HydraWell Sustainability Report

2022

About this report

Sustainability is one of the most important and pressing themes of our age. Environmental, Social and Governance (ESG) are the three central factors in measuring the sustainability and ethical impact of a company. ESG factors, though non-financial, have a material impact on the long-term risk and financial performance of a company. Principally, companies that use ESG standards are more conscientious, less risky and are more likely to succeed in the long run.

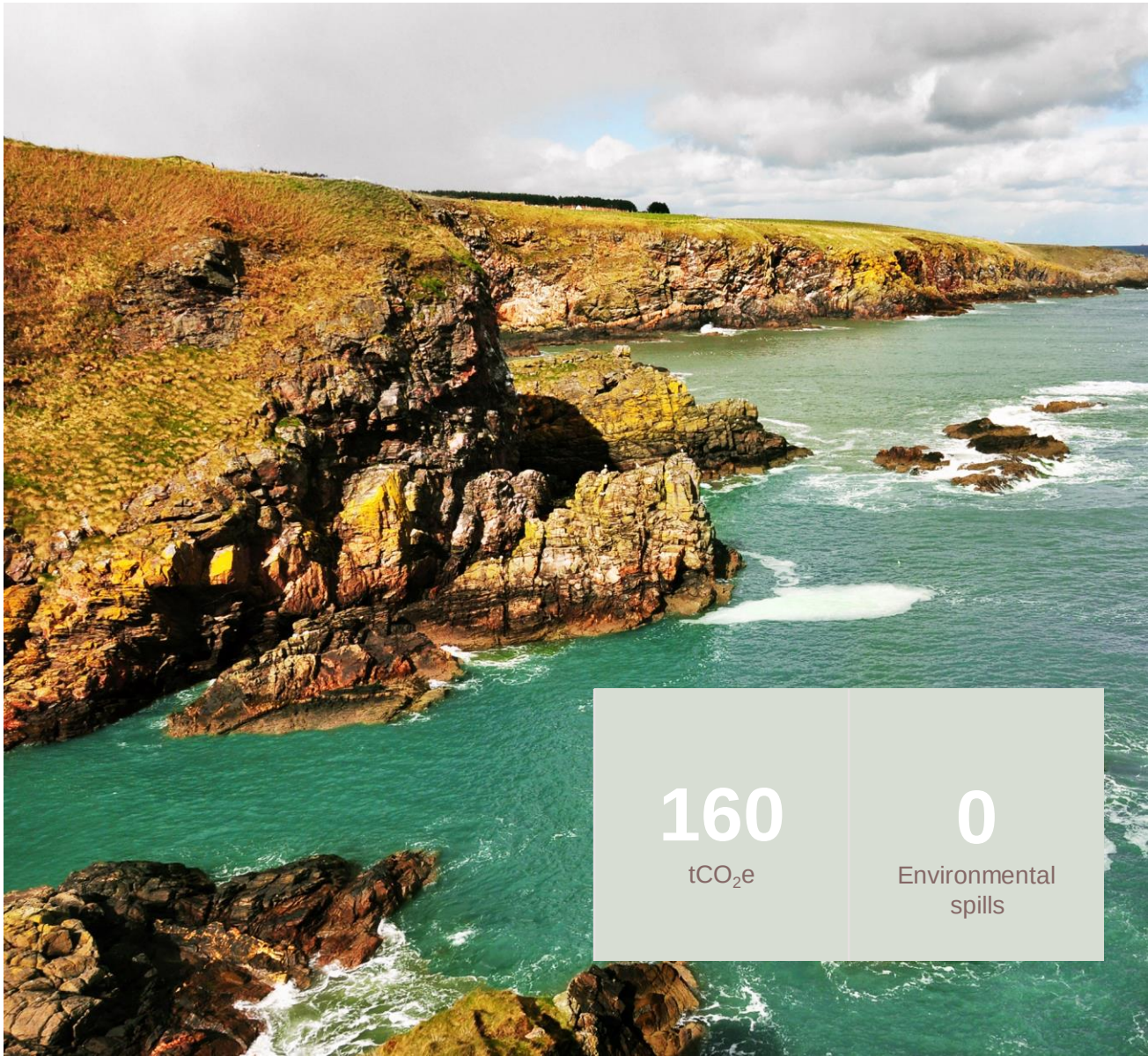
This report describes the relevance of ESG in the industry that HydraWell is operating in. It highlights the key material ESG themes, assesses performance on those themes and provides an action plan identifying value creation opportunities. The report is updated annually to monitor progress and keep the company focused on achieving the goals of becoming a more sustainable and future-proof company over time.

The report is the result of an independent review by the ESG & Sustainability consulting firm MJ Hudson, commissioned and approved by the board and management of HydraWell.

Note: All judgements are, where possible, based on or backed by analyses conducted by MJ Hudson. In cases involving across-category comparisons or result classification, judgements are not always based on objective analyses or data. These judgements are intersubjective in the sense that they are agreed between MJ Hudson and management, and in line with the thinking of industry experts and leading NGOs.

Company at a glance

- HydraWell is a leading provider of well-integrity systems, founded in 2010 to meet growing demand in the energy & marine industry for a fast, effective, and cost-efficient solution to well abandonment.
- HydraWell provides safe, effective, and sustainable zonal isolation for the plug and abandonment (P&A) of hydrocarbon wells globally – preventing the leakage of contaminants into ocean waters.
- The firm is headquartered in Tananger, Norway. With facilities in Australia, Malaysia, and the United Kingdom.
- Presence in Australia was established with successful operations carried out in 2021. Growth in activity is expected in the coming years. Market entry with locally present vendor support in Brazil is expected in 2022.
- Developed in-house, HydraWell's industry-leading technologies can not only save their clients vast amounts of time and resources, but they also help reduce the environmental impact of oil operations globally.



How we look at sustainability

Investigate the industry exposure

First, the relevance of ESG is assessed for the industry that the company operates in, and a long-term vision for a sustainable industry is defined.

Determine key impact areas

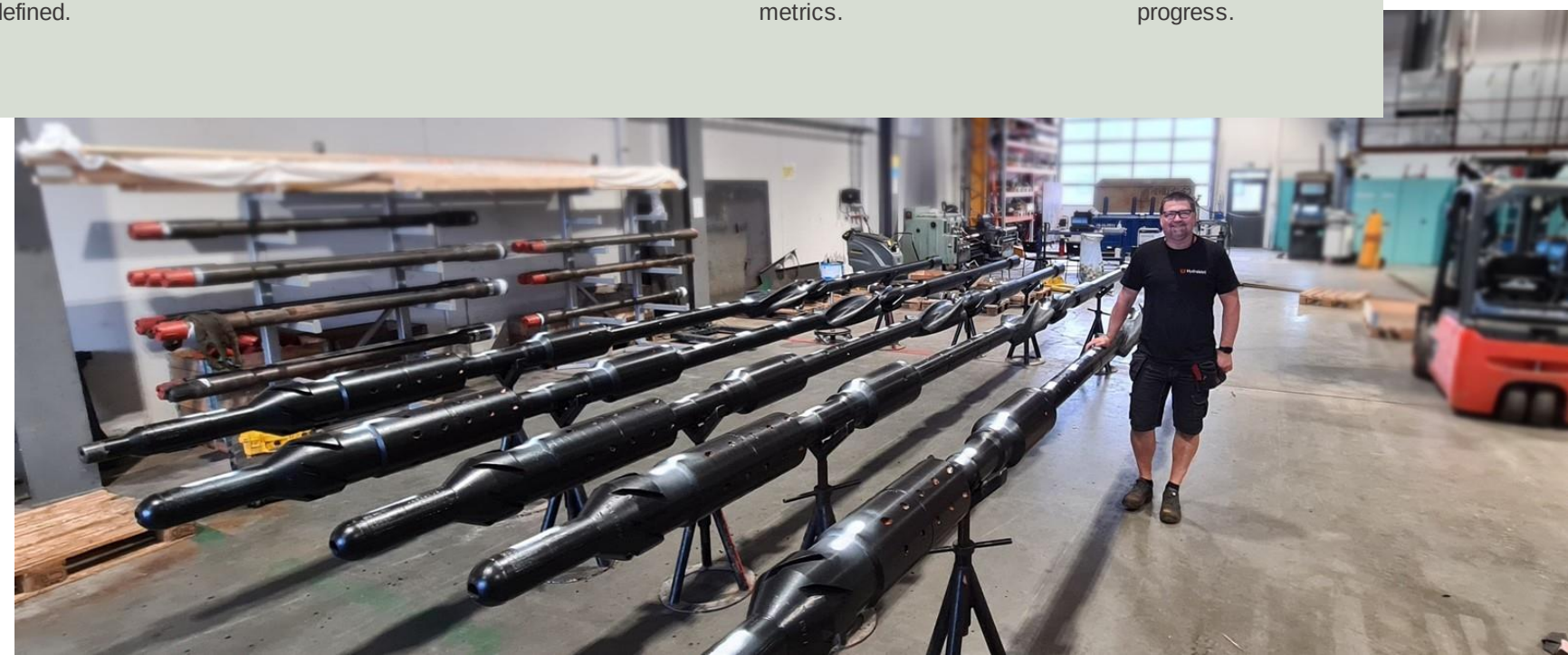
Key material themes are highlighted, taking a perspective on the full value chain. This is reviewed on an annual basis.

Assessing performance

The company's performance in relation to the identified key material themes is assessed, reflecting on relevant initiatives and performance metrics.

Position for the future

Finally, opportunities are identified where ESG and value creation coincide, formulated in actionable priority projects to drive progress.



Sustainability in the industry

Today's industry

Market demand

› It is critical to ensure that the environment is permanently protected from leaks of fluid or gas, once an oil and gas field has been abandoned. The plug & abandonment industry plays an important role in allowing existing wells to be sealed securely and in minimising potential environmental damage.

› Traditional methods of annular remediation for P&A pose HS&E risks as a result of the handling and disposal of metal swarf and debris. These methods are cumbersome, expensive, and not necessarily very efficient.

Regulations & certifications

› Authorities and regulators of the oil and gas industry across the world are establishing stricter criteria for the permanent abandonment of the oil and gas fields that have been developed.

› The regulatory environment is also driven by the International Maritime Organization (IMO) and national laws. In particular, the IMO has set guidelines and standards for the removal of offshore installation that plug & abandonment companies must abide by (i.e. Resolution A.672, 16).

Industry initiatives

› Competitors have sustainability initiatives in place and are committed to bettering their workplace safety and the services they offer. Some firms are committed to achieving their QHSE goals of no accidents, injuries or losses. While others seek to prove their QHSE management level through certifications (e.g. ISO 9001, ISO 45001, and SCC Petrochemical).

Long-term vision for a sustainable industry

› There is a general concern in the investor community around the risk of fossil fuels as the energy system needs to approach net zero emissions. Yet, well into the coming decades, substantial presence of fossil fuels in the world's energy supply is needed. As such, companies should provide services to prevent leaking from wells that are abandoned, thereby protecting the ecosystem.

› The transition towards renewable energy technologies is a key challenge for the wider energy and marine industry. Innovating and adapting services to low-carbon technologies and enabling carbon-intensive market players to lower their footprint will be essential in order to ensure long-term commercial success. In addition, ensuring best-in-class health and safety management will remain of high importance.

Overview of key material themes

Highlighting ESG themes that are relevant to us and the industry across its value chain using SASB's materiality map

	SUPPLIERS	OPERATIONS	CLIENTS
ENVIRONMENTAL			
Climate & energy		**Energy & carbon**	**Impact of products & services**
Material circularity	**Waste management**		
Ecosystems impact			**Impact of products & services**
SOCIAL			
Employee well-being		**Employee health & safety**	
Customer impact			**Impact of products & services**
Corporate citizenship			
GOVERNANCE			
Corporate governance			
Supply chain management	**Supply chain control**		
Business resilience & ESG	**Sustainability principles**		

KEY THEMES	
Energy & carbon	HydraWell is committed to reducing the carbon footprint of its operations.
Waste management	As a business within marine & energy, HydraWell is responsible for the careful management of its operational waste.
Impact of products & services	HydraWell's plug and abandonment solutions are designed to reduce the environmental impact and carbon footprint of client operations.
Employee health & safety	HydraWell's employees may be exposed to hazardous conditions in their work – this is managed proactively by the company.
Supply chain control	Responsible sourcing and integration of ESG throughout the supply chain mitigates risk and promotes good conduct.
Sustainability principles	Integrating sustainability principles in the business model and processes is key to sustaining long-term success.

Impact of products & services (1)

HydraWell's mission is to "Safely secure well integrity with minimum waste". The company has delivered innovative solutions for more than 20 operators across 13 countries and continues to grow its reach.

Safe Guarding the Environment from Leaks

› HydraWell is focused on relentlessly engineering downhole barriers to eliminate the risk of oil & gas leaks to the environment. Its proprietary Perforation, Wash & Cement (PWC®) technology has gained wide acceptance in the industry (including authorities) as an efficient cost-effective solution to replace traditional Plug & Abandonment techniques and downhole tooling solutions.

Minimising Waste and Emissions from Operations

› The firm's robust track record demonstrates installation time savings of up to 70% compared to traditional techniques, resulting in significant savings to customers, society and the environment.

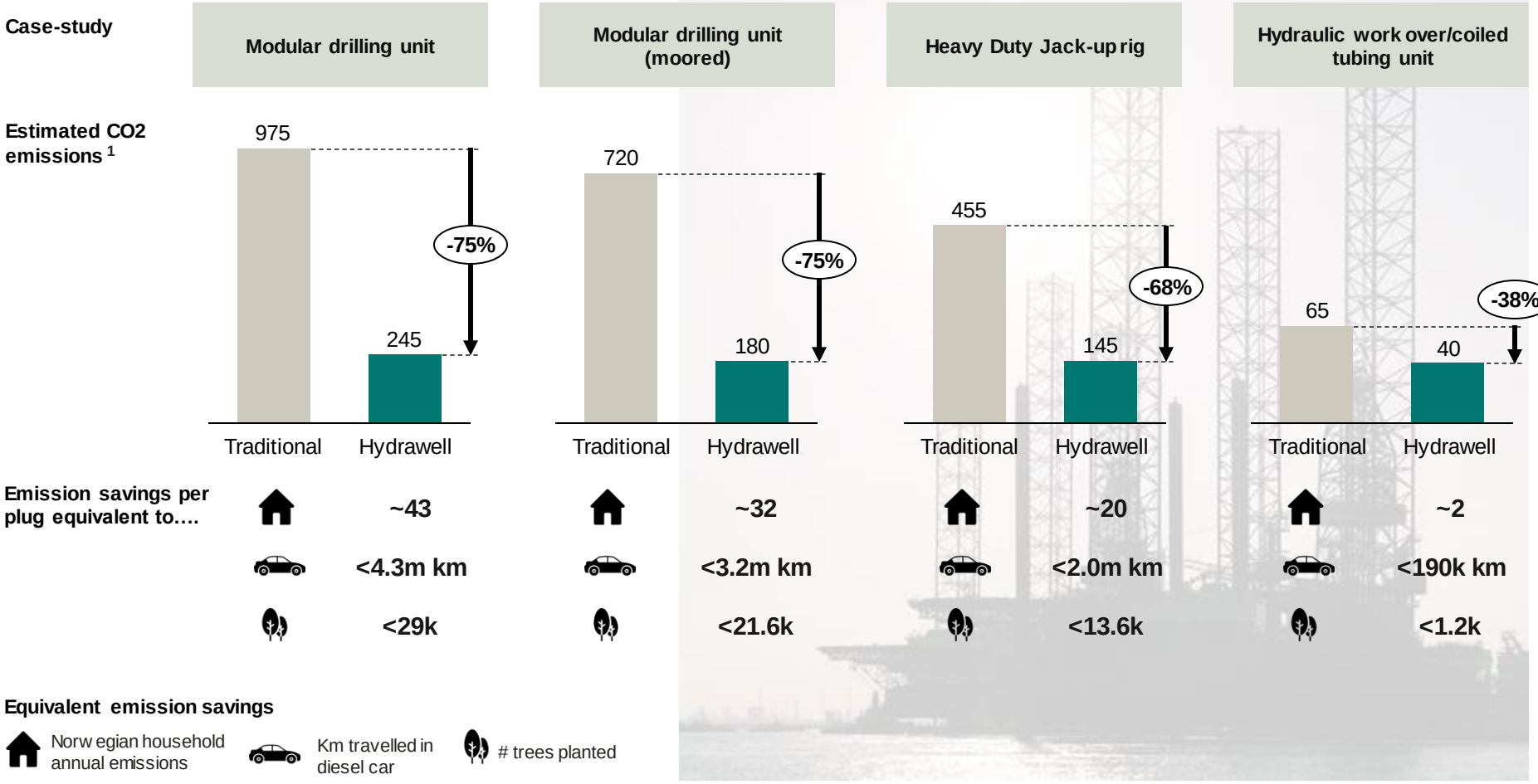
- CO_2 emission reductions of up to 720 MT per operation – 336 MT on average in 2021.
- Eliminates environmental waste disposal from downhole tubulars
- Society benefits from lower Tax subsidies for Operator OPEX

Monitoring and Reporting of HydraWell Performance

› HydraWell monitors and tracks performance through independent performance reviews to understand progress against ESG KPIs for its own company operations.

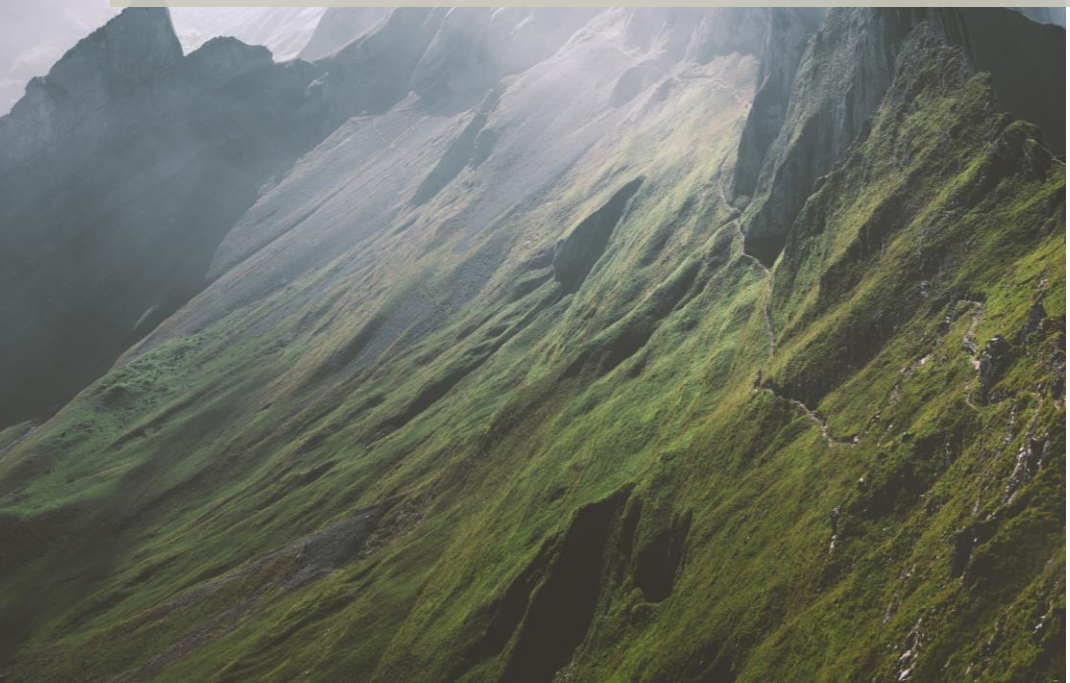
Impact of products & services (2)

HydraWell's PWC technologies minimize carbon emissions by of carbon emissions compared with traditional methods such as sectional milling.



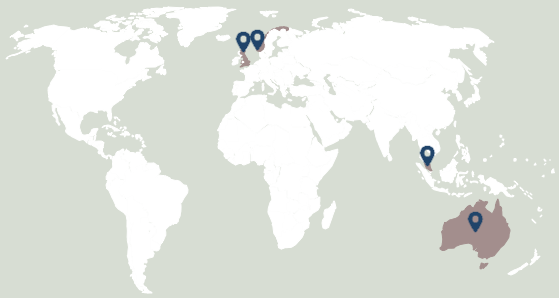
1 Estimate based on company data on emissions avoided
Sources: company data, SSB Norway, Statista, Our World in Data, Ecotree and MJ Hudson analysis

Annex



Climate risk assessment

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Type of risk	Physical climate risks	Transition risks and opportunities
Description	To assess exposure to physical climate risks, our geographical presence across the value chain is considered. The data for risk scoring is sourced from the Aqueduct Water Risk Atlas - a TCFD recognized tool for physical climate risk assessment [1].	Transition risks and opportunities capture how aligned a company and its respective industry is to a global shift to a low-carbon economy. The below risk and opportunity categories are defined by TCFD guidance. An example of a transition risk element would be high costs associated with the transition to lower emission technology.
Exposure	**Geographical presence HydraWell**  Legend: Operations; Upstream exposure; Downstream exposure	**Transition risks** Policy & legal Technology Market Reputation **Transition opportunities** Resource efficiency Energy source Products / services Markets Legend: Relevant; Not relevant
Risk score	**UPSTREAM** LOW / MEDIUM / HIGH Main suppliers are located in Norway and the UK. Risk in these locations are considered low. **OPERATIONS** LOW / MEDIUM / HIGH Both Norway and the UK have low exposure to natural disaster and are considered to be low risk. Malaysia is considered to have low – medium risk exposure. Australia's overall climate risk is considered high. **DOWNSTREAM** LOW / MEDIUM / HIGH Given clients are primarily located in Norway, the UK, and Malaysia, the downstream physical climate risk is low. New operations in Australia impose high risk, however.	**TRANSITION RISK** LOW / MEDIUM / HIGH • **Technology**: Relatively high energy intensity could lead to increased operating costs as a result of increased prices for electricity and gas. • **Market:** Long-term demand for oil and gas may reduce over time. There will be a huge demand for efficient p&a services in the short to medium term, however. **TRANSITION OPPORTUNITIES** LOW / MEDIUM / HIGH • **Resource efficiency**: Closed-loop material management to realize efficiency gains, reduce waste and reduce costs. • **Energy source:** Acquiring electricity from a green energy provider and the installation of solar production panels at main offices can reduce exposure to GHG emissions and thus less sensitive to changes in carbon costs.

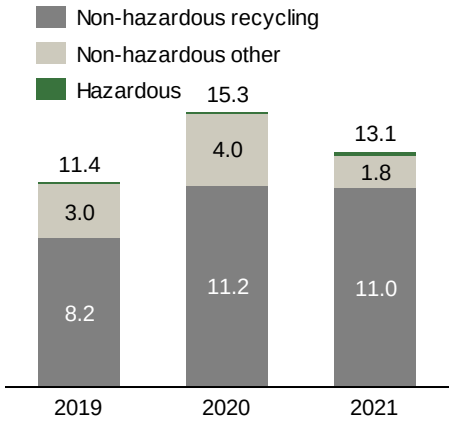
[1] The risk score takes water stress and country ESG reputational risk into account.

.Source: Aqueduct Water Risk Atlas, MJ Hudson analysis, TCFD

Waste management

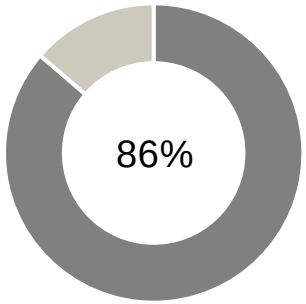
TOTAL WASTE

Tonnes



RECYCLED WASTE

%



HAZARDOUS WASTE

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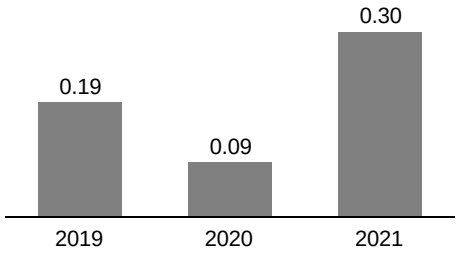

- HydraWell's waste management system ensures the correct sorting and disposal of different waste streams. The operational supervisor monitors the process and delivers monthly reports on sorting (including sorting errors, omissions).
- The company ensures hazardous materials are handled by trained staff, declared and disposed of according to the requirements of authorities. All waste is collected by a certified third party.
- HydraWell is focused on reducing overall volumes of waste and has increased the amount of waste that is recycled.
- There was an increase in hazardous waste from 2020 to 2021, however, total waste volumes have decreased by over 2 tonnes in this period.
- Cement stuck to tools during the maintenance process is now being collected and declared, instead of being discarded as unsorted waste. There is also a new process requiring oil separators in equipment are wiped clean from mud and residues. This results in the production of waste in the form of rags permeated with oil considered a hazardous material, increasing the hazardous category waste in 2021.

Sustainability principles

Sustainability policies, certificates and targets

- Relevant policies are in place, including an ESG policy, QHSE policy, Whistleblowing policy, Anti-Bribery policy, and an overarching Code of Conduct.
- HydraWell's environment management system is aligned with ISO 14001 principles and practices.

Engagement & responsibility of the Board of Directors

- The CEO, CFO and QHSE manager handle all ESG-related requests and the QHSE status is communicated to the Board on a monthly basis.
- ESG is on the agenda and discussed in each board and management meeting.

Quality of monitoring systems

- Global operations data platform in place which tracks performance on all relevant operational aspects (e.g. safety).
- HydraWell has the same corporate policy and compliance management system in Norway and the UK, which reviews operations to ensure responsibilities are carried out and requirements and regulations are adhered to.

Risk inventory and evaluation

- Monitoring of physical working environments, such as noise measures, are performed in cooperation with a third-party occupational health service provider.
- Pollution and fire prevention safety procedures are in place.
- Risks regarding chemicals, machines and equipment are evaluated in accordance with ISO 9001. Two types of quality monitoring systems are in place; one to confirm that the tool fulfils its purpose and another to determine fitness of the tool.

Ensuring supplier compliance to Sustainability standards

- HydraWell's purchasing policy defines the expectations for suppliers.
- The supply chain process addresses themes such as human rights, environmentally sustainable business activities, safe working conditions, and corruption.
- Audits ensure policy implementation are in place.

Transparency and reporting

- HydraWell reports on all ESG material themes that can affect its business from a physical and transitional climate risk perspective. They communicate the findings to stakeholders through an annual Sustainability Report.
- Their ESG declaration is published on the company website.

The UN Global Compact

The Ten Principles:

Human rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

Labour

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Our commitment

HydraWell commits to ensuring that basic responsibilities to the people and planet are integrated into strategies, policies and procedures, and having a culture of integrity. HydraWell will publicly disclose its commitment to the ten principles of the *UN Global Compact.*

HydraWell operates in ways that, at a minimum, meet fundamental responsibilities in the areas of human rights, labour, environment and anti-corruption by having policies and practices:

- Supporting and respecting human rights by providing safe and healthy working conditions; quantified through accident (#) and absenteeism rate.
- Requesting our suppliers to be compliant to our Code of Conduct to ensure human rights and proper working conditions is respected at the supplier,
- Respecting international guidelines and standards to ensure we are not complicit in human rights abuses.
- Giving workers the right to form and join a trade union of their choice without fear of intimidation or reprisal, in accordance with national law.
- Ensuring proper labour and working conditions, to safeguard the health and safety of the employees and to promote the development of the communities in which it operates.
- Believing in equal opportunities and being a stimulating workplace with an inclusive working environment; quantified remuneration of women to men and ensuring no harassment, discrimination or bullying occurs.
- Developing sustainability targets and indicators.
- Implementing technologies that have a lower environmental impact.
- Providing systematic training related to anti-bribery & corruption.