

Welltec Annual Report

Welltec International ApS
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Welltec International's Annual Report 2023
Approved at the Annual Shareholders'
Meeting on 7 May 2024

Meeting **chairperson**: Ole Nørgaard



2023

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 2023. 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 10.

Tool check
safety briefing
onsite Welltec
facility, Angola.



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.

We operate in areas that can have an impact on both the environment and human rights. We consider emissions from transportation of equipment between jobs on different continents as primary risks when it comes to environmental impact. Furthermore, primary risks related to human rights could be identified within our value chain e.g. in case our policies are not followed as intended in terms of fair labor and working conditions. We have strong focus on our activities and focus on a good and stable working environment for our employees. We see our suppliers as important stakeholders in our common pursuit of a more sustainable supply chain. In addition to working towards the respect for human rights, we strive to make sure that Well-

tec'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 that was updated in 2023 to further prevent conflicts of interest situations and clarify employees' obligation to declare situations where they become involved in dealings with customers, vendors or others which they have an association with. The areas currently covered by the Code of Conduct are: (i) Business Ethics, (ii) Anti-Corruption, (iii) Health and Safety 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.

We operate in a business where accidents or other complications could have consequences for the environment. Even though we are not directly exposed for this, we have a responsibility to ensure our operations are as gentle for the environment as possible.

Since 2021 we compensate for energy compensation by buying green power certificates, and in 2023 Welltec has bought electricity from Danish solar parks.

Geothermal environment, Iceland.



Environment, social, and governance continued

Installation of a heat pump at Allerød facilities resulted in significant reduction of natural gas consumption in 2023, as compared to 2022. In 2022 solar panels were installed on the roof of our Allerød facility. In 2023 solar panels reduced purchase of power and reduced CO2 emissions.

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.

Key Results in 2023 and Future Plans

With the development of the Code of Conduct came also 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. Further, we have conducted several supplier audits, and have evaluated their level of compliance with our code of conduct. If the suppliers are not assessed to meet our code of conduct, we will reconsider doing business with them.

To the extent deemed relevant, Welltec performs appropriate internal investigations into possible non-ethical behaviour by employees following internal controls or whistle-blowing. We have in continuation of notifications received concerning operational procedures and alleged training gaps in the US, conducted a review with local management and agreed and implemented initiatives to ensure that onboarding and training modules are adequate and completed on time. We have also encouraged that concerns are raised directly with management.

Following previous cases of non-compliance internal communication in respect of the compliance programs has continued, and awareness training sessions have been and will continue to be conducted at virtual and face to face meetings across Welltec. The externally supported compliance audit program that was initiated following non-compliance incidents in Africa and expanded to other countries and Areas have been concluded with no significant findings.

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.

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 2023 included the section on anti-corruption. The review was monitored by the Legal Department and the HR Department.

Key Results in 2023 and Future Plans

Multiple partner screenings were performed in 2023 among others to ensure compliance with human

rights. No violation of human rights were identified in 2023. 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.

Finally as a new initiative a specific anti-corruption commitment has been requested and obtained from a wide selection of vendors across Welltec representing a substantial portion of Welltec's external spend. 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.

Environment, social, and governance **continued**

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. Welltec is furthermore committed to developing and applying occupational health and safety standards and practices that are appropriate to the risks associated with our business activities eg. occupational injuries. This is leveraged through a culture of learning and continuous improvement of internal Health, Safety and Environmental standards, procedures, and practices.

Implementation

HSE is ingrained in every facet of our decision-making process, process design, and internal training programs. Our management meetings commence with a comprehensive review of health and safety events or focus areas. At each location, a dedicated HSE representative is appointed to lead our HSE efforts, ensuring strict adherence to Welltec policies and local legislation. To further bolster our commitment, we conduct monthly safety walks

and regular inspections across all our locations. 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 every local operation, we are dedicated to promoting environmental responsibility by actively prioritizing sustainability and recycling practices. Simultaneously, we closely monitor consumption of chemicals, electricity, heat, and water. Additionally, we are committed to minimizing waste generation and implementing effective waste management strategies. All safety and environmental incidents are recorded and analysed to ensure adoption of best HSE practices and to safeguard the environment.

Key Results in 2023 and Future Plans

Throughout 2023 Welltec delivered strong 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 and at an all-time low for Welltec, underscoring the positive traction and strong safety awareness across the Welltec organization.

Several important initiatives were launched in 2023 to maintain HSE awareness and promote continuous improvement. The continued adoption of the IOGP 'Life Saving Rules' was supported by quarterly 'Life Saving Rules' campaigns - building on industry best practices and distributed to all Welltec sites. Furthermore, Welltec's internal



Welder in Welltec's Manufacturing Center in Esbjerg, Denmark.

Environment, social, and governance continued

safety application SCOP (safety card observation program) was redesigned and relaunched across the organization. The relaunched SCOP application was a key lever to maintain HSE awareness, but also reduced 'process time' of observations by 80%, which was another key achievement for 2023. 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's Manufacturing Facility in Esbjerg and in Brazil have both achieved API Specification Q1.

The 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 2023 and Future Plans

Throughout 2023 Welltec delivered strong 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, and the strong Interventions Service Quality performance was delivered despite a significant uptake in global activity levels, and a substantial increase in job complexity. Several important initiatives were identified and launched in 2023 – based on the detailed, structured, and centralized incident handling process. One of the key initiatives implemented in 2023, was the reorganization of the global maintenance organization and the establishment of a Global Maintenance Center in the Middle East. This initiative strengthened the global maintenance process, boosted maintenance output and was a key enabler for the successful delivery of increasingly complex operations across most Welltec locations. Furthermore, several important product and tool enhancements were identified and implemented throughout the year, increasing service and product reliability.

Employment

Policy
In Welltec, our employees are the cornerstone of our business. Despite challenging field conditions, we prioritize their health and safety, conducting annual engagement surveys and additional location-spe-

cific assessments. HSE holds high priority globally. Welltec enforces a zero-tolerance policy against harassment and discrimination, with a whistle-blower system in place. In 2023, 3 cases were reported and appropriately addressed by the Management. Adhering to a Diversity and Equal Employment Opportunity Policy approved in 2014 by the BoD and updated in 2021, Welltec commits to selecting the best candidates irrespective of race, religion, disability, gender, sexual orientation, age, or nationality. We employ psychometric assessments for unbiased candidate evaluation. Our Welltec Academy provides extensive in-house training covering operational aspects and legal compliance, tracked for each employee.

We actively promote internal mobility, posting all open positions on the company career page. In 2023, we enhanced our global Commercial team's core skills through a structured sales training program. For long-term leave, we collaborate on flexible solutions, including agreements with local authorities for accommodations such as flex jobs, reduced work time, and redefined work areas.

Diversity & Inclusion

As Welltec is growing, so is the diversity in the company and across multiple parameters. Currently, our employee population represents 59 different nationalities, marking a 5% increase from 2022. We actively promote age diversity, achieving an increase from 9% to 11% representation of employees aged 28 or below in 2023. Additionally, efforts are underway to enhance working conditions for senior employees.

Addressing gender diversity challenges in the oil and gas industry, Welltec is committed to fostering inclusivity and increasing female representation. Our policy involves actively attracting and identifying female candidates, integrating bias-aware evaluation methods, with a target of 18% female representation in all leadership roles by 2025. In 2023, we strengthened our recruitment process for leadership roles both internally and externally that we encourage all qualified candidates to apply regardless of gender in order to work actively towards achieving our goal.

The percentages of the underrepresented gender and the related targets are as follows:

	2023
Shareholder-elected board members	
Total members	6
Underrepresented gender	1
Underrepresented gender	17%
Target	33%
Year for fulfilling target	2027

	2023
Management (level 1 and 2)	
Total members	30
Underrepresented gender	6
Underrepresented gender	20%
Target	23%
Year for fulfilling target	2027

Environment, social, and governance

continued

The underrepresented gender is represented by one individual in the board of directors and our target is to increase the underrepresented gender by one. In 2023 there were no changes to the composition of board members, though no actions were taken to meet the target for the underrepresented gender. Furthermore, we aim to increase the underrepresented gender at management level by 2027.

Inclusivity is a core focus, with regular anonymous surveys ensuring employees of diverse backgrounds feel included. In 2024, diversity and inclusion will be strategically elevated, with new initiatives formulated and implemented globally, building on our commitment to a diverse and inclusive workplace.

Key Results in 2023 and Future Plans Employee Engagement

The company's commitment to an enhanced work environment is reflected in increased employee engagement, rising from 7.6 in 2022 to 7.7 in 2023, surpassing the Energy & Utilities sector benchmark. The survey participation rate also rose by 6%, reaching 92%. Continuous engagement surveys will be conducted to sustain a motivated and thriving workforce.

Performance and Development conversations

In addressing employees' development needs and performance goals, Welltec prioritizes Performance and Development conversations. Managers and employees collaboratively discuss goals, development wishes, and ways to improve collaboration, fostering individual well-being.

Job Title Framework

In 2023, Employee Engagement implemented initiatives to strengthen HR infrastructure, including the development of a job title framework for role transparency and clarity. This framework ensures pay equity and guides increment decisions, with full implementation planned for 2024.

Appointments and promotions policy

To enhance fairness and quality in appointments and promotions, a new policy was introduced and refined throughout 2023. Global HR colleagues have been onboarded, and the policy will be launched organization-wide in early 2024, accompanied by onboarding sessions for managers.

Leadership development

Recognizing the critical role of leaders in employee engagement and retention, Employee Engagement invested in leadership development. The Service Delivery Manager (SDM) program received increased time allocation in 2023, and the "Leading in Employee Engagement" program was launched, focusing on strategic priorities, team empowerment, and core leadership skills. The program emphasizes feedback, difficult conversations, and personal development.

Customers

Policy

At Welltec, we consider our customers as valued business partners, fostering open and transparent relationships characterized by ongoing dialogue and a commitment to serving their best interests. Our policy is rooted in delivering solutions that exemplify quality, adhere to industry best practices,

and uphold responsible standards of performance. This includes prioritizing the protection of the environment and the health and safety of all involved.

We operate with an open-door policy, inviting scrutiny from customers or regulatory bodies interested in investigating any aspect of our operations. Any suboptimal or non-compliant findings from our internal investigations are openly disclosed to ensure maximum transparency and facilitate continuous improvement. Client communications and related data are treated with the utmost confidentiality, unless explicit instructions state otherwise.

Implementation

Implementation is a cornerstone of our commitment to excellence. We continually strive to provide the best products and services through structured and open collaboration with our customers. This involves a critical analysis before contract award to ensure compliance with internal, customer, and industry-specific requirements and standards. We conduct timely investigations as requested by clients, prepare failure reports, and actively communicate lessons learned throughout the organization to minimize the risk of reoccurrence. Efficiency in service delivery is anchored in Welltec's corporate QHSE department, ensuring the application of the highest standards, particularly as the scope and complexity of services increase. Our structured incident-handling approach, has driven significant improvements in frontline HSE performance and service quality ever since it's implementation.

Key Results in 2023 and Future Plans

Key results in 2023 showcased Welltec's continued commitment to service-quality (SQ) where we equaled the near perfect results of 2022 for Completions at 99.7% efficiency despite the continued demand on product delivery. For Intervention Services, SQ also remained stable at 97% although given the increasing complexity of service provision and additional demand, the number alone does not give full credit to the performance.

Safety performance also saw a marked improvement with Total Recordable Case Frequency, TRCF, falling from 0.59 in 2022 to 0.35 in 2023.

Our achievements underscore our ability to plan, deploy, and execute highly complex operations globally, ensuring safety and reliability while creating tangible value for our customers. Simultaneously, we are actively contributing to the broader energy transition. Leveraging our extensive experience in product development, material selection, testing, and automated manufacturing, we are already making strides to reduce methane emissions from oil and gas producers, extend the life of geothermal wells, and design high-integrity solutions for carbon capture, utilization and storage, and hydrogen projects.

Community

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,

Environment, social, and governance **continued**

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. Therefore, 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, including support for employee efforts in fundraising and for small-scale projects.

We actively care and support measures to improve the environment in and around our operations. Welltec works closely with local law enforcement agencies to address antisocial behavior, crime, and vandalism, and to promote road safety.

Implementation and future plans

New green initiatives implemented during 2023 include:

- o Final setup of a heat pump to provide heating and reduce natural gas consumption at Welltec's main production facility in Allerød, Denmark.
- o Welltec Middle East has adopted an Environmental Improvement Plan until 2025, with the

objectives of reducing energy and water use, reducing waste generation and spills, investing in renewable energy, and implementing a tree-planting program at the facility.

Some of the social projects we supported in 2023 include:

- o Our Brazilian colleagues have donated bakery and laundry equipment to Mansão do Caminho, a social institution in a poor community in Salvador that provides free education and health services to up to 5,000 people daily.
- o Welltec Brazil provided support for musical education by sponsoring the production of a CD, free master classes, and educational concerts.
- o In Denmark, we have engaged with a school for children with autism, sponsoring an educational trip for the 9th grade students. Facilitating travel experiences for children with autism is of utmost importance, as it not only fosters their personal and social development but also enriches their education through engaging in diverse social and cultural activities.
- o In Angola we are working on equipping the second IT classroom for kids at Lar Infantil Kuzola orphanage in Luanda.
- o In Malaysia, we donated stationery, refurbished PCs, and school uniforms to two schools in remote locations.
- o Our UK colleagues continued their tradition of donating money for charity.

Future plans

In 2024, our teams plan to continue their engagement and support with their communities across areas of health, sport, environment, and education.

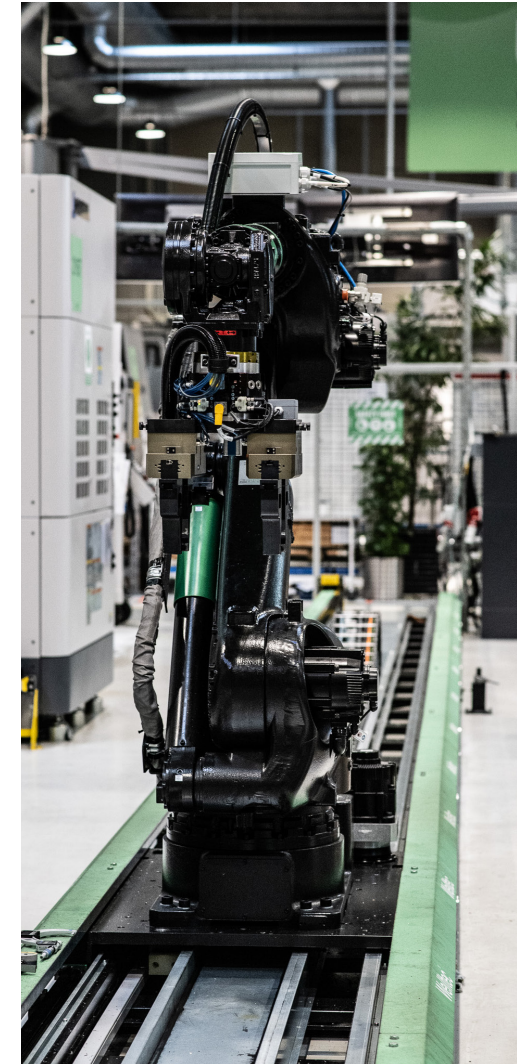
We have a strong desire to support and help the areas where we operate. We have multiple projects in several countries, and to mention a few we have ongoing projects in Angola and Brazil. The projects are a way for us to support the local community and provide the people with a brighter future. We have committed us to these projects and they will continue in the future.

Preserving the environment remains an essential part of our business, culture, and growth strategy. From the factory floor to the seabed, we're developing next-generation solutions and practices to reduce negative impacts and improve sustainability. Together with our business partners, we're helping address the challenges of tomorrow - today.

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. Management has not deemed it necessary to have a data ethics policy, since technologies are not applied in the operations and activities in the Group, which entails a need for such a policy. Welltec has started to prepare the policy for data ethics and will implement it, when it is approved by the Board of Directors.

95% of all Interventions manufacturing is performed in-house. Cutting edge robotic automation enable operations to run 24/7 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 2023

Executive Board

Peter Hansen, Chief Executive Officer

Michael Christensen, Chief Financial Officer

Board of Directors

Niels Harald de Coninck-Smith, Chairman

Alasdair Geddes Shiach

Benoît Pascal Marie Ribadeau-Dumas

Klaus Martin Bukenberger

Maite Labairu Trenchs

Michel Pierre René Hourcard

Company auditors

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab