

# UN GLOBAL COMPACT COMMUNICATION ON PROGRESS

*FEBRUARY 2022*

## Message from our CEO

As the recently appointed CEO of Dril-Quip, Inc., I am proud to confirm that our Company supports the Ten Principles of the United Nations Global Compact on human rights, labor, environment, and anti-corruption. We are committed to making these principles part of our strategy, culture and day-to-day operations and are engaged in collaborative projects which advance the broader development goals of the United Nations, particularly the Sustainable Development Goals. I look forward to continuing to communicate our progress on this commitment to our stakeholders and the general public on an ongoing basis.

A handwritten signature in blue ink that reads "JJ Bird".

Jeffrey J. Bird

*Chief Executive Officer*



## Global Compact SDG Ambition Benchmarks

The table below illustrates the United Nation’s Sustainable Development Goals that Dril-Quip is currently making meaningful contributions towards, as key focus areas.

Sustainable Development Goal	United Nations Global Compact Ambition Benchmark	Dril-Quip Commitment
	<p>Ensure inclusive and equitable quality education and promote lifelong opportunities for all.</p>	<ul style="list-style-type: none"> <li>• Community involvement</li> <li>• STEM K-12 education</li> <li>• Young professional development</li> <li>• Engaged workforce</li> </ul>
	<p>Achieve gender equality and empower all women and girls.</p>	<ul style="list-style-type: none"> <li>• Employee engagement and peer networks</li> <li>• Community investment</li> <li>• Talent retention and recruitment</li> <li>• Board and employee diversity</li> </ul>
	<p>Ensure access to affordable, reliable, sustainable, and modern energy for all.</p>	<ul style="list-style-type: none"> <li>• Energy efficiency</li> <li>• Industry-leading environmental management systems</li> <li>• Evolutionary technology solutions</li> <li>• Renewable energy</li> </ul>
	<p>Take urgent action to combat climate change and its impact.</p>	<ul style="list-style-type: none"> <li>• Energy efficiency</li> <li>• Industry-leading environmental management systems</li> <li>• Evolutionary technology solutions</li> <li>• Renewable energy</li> </ul>



# Implementing the 10 UN Global Compact Principles

## Human Rights Principles

**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.

Dril-Quip, Inc. and our subsidiaries ('Dril-Quip' or the 'Company') and the Dril-Quip Board of Directors support universal human rights as described in the United Nations Universal Declaration of Human Rights. While we believe governments have the primary responsibility for protecting and upholding the human rights of their citizens and we respect the sovereignty of governments throughout the world, we recognize our responsibility to respect human rights and are committed to preserving these rights within our operations. Further, Dril-Quip recognizes that we can make a positive contribution to promoting human rights by respecting the rights of people in the communities where we operate and those of Dril-Quip suppliers and business partners and by opposing human trafficking and the exploitation of children as indicated in our [Supply Chain Policy](#).

Dril-Quip's commitment to conducting business fairly and in a manner that respects the rights and dignity of all persons is demonstrated in our [Human Rights Policy Statement](#), [Code of Business Conduct and Ethical Practices](#), employment practices, non-discrimination policies, and our Health, Safety and Environmental policies. Any complaint of a human rights violation or suspected violation will be promptly investigated, and retaliations for reports of violations made in good faith are not tolerated.

Over the past 12 months, we have continued to train our new employees and managers on anti-harassment and discrimination policies to further reinforce our non-tolerance culture regarding any human rights principles violation.

## Labor Principles

**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 or compulsory labor;

**Principle 5:** the effective abolition of child labor; and

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

Dril-Quip supports the protection and safety of our employees. We are committed to providing equal opportunities in all aspects of employment, and we maintain policies that prohibit any discrimination or harassment on the basis of race, color, national origin, genetic information, religion, gender, pregnancy, marital status, sexual orientation, age, disability, or military services. We maintain programs in the United Kingdom to ensure compliance with the U.K. Modern Slavery Act and the U.K. Gender Pay Gap requirements.

In recent years, Dril-Quip has significantly reduced the mean and median gender pay gap and increased the proportion of females in lower-middle and upper-middle quartiles.

Our policies and actions are outlined in our: [Human Rights Policy Statement](#), [2021 U.K. Modern Slavery Act Statement](#) and latest [2020 UK Pay Gap Report](#).



Dril-Quip has made commitments to the following areas relating to labor and human rights issues:

- **Human Trafficking and Forced Labor:** We oppose human trafficking and do not utilize forced or compulsory labor.
- **Fair Wages, Working Conditions, and Benefits:** We recruit employees and provide working conditions, including payment of wages and benefits, that comply with applicable laws and regulations.
- **Child Labor:** We forbid the use of children in our workforce. All Dril-Quip employees must be above the legal employment ages in the country of their employment.
- **Diversity, Equity, and Inclusion:** Diversity and inclusion are foundations of our business excellence and embody Dril-Quip’s respect for human rights and the dignity of all people. All applicants and employees are treated fairly and equitably in all matters related to employment benefits, compensation, and other privileges and conditions of employment regardless of race, color, religion, age, sex, sexual orientation, gender identity/expression, national origin, ethnicity, disability, veteran status, or any other basis that is protected under applicable law. We are dedicated to improving female and minority representation across our organization and in leadership positions. With 49% of our employees located outside the United States, we remain committed to building a diverse, inclusive, engaged, and empowered workforce.
- **Anti-harassment:** At Dril-Quip, we prohibit ethnic, racial, religious, sexual, or any other type of harassment. Inappropriate or unwelcome sexual behavior and other forms of behavior (whether physical or verbal) that create an intimidating, hostile, or offensive environment that interferes with and obstructs workplace performance are prohibited.
- **Parental Leave:** We recognize that our multigenerational employees, both women and men, have obligations existing outside work that may affect their abilities, at times, to be present, productive, and engaged. Where not covered by local regulations, we provide benefits that support these needs.

Over the last 12 months, we have developed our diversity, equity and inclusion framework to further emphasize our vision, values, and strategic objectives to support our talent strategy and desired cultural alignment. Diversity in our workplace broadens thinking and stimulates innovation. A more diverse workplace impacts how we act and what we do and opens our minds to be more creative and collaborative.

As part of our diversity and inclusion efforts, we launched a “Lunch ‘N Learn” series to support a women’s peer network with a focus on furthering career development opportunities, which has been a successful initiative with high levels of participation.

Our commitment to supporting communities to further improve employee engagement has resulted in overwhelming response to volunteering efforts. Our global employees have come together and have contributed meaningfully during natural disaster relief work and in supporting several local charity events.



We will further drive alignment through formal training on diversity, equity and inclusion to reduce unconscious bias in our hiring and other employment practices and to build our network of diversity champions among our employees, managers, and executives.

## Environmental Principles

**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.

Sustainability has always been at the core of our operations because we believe our technology not only enables customers to reduce operational and environmental risk, but also **empowers** them to be more **efficient**, thereby reducing their overall carbon footprint. It is ingrained in our culture of the **Power of e™** and exemplified by our **Green by Design™** solutions that link a focus on sustainability across our entire product portfolio.

We are committed to environmental stewardship by actively engaging in sustainable practices throughout our operations and doing our part, as a member of the greater energy industry, to deliver products that allow our customers to responsibly provide greater access to affordable, reliable energy for people everywhere.

During the past year, we launched a comprehensive ESG program that includes a detailed review of key performance indicators across all environmental programs and initiatives, including workplace health and safety, aligned with global standards and frameworks. We are currently finalizing our greenhouse gas (GHG) emissions inventory (Scopes 1 through 3) and reviewing decarbonization pathways. In addition, we formally launched the standard requirements for calculating Key Performance Indicators (KPIs) covering Health, Safety and the Environment across our operations globally.

We have actively aligned our goals with both customers and suppliers to further reduce the overall carbon footprint. We recently completed a survey of our supplier base to identify progress against their own environmental initiatives and are actively engaged with customers to assist them in finding opportunities to further improve their global carbon footprint while minimizing operational risk.

As innovation has been central to the evolutionary, differentiated technologies that we have been bringing to the market since 1981, we continue to invest in R&D and to innovate based on the feedback and needs of our customers. This is best exemplified by Dril-Quip's e-Series products that are Green By Design™.

Our Green By Design™ products were deliberately engineered to eliminate hardware and materials, reduce installation time and minimize transportation, which helps our customers lower their carbon footprint. This is exemplified by the award-winning Dril-Quip VXTe™ Vertical Subsea Tree System. The VXTe™ eliminates the tubing head spool (approximately 40 tons of hardware) and significant operational steps, which can save our customers up to two weeks of rig time and up to \$4 million per well. Because less energy is used in its manufacture, transport, and installation compared to conventional vertical trees, the VXTe™ reduces carbon emissions by as much as 1,000 metric tons per tree. When used with our other e-Series products, including the Dril-Quip BigBore™ IIe Subsea Wellhead, the Dril-Quip XPak De™ Expandable Liner Hanger System and the Dril-Quip BADGeR™ Specialty Casing Connector, there is potentially a combined reduction in carbon emissions of more than 1,500 tons per well installation.



## Anti-Corruption Principles

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

At Dril-Quip, our reputation for conducting business in a lawful and ethical manner is important to our continued success, and it is our policy to comply with the United States Foreign Corrupt Practices Act (FCPA), the U.K. Bribery Act, and all other applicable laws against corruption. This is outlined in our [Anti-Bribery Commitment](#), [Code of Business Conduct and Ethical Practices](#), and [Supply Chain Policy](#).

Our policy prohibits all forms of bribery. This includes the payment of money, offers, gifts, promises to give, or authorizations of giving anything of value to any foreign official (including employees of foreign national oil companies) for the purpose of securing a business advantage. Our leadership team sets the tone at the top when it comes to our commitment to anti-corruption and compliance with our policy.

We are required to maintain books and records that accurately and fairly reflect the transactions of the Company and are committed to maintaining a system of internal accounting controls, including periodic audits. We conduct due diligence compliance reviews and have procedures in place for engaging sales representatives/agents and distributors that require those third parties to agree to comply with all applicable laws against corruption.

Our employees are trained on anti-bribery laws and our policy during onboarding when hired and then periodically thereafter through online courses and targeted in-person training sessions for smaller groups.

## Measurement of Outcomes

UN Global Compact Principles	Resource
<b>Human Rights</b>	
<b>Principle 1:</b> Businesses should support and respect the protection of internationally proclaimed human rights; and	<a href="#">Human Rights</a> , website <a href="#">2021 U.K. Modern Slavery Act Statement</a>
<b>Principle 2:</b> make sure that they are not complicit in human rights abuses.	<a href="#">Code of Business Conduct and Ethical Practices</a> <a href="#">Supply Chain Policy</a>
<b>Labor</b>	
<b>Principle 3:</b> Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;	<a href="#">2021 U.K. Modern Slavery Act Statement</a> <a href="#">Code of Business Conduct and Ethical Practices</a>
<b>Principle 4:</b> the elimination of all forms of forced or compulsory labor;	<a href="#">2020 UK Pay Gap Report</a> <a href="#">Diversity and Inclusion</a> , website
<b>Principle 5:</b> the effective abolition of child labor; and	<a href="#">Empowering Our Employees</a> , website
<b>Principle 6:</b> the elimination of discrimination in respect of employment and occupation.	
<b>Environment</b>	
<b>Principle 7:</b> Businesses should support a precautionary approach to environmental challenges;	<a href="#">Climate Policy</a> , website <a href="#">Protecting the Environment</a> , website <a href="#">HSE Commitment</a> , website
<b>Principle 8:</b> undertake initiatives to promote greater environmental responsibility; and	
<b>Principle 9:</b> encourage the development and diffusion of environmentally friendly technologies.	
<b>Anti-Corruption</b>	
<b>Principle 10:</b> Businesses should work against corruption in all its forms, including extortion and bribery	<a href="#">Anti-Bribery Commitment</a> , website <a href="#">Code of Business Conduct and Ethical Practices</a>