

Welltec Annual Report 2021

Welltec International ApS
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Welltec International's Annual report 2021
Approved at the Annual Shareholders'
Meeting on 10 May 2022



Meeting **chairperson**: Ole Nørgaard

Welltec[®]

Corporate social responsibility

The following statement on Corporate Social Responsibility (CSR) pursuant to the Danish Financial Statement Act Section 99a and b is part of the Management Review in the Annual Report 2021. 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.



Corporate social responsibility continued

Corporate Social Responsibility Policy

Welltec focuses its CSR efforts on areas and issues directly affecting our business. We have outlined our responsibility in policies developed to comply with the objectives of CSR. 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 CSR 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 CSR 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.

Key Results in 2021 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 annual reminder and awareness training was conducted for all employees.

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 the investigative findings applied consequences towards the employees when relevant and continued to strengthen internal communication in respect of compliance programs.

To improve our efforts to facilitate sound business ethics, we have conducted two investigations into two matters and emphasize the use of our whistle-blower program. No case was submitted in 2021.

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 2021 included the section on anti-corruption. The review was monitored by the Legal Department and the HR Department.

Key Results in 2021 and Future Plans

Multiple partner screenings were performed in 2021.

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 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.

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.

Corporate social responsibility continued

In 2021 an official award was received from a client, recognizing the thorough and timely provision of information, as well as the quick response and swift closing of identified action points during an anti-bribery and corruption audit of a local Welltec subsidiary in a higher risk country. The audit resulted in minor local adjustments to Welltec's anti-bribery and corruption policy.

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 in a culture of learning and continual 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 concerns. All locations have a QHSE Officer employed to lead the QHSE 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.

All safety and environmental incidents are recorded and analysed to ensure adoption of best HSE practices and to safeguard the environment. Comprehensive incident reporting systems are in place to review and address:

- Any injury or near miss in relation to our activities.
- Any unintentional discharge into the environment of damaging substances or near misses in relation to one of our operations.
- Unsafe acts and conditions at the worksite.

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.

Key Results in 2021 and Future Plans

In 2021, we had a solid HSE performance driven by an increased activity and a strong frontline TRCF (Total Recordable Case Frequency) performance. Welltec's TRCF 2021 rate outperformed the International Association of Oil & Gas Producers TRCF rate for 2020, which already

reflected a period of low activity due to the COVID-19 pandemic and therefore also an abnormal low TRCF rate. Another key result for 2021 was the internal Welltec COVID-19 pandemic response, which promoted global vaccination programs and enabled business continuity throughout a challenging period.

Our 2022 HSE focus areas will be centred around global collaboration towards safe, reliable and sustainable working environments. Internal campaigns will support the continued development of a positive QHSE culture and further strengthen incident prevention, in alignment with industry best practices and local requirements. Furthermore, Welltec is taking 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. The latest recertification took place during the third quarter of 2021. Additionally, Welltec Management System has been further developed to comply with API Specification Q1 and Q2 certifications. Welltec Brazil facility achieved API Spec Q2 certification in May 2021 and Welltec Esbjerg manufacturing facility has formally applied for API Specification Q1 certification. The Group QHSE function performs internal Management System audits at the 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 custom-

ers to create specific action points for the cycle of continuous improvement. Welltec's facilities are further externally audited by the relevant government authority 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. In 2021, our sites were audited by Superior, Total Energies, Repsol and Saudi Aramco.

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 2021.

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, reli-

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tion, 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.

Our Workforce

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.

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. At present, women make up 16% of the total

employee population which is the same level as 2020. On a managerial level, women make up 12% of managers, which is consistent with the level in 2020. The Senior Management team consists of two members, the CEO and the CFO. The Board of Directors has set the objective to have at least one female member before or at the latest in 2024. There was appointed one new member of the Board of Directors in 2021, as one member left the Board of Directors earlier in 2021. As at 31 December 2021, the Board of Directors consisted of 5 male members and the Board was looking to hire at least one new female candidate in early 2022. In March 2022 one new female and one new male member were appointed to the Board of Directors, as one member left the Board of Directors. The Board of Directors is still looking to hire at least one more female candidate in 2022.

Key Results in 2021 and Future Plans

2021 was a challenging year that saw great differences in activity between the start of the year and the end of the year. Yet Welltec managed to come out with good results thanks to our great employees.

The global survey of Employee Motivation and Satisfaction was carried out in November 2021 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 87% of employees responding, which is very satisfying, and the survey clearly showed that, in spite of the challenging market and tough economic situation caused by the pandemic, motivation and satisfaction have generally remained high in all geographic areas and in all topics. The average job satisfaction is at 4.0 on a scale from 1 to 5

which is a slight decrease of 0.1 since 2020 but is still very high seen in the light of a difficult year. 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 continual improvement. It must be 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 2021 and Future Plans

In 2021 we recorded our 2nd best service quality performance in Welltec history on the backdrop of increased activity and the global COVID-19 pandemic. Furthermore, service quality strengthened despite a continued increase in job complexity, underscoring the strength of the structured follow-up on all incidents, and the implementation of applicable corrective actions. The key achievements from 2021 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 experi-

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continued

ence 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.

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 solicit technologies, products and services that will drive the industry into a new and innovative future, ensuring 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 the community at a range of levels in our capacity as customer, neighbour, employee, business, competitor and resident, and this engagement includes the support of local community groups and charities, and local initiatives for the development and education of young people in the areas where we operate.

Implementation and Future Plans

We actively care and support measures improving the environment in and around our operations and we are working closely with local law enforcement agencies to address antisocial behaviour, crime and vandalism as well as promoting road safety.

In addition, our local companies provide support to community-based charities and projects in their respective areas including support for employees' efforts in fund raising and for small-scale projects.

Some of the projects we supported in 2021 include:

- Sponsorship of local sports clubs and organizations (UK, USA)
- Food bank donations and distribution of food to Covid19 affected families (UK, USA, Malaysia)
- Healthcare projects – donation of equipment and funds to hospitals, medical research funding and non-profit organizations which support the patient community (USA, Ghana, Malaysia, UK)
- Financial support to orphanages (Norway, USA)
- Protecting the environment by way of a waste collection campaign and collaboration with the city/municipality to protect coastal areas (Norway, Brazil)
- Engagement with student groups and universities by providing training and education (Denmark, USA, Nigeria, UAE)

In 2022, our local companies plan to continue their engagement and support with their local communities within health, sports, environment, and education. Moreover, we plan to undertake new educational projects, such as supporting

local schools by providing learning materials and additional training to talented children (Russia, Brazil).

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 2021 Welltec started to prepare this policy for data ethics, however as Welltec in 2021 had several major business critical issues to solve related to the general market situation, issuing of new bonds etc. it has been 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 2022.

Corporate social responsibility

continued

Business model

Welltec is a global technology company that develops and provides efficient hi-tech solutions for the energy sector. The company's business model is based on the provision of services and products primarily to oil and gas operators but also to a fast growing renewable energy market.

The technology portfolio maintained by Welltec is aimed at assisting clients in the construction, development and repair of oil, gas and geothermal wells.

The company can be divided into 3 main products lines: Welltec Interventions Services (WIS), Welltec Completions Services (WCS) and Welltec Renewables Services (WRS).

WIS covers two main components, namely conveyance services and powered mechanical interventions services, both of which are deployed on electrical wireline. Conveyance is associated with transporting a payload (e.g. logging tools, perforation guns, or other interventions services etc.) by means of a robotic downhole tractor tool. The payloads are deployed in deviated or horizontal wells where gravity-based deployment by wireline is no longer possible. Powered mechanical services utilize specialized downhole technologies to clean, manipulate and repair downhole sections of a well and its associated hardware. Such services include the cleaning and removal of well debris, the manipulation of downhole valves, cutting of downhole casing or tubing etc. Many services provided by Welltec in this category are considered unique in their capability and application.

It should be noted that typically, electric wireline services are provided by third party oilfield service providers. Welltec maintains hundreds of contracts with various operators and these contracts are formed either directly with clients or via the wireline service providers.

In some special cases, Welltec is contracted to operate its own electric wireline and is fully equipped to do so in various locations.

All WIS related technologies are engineered and manufactured in-house and are provided to clients internationally as a service delivered by Welltec trained field engineers and specialists.

WCS is focused on lower completions products which are based on metal expandable packer technology. The technology is unique to Welltec and allows the company to maintain niche and unique provider status. The packers are the backbone to products such as the Welltec Annular Barrier (WAB) which is now routinely used in complex well construction. The products are used for assuring the construction and integrity of wells and can also eliminate well emissions through ensuring well barriers and isolation up to V0 rating – the highest industry standard. WCS products are sold as products to clients which are then installed as part of the well completion in the construction phase and remain downhole for the entire life of well. There can also be associated service revenue depending on Welltec involvement during the installation phase.

As with WIS services, WCS products are also fully designed, engineered and manufactured in-house in Welltec's state-of-the-art manufacturing facilities located respectively in Allerød and Esbjerg, Denmark.

In addition to these products and services outlined above, Welltec will soon expand to incorporate niche testing services. An all-new full-scale CO₂ testing facility is currently being constructed on Welltec premises in Esbjerg, Denmark and once complete, will serve as a test centre for companies operating in new energy markets including carbon capture and storage (CCS) and new hydrogen projects.

Company Details

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Central Business Registration No: 30 69 50 03

Registered in: Allerød

Financial year: 1 January – 31 December 2021

Executive Board

Peter Hansen, Chief Executive Officer

Søren Søgaard Suhr, Chief Financial Officer

Board of Directors

Niels Harald de Coninck-Smith, Chairman

Alasdair Geddes Shiach

Benoît Ribadeau-Dumas

Klaus Martin Bukeberger

Maite Labairu Trenchs

Michel Pierre René Hourcard

Company auditors

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab