esbjerg manufacturing facility has formally also applied and been audited for API Specification Q1 certification and awaiting final certification. The Group QHSE function performs internal Management System audits at headquarters and local bases, to assess the effectiveness of the internal Management System of Welltec. The audits are the prime instrument for reviewing the business interfaces internally between headquarters and bases, and externally with customers to create specific action points for

the cycle of continuous improvement. Welltec's facilities are further externally audited by relevant government authorities and certification bodies. Furthermore, oil operators, service partners and authorities perform external audits to assess Welltec's ability to effectively manage the hazards associated with the services provided.

All quality incidents are recorded and analysed to ensure adoption of best practices and to safeguard and continuously improve the service and product delivery.

Key Results in 2022 and Future Plans

Throughout 2022 Welltec delivered strong and record high Service Quality performance within both the Completions and Interventions segments. The strong Completions Service Quality was delivered despite a substantial uptake in product deployments across various new markets. The strong Interventions Service Quality performance was delivered despite a significant uptake in global activity levels, and a continued increase in job complexity. Several important initiatives were identified and launched in 2022 – founded on a detailed, structured, and centralized incident handling process. The development and global implementation of the 'Fundamental 5' quality agenda, combined with the strong 'frontline staff' performance, was a key driver for Service Quality in 2022. Furthermore, several important product and tool enhancements were identified and implemented throughout the year, increasing service and product reliability.

Close up of WAB®, welded section



Environment, social, and governance

continued

Employment Policy

In Welltec we believe that our employees, their skills and their competencies, are the foundation of our business. Therefore, and with consideration to the often-challenging working conditions in the field, Welltec applies measures which 'go beyond the norm' to safeguard and maximize the employees' health and safety while performing their duties.

Welltec recognizes a shared responsibility on behalf of all employees to exercise the human rights principles of mutual respect and dignity in all working relationships and consequently enforces a policy of zero tolerance regarding harassment or discrimination. All employees have access to the whistle-blower system and complaints regarding discrimination can be filed there.

There have been no cases reported in the whistle blower system regarding discrimination or harassment in 2022.

Welltec adheres to a Diversity and Equal Opportunity Employment Policy approved by the Board of Directors in 2014. The policy formalizes our commitment to always choosing the best person for the job regardless of that person's race, religion, disability, gender, sexual orientation, age, or nationality.

Welltec actively recruits employees from many sources, including first-tier academic institutions as well as leading companies in the industry, depending on the requirements for a given position.

A variety of profiling tools are used to assess the candidates. Furthermore, we actively encourage mobility and career progression within Welltec.

Welltec operates an extensive in-house training program which covers core operational aspects as well as sales skills and programs aimed at legal compliance. Participation is registered and tracked in the HR system, enabling on-going identification of training needs and supporting work-force planning.

For long-term ill employees, we work closely and actively with local authorities and municipalities to define individual solutions, including definition of flex jobs (permanently reduced work time), temporarily reduced work time, redefinition of work area, etc.

Employee diversity

The employee population is very diverse with respect to nationalities, reflecting the truly global nature of the company. As such there are 54 nationalities employed by Welltec.

Our policy on the diversity agenda is to reflect and secure equal opportunities especially within management positions.

As is common in the oil and gas industry, the share of females is low in Welltec, however, Welltec actively works to increase the share of females in management positions, for example, by putting the needed extra effort into identifying relevant female candidates when recruiting which we will continue to work on in the coming years. At present, women make up 16% of the

total employee population which is the same level as 2020 and 2021. Welltec aims to increase the share of female in management positions to at least 20% in 2024. On a managerial level, women make up 14% of managers, which is a 2% increase compared to 2021. The Senior Management team consists of two male members, the Chief Executive Officer and the Executive Officer. The Board of Directors previously set the objective to have at least one female member before or at the latest in 2024. This was achieved in 2022, as one female member was appointed in March 2022. As of 31 December 2022, the Board of Directors consists of five male members and one female member. The Board of Directors is looking to appoint at least one more female candidate before 2024.

Key Results in 2022 and Future Plans

2022 was an exciting year for Welltec, as activity was high throughout the year and presented a change in the mix of jobs from the simpler interventions to more complex operations.

Welltec managed to come out with great results thanks to our great employees who have proven themselves to be willing to go above and beyond of what can be expected.

The global survey of Employee Engagement was carried out in November/December 2022 with the aim of understanding the current state of our employee group as well as identifying possible areas of improvement. The survey was very well received with 86% of employees responding, which is very satisfying, and the survey clearly

showed that, despite the increasing activity and inflation, engagement has generally remained high in all geographic areas and in all topics. The average engagement score is 7.6 which is 0.1 above true benchmark with the Energy & Utilities sector. Welltec aims to conduct the Engagement survey twice annually going forward, to ensure we are always working with the most correct data to create and engaged and motivated workforce. To ensure that our workforce has the best possible skills to do their job and perform at all times, we continue to improve our ability to record, document, monitor, and evaluate our employees' professional skills, and the training and development thereof, through improved HR processes and IT systems.

Customers Policy

Welltec views customers as business partners and pursues an open and transparent relationship characterized by frequent dialogue and a focus on serving their best interests. It is our policy to provide solutions that excel in quality, conform to industry best practice, and adhere to responsible standards of performance, including taking due care and consideration to the protection of the environment and the health and safety of all people involved.

Welltec operates an open-door policy in situations where a customer or regulatory body wishes to investigate any aspect of our operations. Any sub-optimal or non-compliant findings from internal Welltec investigations are openly disclosed in the interests of maximum transparency and continuous improvement. It must be

Environment, social, and governance continued

noted that all client communications and client related data are held in the strictest of confidence unless they explicitly state otherwise.

Implementation

Welltec continuously strives to provide the best products and services, enabled by a structured and open collaboration with our customers. This is achieved through active management of the entire job cycle and by ensuring:

- That a critical analysis is performed prior to contract award safeguarding compliance with internal, customer and industry specific requirements and standards
- That investigations requested by the clients are performed and failure reports are prepared in a timely manner
- That lessons learnt are properly communicated throughout the organization to minimize the risk of re-occurrence

The efficiency of the service delivery is anchored in Welltec's corporate QHSE department, to ensure the highest standards are applied to match heightened expectations from customers, as the scope and complexity of services increase. The structured approach on incident-handling has driven significant improvements in frontline HSE performance and delivered significant improvements in service quality since being implemented in 2018.

Key Results in 2022 and Future Plans

In 2022 Welltec recorded the 2nd best service quality performance in Welltec history on the

backdrop of continued uptake in global activity levels. The development underscores the strength and robustness of the global service delivery process. Another key highlight was the continued increase in job complexity, which underscores the continued adoption of Welltec's unique and efficient service offering, where multiple solutions are combined into one tool string. An approach that has proven very efficient in high-end offshore environments.

The key achievements from 2022 underscore Welltec's ability to plan, deploy and execute highly complex operations globally in a very safe and reliable manner, which creates true value for our customers. Concurrently Welltec is taking an active role to deliver solutions to the broader energy transition. Based on our extensive experience in product development, material selection, testing and automated manufacturing we already reduce methane emission from gas producers; prolong the life of geothermal wells; prepare high integrity designs for carbon capture storage and hydrogen.

Environmental Initiatives Policy

As a service provider to a global energy industry, we play a crucial role in ensuring future energy supplies. It is one of our core competencies to provide technologies, products, and services that will drive the industry into an innovative future, ensuring a reduced impact on the environment, and with less risk to the health and safety of the people involved. We consider the continued focus on this competence as a vital part of

our responsibility towards the community. We operate from a significant number of premises in a variety of countries, and we have a responsibility to our employees, to the people living and working nearby, as well as the environment.

Implementation and Future Plans

We actively care and support measures to improve the environment in and around our operations.

New green initiatives implemented during 2022 at Welltec's main production facility in Allerød, include:

- Installation of a heat pump to provide heating and reduce natural gas consumption in 2023
- Energy consumption is partially covered by solar power, as of Q4 2022
- 90% of light sources changed to LED light
- Temperature sensors fitted in all administrative areas, monitored, and controlled through a central Energy Management System (EMS)
- Air compressor generated heat is recovered and transferred into one of the production buildings
- Charging stations have been installed for employee use with electric vehicles
- Food waste sorting has been introduced in the canteen

At our maintenance and production center in Macaé, Brazil, the roof of the workshop has been coated with a reflective nano-polymer

material. This reduces natural heating of the building from the sun, in turn reducing energy consumption from cooling of the workshop, saving an estimated 1.3 tons of CO2 per month.

In 2023, Welltec has already planned a number of new initiatives to save energy.

Community

Policy and implementation

We engage with communities at a range of levels in our capacity as customer, neighbor, employee, business, competitor, and resident. This engagement includes supporting local community groups and charities, and local initiatives for the development and education of young people in the areas where we operate.

Welltec works closely with local law enforcement agencies to address anti-social behavior, crime and vandalism.

Furthermore, our local offices provide support to community-based charities and projects in their respective areas, including support for employee efforts in fund raising and for small-scale projects.

Some of the projects we supported in 2022 include:

- Our colleagues in Angola equipped a new IT classroom for Lar Kuzola orphanage in Luanda
- In Malaysia, our fellow employees supported a Motor Neuron Disease Project

Environment, social, and governance **continued**

and Autism awareness week together with one of their customers

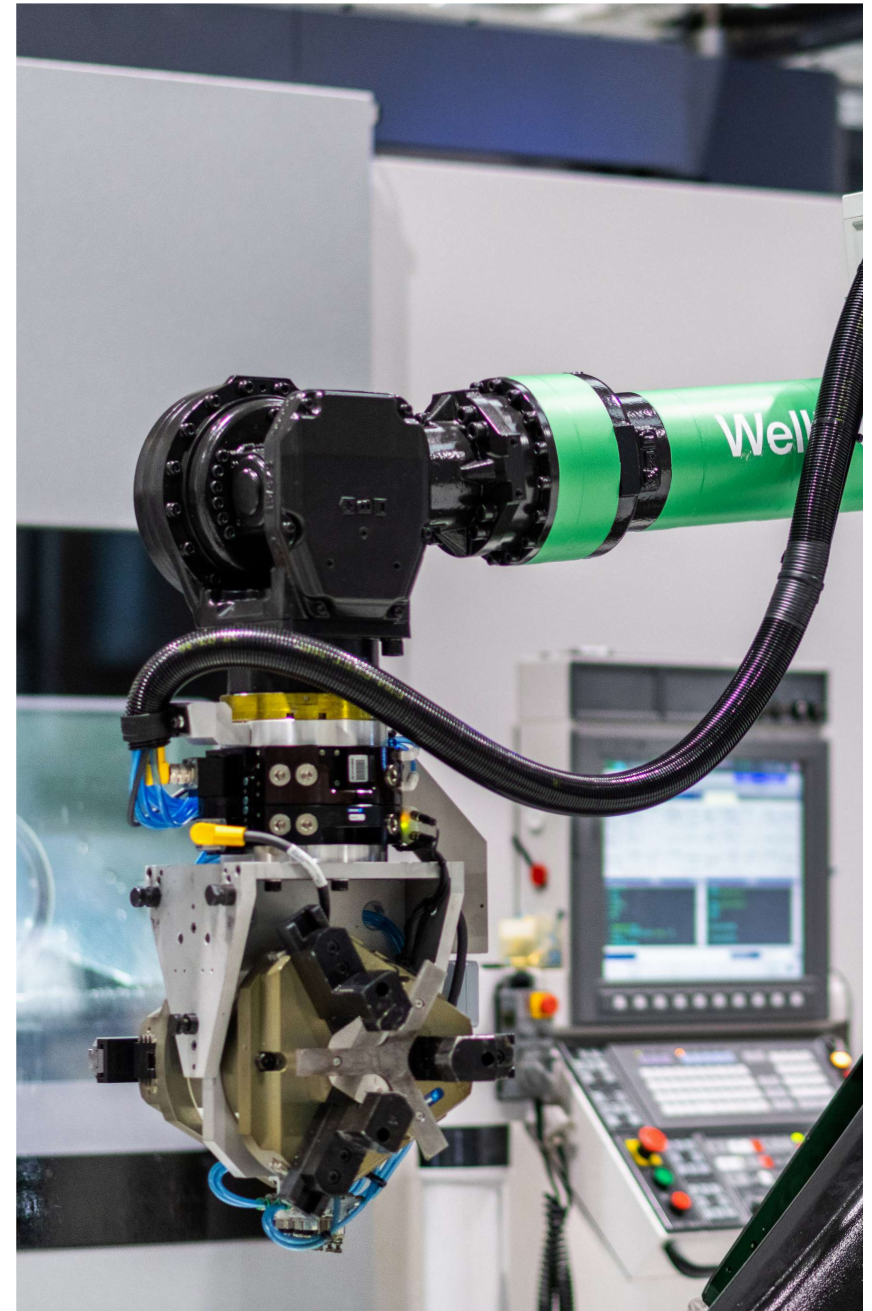
- Our USA team, among other projects, donated money to the Pittsburgh Children's Hospital and the Bethany House Academy sporting events
- Our UK colleagues continued their tradition of donating money to one charity per quarter, this year for Chest, Heart and Stroke; National Autistic Society; NHS Ward 108 Aberdeen Royal Infirmary; and Abernecessities Aberdeen.

In 2023, our localized teams plan to continue their engagement and support with their local communities across areas of health, sports, environment and education.

Data ethics

According to the Danish Financial Statements Act Section 99d Welltec must implement a policy for data ethics or explain the absence of such policy. In 2022 Welltec started to prepare this policy for data ethics, however Welltec decided to prolong the project to ensure that the policy is aligned with Welltec's business and finalize and implement the policy, when it is approved by the Board of Directors during 2023.

Fully automated
CNC machining
robot enables
24/7 operations
in Allerød,
Denmark



Company Details

Company

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Central Business Registration No: 30 69 50 03

Registered in: Allerød

Financial year: 1 January – 31 December 2022

Executive Board

Peter Hansen, Chief Executive Officer

Anders Qvortrup Christensen, Executive Officer

Board of Directors

Niels Harald de Coninck-Smith, Chairman

Alasdair Geddes Shiach

Benoît Ribadeau-Dumas

Klaus Martin Bukenberger

Maite Labairu Trenchs

Michel Pierre René Hourcard

Company auditors

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab