

Hunting's strategic priorities are based on a business model designed to deliver sustainable long-term shareholder value while recognising our corporate responsibilities.

# Our Strategy & Related KPIs

## Growth

Our aim is to continue to develop our global presence and supply a comprehensive range of products for use in the wellbore. We will grow through capital investment in existing businesses and through acquisition.

### Strategic Focus Areas

- Extend global presence and enter new markets
- Acquire complementary businesses
- Enhance existing capacity
- Develop new products

## Operational Excellence

We operate in a highly competitive and cyclical sector, which is high profile and strongly regulated. To be successful we must deliver reliable products, which are quality assured to the highest industry standards and which offer improved cost efficiencies.

### Strategic Focus Areas

- Leverage strong brand
- Maintain and enhance quality control
- Maintain operational flexibility
- Leverage lean manufacturing
- Strengthen relationships with customers and suppliers

## Strong Returns

In normal phases of the oil and gas cycle, our business has the capability to produce high levels of profitability, strong cash generation and good returns on capital leading to growing dividends to shareholders.

### Strategic Focus Areas

- Extend global presence
- Acquire complementary businesses
- Enhance existing capacity
- Develop new products

## Corporate Sustainability

We are committed to acting with high standards of integrity and creating positive, long-lasting relationships with our customers, suppliers, employees and the wider communities in which we operate.

### Strategic Focus Areas

- Retain experienced senior management team
- Skilled workforce
- Safe operations
- Protect the environment
- Compliance

### 2021 Progress

- During 2021, Hunting completed two strategic investments in high growth businesses (i) the provision of \$2.5m convertible financing to Well Data Labs, a drilling software business and (ii) a \$5.1m investment in Cumberland Additive, a 3D printing and additive manufacturing business.
- In December 2021, the Group signed a joint venture agreement with Jindal SAW Limited in India. The new JV company will construct a threading facility in the Nashik district, India, near Jindal's steel mill.
- Hunting also pursued non-oil and gas sales in the year, with the Advanced Manufacturing group securing new opportunities.

### Related Risks

- Geopolitics
- Competition
- Climate change
- Product quality
- Commodity prices
- Shale drilling

### Related KPIs

Revenue (\$m)	
2021	521.6
2020	626.0

Underlying loss from operations* (\$m)	
2021	-35.1
2020	-16.4

Non-oil and gas revenue (\$m)	
2021	37.6
2020	39.8

### 2021 Progress

- The Group continued to leverage its strong global brand and in the year successfully received its first commercial order for the Organic Oil Recovery technology from an operator in the Middle East.
- Hunting invested in a new Quality Management System in the year, which operates alongside the D365 ERP system.
- The Group developed its third-party licensee relationships in Canada to manufacture premium connections.

### Related Risks

- Product quality
- Key executives
- Competition

### Related KPIs

ISO 9001:2015 (Quality) accredited operating sites (%)	
2021	80.0
2020	71.0

Quality assurance – manufacturing reject rate (%)	
2021	0.13
2020	0.24

Operating footprint (m sqft)	
2021	2.8
2020	2.8

### 2021 Progress

- The Group continued to launch new products and in the year introduced the H-3™ perforating system and new energetics charges.
- The Group also restructured its European OCTG businesses in the year, leading to a net cash inflow of \$27.7m being received from Marubeni-Itochu following the sale of inventory.

### Related Risks

- Commodity prices
- Competition

### Related KPIs

Underlying gross margin* (%)	
2021	19
2020	20

Free cash flow* (\$m)	
2021	54.4
2020	47.8

Return on average capital employed* (%)	
2021	-4
2020	-2

### 2021 Progress

- The Group formed an Ethics and Sustainability Board Committee in the year, which will oversee ESG and CSR issues.
- The Company is formally reporting against the requirements of the Task Force for Climate-related Financial Disclosures.
- Hunting has chosen to adopt the SASB reporting framework for reporting non-financial and ESG-related information.

### Related Risks

- Key executives
- Health, safety and environment

### Related KPIs

Safety incident rate (#)	
2021	0.99
2020	0.67

Scope 1 and 2 GHG emissions (tonnes)	
2021	18,859
2020	25,416

Intensity factor (kg/\$k)	
2021	36.2
2020	40.6

# Key Performance Indicators

## Our Progress

A number of key performance indicators are used to compare the business performance and position of the Group.

11

2021

11

2020

### Countries with active operations

Countries in which Hunting has an active operating site or distribution centre.

2.8m

2021

2.8m

2020

### Operating footprint (sqft)

Operation and distribution site square footage at year-end. This closely corresponds to “roofline” and includes administrative space within operating units.

80%

2021

71%

2020

### ISO 9001:2015 (Quality) accredited operating sites

Percentage of operating sites with ISO 9001:2015 accreditation.

0.13%

2021

0.24%

2020

### Internal manufacturing reject rate

Percentage of parts rejected during manufacturing processes.

36.2

2021

40.6

2020

### CO<sub>2</sub> intensity factor

Scope 1 and 2 carbon dioxide equivalent metric, reported as kilogrammes per \$k of revenue.

1,949

2021

1,923

2020

### Year-end employees

The year-end headcount for employees includes part-time staff (see note 8).

19

2021

16

2020

### No. of recordable incidents

An incident is recordable if it results in death or serious injury resulting in absence from work.

0.99

2021

0.67

2020

### Incident rate (OSHA method)

The US Occupational Safety and Health Administration (“OSHA”) incident rate is calculated by multiplying the number of recordable incidents by 200,000 and then dividing that number by the number of labour hours worked.

These are regularly reviewed to ensure they remain appropriate. For details on the movements of these metrics, please refer to the Group Review on pages 22 to 27.

Financial performance is measured on an underlying basis from operations and, other than revenue, these measures are non-GAAP measures (further information on non-GAAP measures ("NGM") can be found on pages 216 to 221).

Revenue (\$m)	
2021	521.6
2020	626.0
2019	960.0

Revenue is earned from products and services sold to customers from the Group's principal activities (see notes 2 and 3).

Capital Investment* (\$m)	
2021	6.6
2020	14.7
2019	36.0

Cash spend on tangible non-current assets (see NGM K).

Underlying EBITDA* (\$m)	
2021	3.1
2020	26.1
2019	139.7

Underlying results before share of associates' post-tax results, interest, tax, depreciation, impairment and amortisation (see NGM A).

Inventory Days*	
2021	163
2020	270
2019	214

Inventory at the year-end divided by underlying cost of sales for the last three months of the year multiplied by 92 days (see NGM D).

Underlying (Loss) Profit from Operations* (\$m)	
2021	-35.1
2020	-16.4
2019	94.3

Underlying (loss) profit from operations before net finance costs and tax (see consolidated income statement and note 2).

Underlying Return on Average Capital Employed* (%)	
2021	-4
2020	-2
2019	8

Underlying (loss) profit before interest and tax, adjusted to include the share of associates' post-tax results, as a percentage of average gross capital employed (see NGM P).

Underlying Operating Margin* (%)	
2021	-7
2020	-3
2019	10

Underlying (loss) profit from operations as a percentage of revenue.

Free Cash Flow* (\$m)	
2021	54.4
2020	47.8
2019	138.8

All cash flows before transactions with shareholders and investment in non-current assets (see NGM M).

Underlying Diluted (Loss) Earnings Per Share* (cents)	
2021	-27.1
2020	-10.0
2019	43.9

Underlying (loss) earnings attributable to Ordinary shareholders, divided by the weighted average number of Ordinary shares in issue during the year adjusted for all potentially dilutive Ordinary shares (see note 11).

Total Cash and Bank* (\$m)	
2021	114.2
2020	101.7
2019	127.0

Total cash and bank comprises cash at bank and in hand, Fixed Term Funds, short-term deposits with less than 3 months to maturity and money market funds less bank overdrafts (see NGM H).

\* Non-GAAP measure ("NGM") see pages 216 to 221 and notes 2 and 11.

Hunting's financial and operational resources enable us to leverage our core competencies in systems design and production, precision machining and quality print-part manufacturing. This allows us to add value for our stakeholders.

# Our Business Model

## We have a strong brand and reputation

Hunting's standing in the global oil and gas industry is supported by our skilled employees, our manufacturing and safety policies, and our aim to be close to where our customers operate. A key part of our strategy for growth and ambition for a high calibre reputation is through our commitment to our clients with many oil service and exploration and production companies relying on our expertise.

## We have skilled manufacturers

The training and development of our employees helps us deliver for our customers. We operate complex machinery, supported by rigorous Health and Safety and Quality Assurance protocols which supports our service and products offering.

## We add value for our customers

A common theme across all our businesses is our ability to add value for our customers, which is achieved by providing high technology products that lower the cost of operation, resolve technical problems, or simply enable a job to be completed more quickly or safely, without compromising on quality.

## We develop proprietary technology

Developing our own proprietary technologies has been a strategic objective for the Group. Through the development of our proprietary know-how, we are well positioned to secure market share by utilising our intellectual property.

## We strategically source critical materials

The Group has a strategy of ensuring that critical materials are not sourced from a single supplier which provides assurance to our customers that we will always be in a position to deliver. Long lead-time material supplies are regularly reviewed to ensure market pricing remains competitive. Hunting's strategic sourcing includes working with a wide range of suppliers with a regular two-way dialogue on quality expectations.

## Strong stakeholder engagement

Our engagement activities with our customers, suppliers and employees enable the Board to understand the needs of all our key stakeholders, and allow us to execute our strategy more efficiently. The discussions with our customers help us shape our new product development strategy, as clients seek to commercialise oil and gas reserves as safely and cost effectively as possible.

## We look after our people

The Group has a strong reputation for being a responsible employer, which is reflected in the average tenure and voluntary workforce turnover rate. This demonstrates Hunting's commitment to its employees and its drive to nurture a mutually beneficial relationship between the Company and its employees.

## Significant capital resources

The Group ends 2021 with a strong balance sheet, supportive shareholders along with a new lending group which was finalised in February 2022. This financial strength will assist us in our growth strategy in the coming years, as the global oil and gas industry returns to growth.

# Precision machining for energy and new markets

## 01. Our Resources

Our financial and human capital and operational resources enable us to be a critical supplier in the oil and gas supply chain.

These resources are also being applied to non-oil and gas sectors.

### Financial

#### Shareholders

For more information see pages 53 & 54

#### Lenders

For more information see page 54

### Operational

#### Facilities

For more information see pages 47 to 49

#### Quality Assurance

For more information see page 47

#### Intellectual Property

For more information see page 47

#### Employees

For more information see pages 55 to 58



## 02. Our Operating Segments

Our global presence enables us to deliver for a client wherever our expertise is required.

Hunting's leading Quality Assurance protocols and robust Health and Safety practices help us leverage our position in the supply chain.

**Health, Safety and Environment ("HSE")**



**Hunting Titan**

**North America**

**Europe, Middle East and Africa ("EMEA")**

**Asia Pacific**



**Quality and Operational Excellence**

For more information see pages 48 and 49

## 03. Our Products and Services

Hunting's diverse product portfolio enables us to participate in most oil and gas projects undertaken by our clients.

Our intellectual property portfolio supports our position in the supply chain and is a barrier to entry for other potential suppliers.

**Oil Country Tubular Goods ("OCTG")**



**Perforating Systems**



**Advanced Manufacturing**



**Subsea**



**Intervention Tools**



**Non-oil and gas**



For more information see pages 50 to 51

## 04. Our Stakeholders

Our stakeholders enable us to deliver our business strategy and model. Our employees work closely with customers and suppliers and through that engagement we help to position the Company for the future.

**Shareholders and Lenders**

**Customers**

**Employees**

**Suppliers**

**Environment**

**Governments**

**Communities**

For more information see pages 52 to 74



# 01. Our Resources

**31**

Operating sites

**2.8m**

sqft  
Operating footprint

**1,304**

Machines

**\$274.4m**

Net book value PPE

**80%**

ISO 9001:2015 (Quality) accredited  
facilities

“A significant portion of our manufacturing occurs in high-end, specialist facilities utilising sophisticated machines.”

# Operational

## Management Principles

Our approach to managing the Group's operations is based on four core principles:

### Develop Our People

People are at the heart of our business. Our broad product portfolio demands experienced machining and production engineers across our manufacturing disciplines and facilities. Our administration, finance and sales staff are also encouraged to develop their skills through training and professional development programmes.

### Empower Our Business Units

The oil and gas industry is a fast-paced sector where product requirements and customer demands can operate on short lead-times. Our business leaders are empowered to react quickly to local market conditions and opportunities when they arise.

### Apply Unified Operating Standards and Procedures

Demanding Health, Safety and Quality Assurance policies are developed centrally and then applied locally. We continually monitor and raise our operating standards.

### Maintain a Strong Governance Framework

The Group's senior managers and their teams operate within a tight framework with short chains of command to the Chief Executive.

## Facilities

The Group has an established global network of operating sites and distribution centres located close to our customers and within the main global oil and gas producing regions. Our operating sites are used for the manufacture, rental, trading and distribution of products. The manufacture of goods and the provision of related manufacturing services is, by far, the main source of income for the Group. A significant portion of our manufacturing occurs in high-end, specialist facilities utilising sophisticated machines. In Hunting's rental businesses it is critical that an appropriate range of equipment is stored and maintained. Generally, this must be configured to meet specific customer requirements.

In certain product lines, particularly OCTG, Hunting holds inventory to support its customers' requirements and to take advantage of particular market opportunities. Our distribution centres are primarily used in the Hunting Titan and intervention tools business groups, where close proximity to drilling operations is important. 2021 has seen the closing of two distribution centres to save costs. The Group has retained its global manufacturing presence in areas where sustained activity is anticipated.



## Quality Assurance

The Group's Quality Assurance programme, for all its products, is a key feature of our business strategy, as it supports our standing within our customer base. Detailed policies are implemented within all facilities and in the year, the Group reported a manufacturing reject rate of 0.13% (2020 – 0.24%).

## Facility ISO Accreditations

The Group is committed to enhancing its production and operational quality, with a number of facilities being certified ISO 9001:2015 (quality), ISO 14001 (environment) and ISO 45001 (occupational Health and Safety management) compliant, indicating that globally recognised standards and systems are in place.

### Facility ISO 9001:2015 Accreditations

(%)

2021	80.0
2020	71.0
2019	72.0

More facilities across the Group are working towards these ISO accreditations, continuing the Group's commitment to monitoring and enhancing quality, while reducing the environmental impact of our operations and improving Health, Safety and Environmental ("HSE") standards.

Hunting's seamless Quality Management System ("QMS") is certified and accredited for these ISO standards and all facilities are operated in accordance therewith. Operational and production excellence is a key driver of our engagement and relationship with customers.

Quality assurance for each component manufactured is a key differentiator in our drive to be an industry-leading provider of critical components and measurement tools.

## Intellectual Property

Developing our own proprietary technologies has been a strategic objective for the Group. Through the development of our technologies and proprietary know-how, we are well positioned to secure market share by protecting our intellectual property ("IP"). Our substantial IP portfolio provides us with a competitive advantage and allows us to enjoy better margins and more operational flexibility. In 2021, Hunting had a total of 518 patents being either granted or pending at year-end.



# 02. Our Operating Segments

## Introduction

Hunting reports its performance based on its key geographic operating regions. Hunting Titan is a large, separate division, which is reported as a stand-alone segment that operates in several geographic locations. A description of each segment is noted below.

### Hunting Titan

Hunting Titan manufactures and distributes perforating products and accessories. The segment's products include perforating gun systems, shaped charge technologies and well completion instrumentation.

The business has four manufacturing facilities in the US and one facility in Mexico, supported by 12 distribution centres, primarily located in Canada and the US.

### North America

The North America segment was formed on 1 January 2021, following the merging of the Group's US and Canada operating segments. The segment supplies OCTG, premium connections, subsea equipment, intervention tools, electronics and complex deep hole drilling and precision machining services for the US and overseas markets.

The North America segment has 14 operating facilities, mainly located in Texas and Louisiana.

### Europe, Middle East and Africa ("EMEA")

The EMEA segment derives its revenue primarily from the supply of OCTG and intervention tools to operators in the North Sea. The segment has operations in the UK, the Netherlands, Norway, Saudi Arabia and the UAE.

Revenue from the Middle East and Africa is generated from the sale and rental of intervention tools across the region, with local operations also acting as sales hubs for other products manufactured globally by the Group, including OCTG and perforating systems.

### Asia Pacific

Revenue from the Asia Pacific segment is primarily derived from the manufacture of premium connections and accessories and OCTG supply. Manufacturing facilities are located in China, Indonesia and Singapore. The facility in China also manufactures perforating guns for Hunting Titan.





## Hunting Titan

	2021	2020
Operational sites	<b>5</b>	4
Distribution centres	<b>12</b>	14
Year-end employees	<b>517</b>	380



## North America

	2021	2020
Operational sites	<b>14</b>	15
Distribution centres	<b>2</b>	2
Year-end employees	<b>836</b>	880



## Europe, Middle East and Africa ("EMEA")

	2021	2020
Operational sites	<b>8</b>	8
Distribution centres	<b>0</b>	0
Year-end employees	<b>224</b>	229



## Asia Pacific

	2021	2020
Operational sites	<b>4</b>	4
Distribution centres	<b>0</b>	0
Year-end employees	<b>302</b>	364



## Total

	2021	2020
Operational sites	<b>31</b>	31
Distribution centres	<b>14</b>	16
Year-end employees	<b>1,949</b>	1,923

Total year-end employees includes 70 (2020 – 70) head office and corporate personnel.

# 03. Our Products and Services

## Oil Country Tubular Goods ("OCTG")



**Operating Basis:**  
Manufacturing  
Trading

### Overview

OCTG are steel alloy products and comprise casing and tubing used in the construction and completion of the wellbore. Hunting machines threads to connect OCTG using flush or semi-flush joints and can manufacture premium and semi-premium connections and accessories using our own technologies such as SEAL-LOCK™, WEDGE-LOCK™ and TEC-LOCK™. We are licensed to apply a variety of third-party thread forms and generic API threads. We source OCTG products from a significant number of major global steel producers and have strong, long-term relationships in the US, Canada, Europe and Asia Pacific. Hunting also trades pipe, which is a lower margin activity, to help support customer relationships.

### Differentiators

Hunting is one of the largest independent providers of OCTG connection technology, including premium connections.

**Global Operating Presence**  
North America, EMEA and Asia Pacific.

### Related Strategic Focus Areas

Hunting has entered into a joint venture agreement with Jindal SAW to access the high growth OCTG market in India.

### Related Principal Risks

- Commodity prices
- Shale drilling
- Competition
- Product quality

## Perforating Systems



**Operating Basis:**  
Manufacturing

### Overview

Hunting Titan manufactures perforating systems, energetics, firing systems and logging tools. Products are mainly used in the completion phase of a well. The production, storage and distribution of energetics is highly regulated and there are significant barriers for new entrants to the market. The business mainly "manufactures to stock" and hence uses a wide distribution network. Some manufacturing is done to order, sourced from international telesales.

### Differentiators

Hunting has a market-leading position in the US, supported by a strong portfolio of patented and unpatented technology.

**Global Operating Presence**  
Operating sites in North America, Mexico and China. Distribution centres in North America and Asia Pacific.

### Related Strategic Focus Areas

Hunting has launched a number of perforating and charge technologies in the year, which aligns with the evolving well completions market.

### Related Principal Risks

- Commodity prices
- Shale drilling
- Competition
- Product quality

## Advanced Manufacturing



**Operating Basis:**  
Manufacturing

### Overview

Advanced Manufacturing includes the Hunting Dearborn business, which carries out deep hole drilling and precision machining of complex measurement-while-drilling/logging-while-drilling (“MWD/LWD”) and formation evaluation tool components. The Hunting Electronics business manufactures printed circuit boards capable of operating in extreme conditions. These businesses work collaboratively with customers implementing their designs to their specifications. Hunting Specialty manufactures products used for onshore drilling and completion activities.

### Differentiators

Hunting Dearborn is a world leader in the deep drilling of high grade, non-magnetic components. As a Group, Hunting has the ability to produce fully integrated advanced downhole tools and equipment, manufactured, assembled and tested to the customer’s specifications.

**Global Operating Presence**  
North America.

### Related Strategic Focus Areas

Our AMG businesses have secured new non-oil and gas sales in the year, with clients including SpaceX and Blue Origin.

### Related Principal Risks

- Commodity prices
- Product quality

## Subsea



**Operating Basis:**  
Manufacturing

### Overview

The Subsea division produces high quality products and solutions for the global subsea industry covering hydraulic couplings, chemical injection systems, valves and weldment services.

Following the acquisition of RTI Energy Systems, now known as Subsea Spring, titanium and stainless steel stress joints and production risers have been added to the Group’s subsea portfolio.

The addition of Enpro Subsea’s product offering also brings modular production technology and know-how to our offshore capabilities.

### Differentiators

Hunting’s expertise ranges from the manufacture of high pressure seals to complex welding of stress joints.

**Global Operating Presence**  
North America and EMEA.

### Related Strategic Focus Areas

Our Subsea Spring business has won a number of large orders for its titanium stress joints.

### Related Principal Risks

- Commodity prices
- Product quality

## Intervention Tools



**Operating Basis:**  
Manufacturing  
Equipment Rental  
Trading

### Overview

The Group manufactures a range of downhole intervention tools including slickline tools, e-line tools, mechanical plant, coiled tubing and pressure control equipment.

This business is capital intensive and results are dependent on asset utilisation and rental rates.

### Differentiators

Hunting offers a comprehensive range of tools, including innovative and proprietary technologies.

**Global Operating Presence**  
North America, EMEA and Asia Pacific.

### Related Strategic Focus Areas

Our Well Intervention business has identified innovative technologies to expand Hunting’s product portfolio and has increased sales activities into areas which leverage the Group’s brand.

### Related Principal Risks

- Commodity prices
- Competition

## Non-Oil and Gas



**Operating Basis:**  
Manufacturing

### Overview

Across the Group, efforts have been stepped up to diversify revenue streams and leverage our core competencies into new markets.

In the year, Hunting has developed new sales streams in the military and medical sectors, primarily via our Dearborn and Electronics businesses.

In the year, the Group’s Asia Pacific segment also delivered its first batch of micro hydro generation systems.

### Differentiators

Hunting’s complex, precision machining capabilities are applicable to many other sectors outside of oil and gas.

The Group has successfully positioned itself with a number of defence related businesses who recognise our expertise.

**Global Operating Presence**  
North America, Asia Pacific.

### Related Strategic Focus Areas

Our non-oil and gas revenue was fairly resilient in the year, with medical, space and military sales secured.

### Related Principal Risks

- Product quality



# 04. Our Stakeholders

## Introduction

The Group's stakeholders enable the delivery of Hunting's business model and strategy.

Stakeholder engagement forms a key element of our culture and is an area which has increased over the past few years.

Understanding the needs of our shareholders, customers, suppliers and workforce is achieved by regular dialogue.

### Shareholders and Lenders

Our shareholders provide equity capital to the Group. Our institutional investors are mainly located in the UK and shareholder returns are predominantly in the form of dividend distributions. The Directors regularly engage with shareholders to discuss strategy, governance and other matters. This feedback is used to refine our strategic plans.

### Our Employees

Hunting's employees deliver our strategic plans. Since 2019 we have increased our engagement activities through perception surveys and town hall meetings. During 2021, the Board's interaction with employees included an employee engagement event at the Group's Subsea business unit, where Annell Bay, the designated non-executive Director for employee engagement, met staff in Houston.

### Our Customers

Our clients are critical to the financial success of the Group. Customer dialogue helps us shape our strategy and provides focus to our service offering. Often, customer feedback helps us define new product development.

### Suppliers

Hunting's supply chain has increased in importance during 2021 as raw material and component costs have increased. We have worked hard to ensure a secure supply chain in the year, to enable us to continue to deliver for our customers.

### Environment and Climate

The Group's environmental impact has also been an area of increased scrutiny by investors during 2021. In the year we have created new ESG and TCFD steering groups to enhance the measuring and monitoring of our carbon footprint as well as completing analysis to understand the longer term climate opportunities and risks to our business model.

### Governments

The Group has continued its engagement with local tax authorities in the year to remain fully compliant with all evolving legislation.

### Our Communities

Hunting continues to assist communities through a wide range of activities. Throughout the COVID-19 pandemic, the Group has provided safety masks to at-risk members of the community.

### Sustainability Accounting Standards Board ("SASB") Reporting

Throughout this section, Hunting has introduced the SASB reporting codes relevant to its non-financial data. Please refer to the SASB reporting tables on pages 226 and 227, which provide the detail to each area of reporting, Hunting's compliance to the reporting recommendation and the page location of the relevant information.



## Shareholders

Hunting's shareholders are important stakeholders, providing a key source of capital to allow growth for the longer term. The Group has one class of Ordinary shares.

At 31 December 2021, the total number of Ordinary shares in issue was 164.9m (2020 – 164.9m), and the number of shareholders on the register was 1,337 (2020 – 1,403).

During the year, the Group purchased 2.7m Ordinary shares, which were transferred to Hunting's Employee Benefit Trust, for a total cost of \$8.1m.

Returns achieved by shareholders, by holding the Company's Ordinary shares, are measured through Total Shareholder Return ("TSR").

TSR forms a large portion of the longer-term remuneration paid to the executives of the Group, with demanding vesting targets measured against our industry peers.

In 2021, Hunting PLC's Ordinary shares achieved a TSR of -22% on an annualised basis, given the ongoing subdued economic activity due, in part, to COVID-19.

### Shareholder Engagement

Regular shareholder engagement meetings are organised through an annual calendar of work co-ordinated by the Group's Head of Investor Relations and is summarised below. These meetings allow the Board to understand the views of our key investors. In the year, 100 meetings were held with institutional investors (2020 – 159) and five investment conferences were attended (2020 – five).

	Event	Roadshows	Conferences	Other
<b>January</b>				Chairman and SID shareholder meetings.
<b>February</b>				
<b>March</b>	Annual Results	UK	UBS JP Morgan Simmons	Remuneration, consultation and engagement.
<b>April</b>	AGM and Q1 Trading Statement			
<b>May</b>				
<b>June</b>	H1 Pre-Close Trading Statement		RBC Capital Markets	
<b>July</b>				
<b>August</b>	Half Year Results	UK		
<b>September</b>				
<b>October</b>	Q3 Trading Statement			
<b>November</b>			JP Morgan	
<b>December</b>	FY Pre-Close Trading Statement			

### Dividend Policy

Each dividend proposal considered by the Board is determined on its own merits taking into account the considerations outlined below. This flexible approach is influenced by the cyclical nature of the oil and gas sector which, as recent history demonstrates, can produce significant swings in activity levels and cash generation.

Dividends, therefore, reflect business performance over time and will not necessarily be progressive. In assessing the level of dividend that is appropriate, the Board considers not only the results and position of the business for the financial year in question, but reviews mid-term projections and downside sensitivities for a three-year period as used in the Viability Assessment.

A company's dividend capacity is typically constrained either by distributable reserves or by liquidity. Hunting PLC has in excess of \$300m of distributable reserves and Hunting Energy Holdings Limited, a direct UK subsidiary of Hunting PLC, which directly or indirectly controls the operating businesses of the Group, has distributable reserves in excess of \$300m.

The Board considers that these distributable reserves are capable of servicing dividends for the foreseeable future and that any dividend constraints will be driven by liquidity.

### Total Shareholder Return

(Absolute %)

2021		(22.2)
2020		(45.2)
2019		(11.7)

### Dividend per share declared

(cents)

2021		8.0
2020		9.0
2019		5.0

## Major Shareholders

The Company's major shareholders, as at 31 December 2021, are listed below:

	Notes	Number of Ordinary shares	% of ISC
M & G Investment Management		11,872,568	7.2
GLG Partners		11,729,398	7.1
BlackRock	(6)	11,205,787	6.8
Hunting Investments Limited	(1/4/5)	11,003,487	6.7
Schroder Investment Management		10,765,892	6.5
Franklin Templeton		7,064,037	4.3
Slaley Investment Limited	(5)	6,424,591	3.9
Janus Henderson Investors		6,126,688	3.7
J Trafford – as trustee	(2/5)	5,228,660	3.2
Dimensional Fund Advisers		4,925,591	3.0
David RL Hunting	(1/2/3/4/5)	194,120	0.1
– as trustee		3,157,750	1.9
– other beneficial		1,875,950	1.1
<b>Issued share capital – at 31 December 2021</b>		<b>164,940,082</b>	<b>100.0</b>

### Notes:

- Included in this holding are 9,437,743 Ordinary shares held by Huntridge Limited, a wholly owned subsidiary of Hunting Investments Limited. Neither of these companies is owned by Hunting PLC either directly or indirectly.
- After elimination of duplicate holdings, the total Hunting family trustee interests shown above amount to 5,228,660 Ordinary shares.
- Arise because David RL Hunting and his children are or could become beneficiaries under the relevant family trusts of which David RL Hunting is a trustee.
- Richard H Hunting (non-executive Director of Hunting PLC) and David RL Hunting are both directors of Hunting Investments Limited.
- In 2014, Hunting Investments Limited, Slaley Investments Limited, certain Hunting family members, including Richard H Hunting and David RL Hunting and the Hunting family trusts, to which James Trafford is a trustee (together known as "the Hunting Family Interests"), entered into a voting agreement. The voting agreement has the legal effect of transferring all voting rights of Hunting PLC Ordinary shares held by the Hunting Family Interests to a voting committee. The beneficial ownership of Hunting PLC Ordinary shares remains as per the table shown above. At 3 March 2022, the Hunting Family Interests, party to the agreement, totalled 24,210,900 Ordinary shares in the Company, representing 14.7% of the total voting rights.
- On 17 February 2022, BlackRock informed the Company that it had increased its shareholding to 12,738,874 Ordinary shares, representing 7.7% of the issued share capital. On 22 February 2022, BlackRock further informed the Company that it had increased its shareholding to 13,786,233 Ordinary shares, representing 8.4% of the issued share capital.

### Board Engagement and Decision Making – Shareholders

The Directors of Hunting receive a report detailing the Company's major shareholders at each Board Meeting, with a briefing by the Chief Executive and Finance Director on meetings that have recently occurred with key matters being regularly discussed following this engagement. The Chief Executive and Finance Director meet with major shareholders after the Half Year and Full Year Results, and during 2021 followed a plan of investor meetings with shareholders in the UK and North America. The Chairman and Senior Independent Director also met with institutional investors in January 2021 and January 2022 to discuss governance, strategy and remuneration.

In line with recommendations from investor groups and UK regulators, the Company has increased its disclosures in the area of Climate Change and reports its information aligned with the Task Force on Climate-related Financial Disclosures ("TCFD"). The Group has adopted a risk management framework to monitor climate risk and has maintained its carbon reduction targets, as set in 2019.

Hunting has also started to report against the Sustainability Accounting Standards Board ("SASB") recommendations in the year, which is an area that will see increased disclosures in future years.

The Board also sets the Company's dividend policy, following a review of the financial performance for the relevant reporting period, and considers proposals by the executive Directors on the level of distribution. The Group's Audit Committee reviews dividend proposals as part of its regular programme of work and makes a recommendation to the Board. Dividends are declared on the announcement of each set of Group results and are usually paid in May, following shareholder approval at the Company's Annual General Meeting, and in October. Given the proportion of UK shareholders on the share register, the Group's current practice is to pay all dividends in Sterling. In the year, the Group has reported a strong cash position and, despite its financial results, has continued to declare and pay dividends in recognition of the underlying strength of the Company. The Directors are proposing a 2021 Final Dividend of 4.0 cents per share, which will be subject to approval by shareholders at the AGM.

## Our Lenders

In the period, the Group had a multi-currency revolving credit facility ("RCF"), totalling \$160.0m, provided by four banks comprising HSBC, Barclays, DBS and Wells Fargo. For the whole of 2021, the facility remained unutilised given the positive net cash position held throughout the year.

As noted in the Group Review, Hunting commenced discussions to refinance the RCF into a new \$150m Asset Based Lending ("ABL") facility towards the end of H1 2021. Negotiations continued throughout the remainder of the year, with the new facility signed on 7 February 2022. The ABL lending group now comprises Wells Fargo and HSBC.

### Board Engagement and Decision Making – Lenders

The Directors are briefed at each Board meeting by the Finance Director on the Group's financial position and the relationship with members of the bank lending group. Regular meetings between the Chief Executive, Finance Director and Group Treasurer and the RCF lenders were held during the year to brief the banks on the performance and position of the Group. As mentioned above, negotiations around the Group's new \$150m ABL facility concluded in early February 2022. Hunting PLC management and the Board look forward to building on the engagement we have had with HSBC and Wells Fargo during the refinancing and are grateful for their ongoing support.

## Our Employees

Hunting's reputation, which has been built over many years, is underpinned by its highly skilled employees, who are key to fulfilling the Group's strategic objectives.

At 31 December 2021, the Group had 1,949 employees (2020 – 1,923) across its global operations. SASB Code: RT-IG-000.B.

The ongoing impact of COVID-19 on the Group's operations has been a key feature of 2021, as many facilities have continued to adopt social distancing protocols to keep our employees safe and healthy during these challenging times. As global vaccination programmes were rolled out, most facilities wound down working-from-home arrangements that had been in place since March 2020, however, deep cleaning, the wearing of face masks and sanitising protocols remained in place to continue to protect our staff.

Employees are offered benefits on joining the Group, including healthcare cover, post-retirement benefits and, in certain instances, when Group outperformance in terms of operational or financial targets has been delivered, participation in annual bonus arrangements.

The Group is committed to training and developing all employees, which includes Health and Safety training, professional development and general career development initiatives.

The Group has a strong reputation for being a responsible employer, which is reflected in the average tenure and voluntary workforce turnover rate noted below. This demonstrates Hunting's commitment to its employees and its drive to nurture a mutually beneficial relationship between the Company and its employees.

Average employee tenure	<b>10.2 years</b>
Group employee voluntary turnover rate	<b>10.5%</b>

Hunting targets full compliance with all relevant regional laws covering employment and minimum wage legislation. As a responsible employer, full and fair consideration is given to applications for positions from disabled persons. The Group's ethics policies support equal employment opportunities across all of Hunting's operations.

While the Board, through the work of the newly formed Ethics and Sustainability Committee, monitors procedures to comply with our published Code of Conduct, responsibility for our employees lies for

the most part with local management, to enable local matters to be addressed, with all businesses complying with the Group's ethical employment and human rights policies as published in the Hunting PLC Code of Conduct (located at [www.huntingplc.com](http://www.huntingplc.com)).

### Health and Safety

Across all of its global operations, the Group is committed to achieving and maintaining the highest standards of safety for its employees and other stakeholders.

Hunting has a culture of aiming for best practice and employs rigorous Health and Safety practices. Health and Safety policies include:

- Regular audit and maintenance reviews of facilities;
- Appropriate training and education of all staff;
- Regular reporting to Board level;
- Seeking accreditation and aligning long-standing internal programmes with internationally recognised standards; and
- Publication of the Group's policy on health, safety and environmental matters on the Company's website at [www.huntingplc.com](http://www.huntingplc.com).

The Group's target is to achieve zero recordable incidents. Each local business is required to develop tailored Health and Safety policies to suit their environment. These incorporate the Group's approach to putting safety first and, at a minimum, complying with local regulatory requirements.

During the year, there were no fatalities across the Group's operations (2020 – nil), with 19 recordable incidents (2020 – 16).

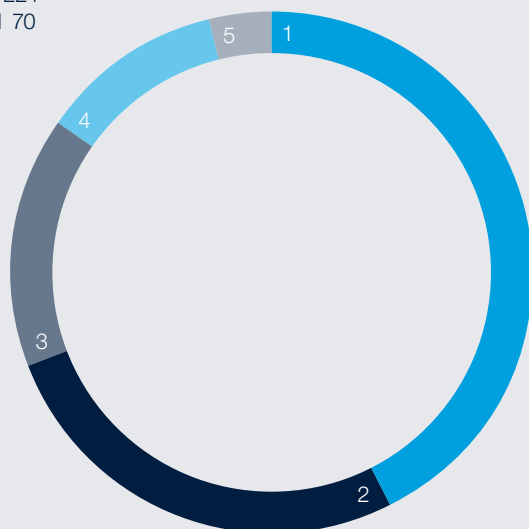
The recordable incident rate, as calculated from guidance issued by the Occupational Safety and Health Administration ("OSHA" and calculated by multiplying the number of incidents by 200,000 and dividing by the total numbers of hours worked) in the US, was 0.99 compared to 0.67 in 2020. This incident rate reflects a 48% year-on-year increase compared to the prior year, as new employees were hired in Hunting Titan and activity increased in the second half of the year. The industry average incident rate in 2021 was 4.0 (2020 – 4.0).

The "near miss" frequency rate (calculated by multiplying the number of incidents by 200,000 and dividing by the total numbers of hours worked) was 0.78 in 2021 (2020 – 0.89) reflecting 15 near misses (2020 – 17).

In the year, the number of hours worked decreased by 21% to 3.8m hours (2020 – 4.8m hours) as trading declined within the Group's offshore and international businesses. SASB Code: EM-SV-320a.1, EM-SV-320a.2, RT-IG-320a.1 and EM-SV-000.D.

### Employees (at year-end)

1. North America 836
2. Hunting Titan 517
3. Asia Pacific 302
4. EMEA 224
5. Central 70



### Total Recordable Incident Rate

2021	<b>0.99</b>
2020	0.67
2019	1.17

**Our Business Model**  
continued

Across all its global operations, Hunting is committed to achieving and maintaining our Health, Safety and Environment (“HSE”) goals of: No Accidents, No Harm to People, and No Damage to the Environment. Hunting has defined rules and guidelines for HSE training, protective equipment, and high-risk operations. This is covered by the Group’s Health, Safety and Environmental Global Manual that is accredited to ISO 14001 “Environmental Management System” and in accordance with ISO 45001 “Occupational Health and Safety Management System”. Manufacturing and services are provided by Hunting facilities that are strategically located to serve its customers. All activities, products and services are provided in compliance with the Company’s Health, Safety and Environmental policy.

Hunting has utilised services to provide climate, noise, and air quality testing over the past several years. The Group will continue utilising these services annually to achieve an accurate sample of Hunting’s operations to ensure compliance and safety for all its employees. As a result of these protocols, Hunting has continuously been able to improve the working conditions across all platforms.

The HSE department has continued to grow all aspects of Health and Safety awareness during the COVID-19 pandemic. One of the biggest challenges that the department had to overcome were the travel restrictions. Being faced with travel restrictions, the Group had to increase the use of technology to continue HSE awareness. The HSE department adapted an online meeting strategy that was scheduled at the desired frequency for general meetings or action plans. The development of the new HSE Management System in OnBase, allowed the department to be completely remote without any restrictions on achieving success and compliance.

OnBase was created as the new application to hold the framework of the Group’s Global HSE Management System. This system was completely redesigned to achieve a united structure for all operations. Hunting’s internal processes are now completely seamless, captured within one application. OnBase allows the Group to continuously enhance the management system to stay in compliance with all local regulatory agencies.

**Training**

The Group operates an embedded Health and Safety training programme for its employees, with each shop-floor member of staff attending weekly “Tool Box” sessions, where HSE messaging is re-enforced.

In line with the SASB standards, the following health, safety and emergency response training for employees is noted in the chart below:

As an embedded programme for new employees, the Group provides ethics training through a Code of Conduct training course, to ensure awareness of our published policies. The programme incorporates anti-bribery and corruption, modern slavery, fraud and tax modules to ensure our employees understand their responsibilities on joining the Group.

**Employee Engagement**

In 2019, Hunting commissioned its first all-employee survey, to enhance its global workforce engagement initiatives. This initiative is planned to be repeated in the coming year.

**Human Rights**

We are committed to upholding the Human Rights of all our employees, which include:

- providing a safe and comfortable working environment for all employees and contractors;
- respecting the rights of each individual with a zero tolerance approach to any form of discrimination, harassment or bullying;
- providing training and development programmes to our global workforce;
- not employing child labour; and
- acting with honesty, transparency and integrity in all of our dealings with our workforce.

**Diversity**

The Group’s gender diversity profile for 2021 is detailed on page 57. Hunting’s policies promote prejudice-free decision making, ensuring all stakeholder interests are taken into consideration and commit Hunting to building a working environment in which all individuals are able to make best use of their skills, free from unfair discrimination, victimisation, harassment and/or bullying, and in which all appointments are based on merit. Furthermore, the policy focuses on recruitment, training and development, conditions of work and disciplinary procedures.

**Gender Diversity**

Hunting’s gender diversity policy commits the Group to:

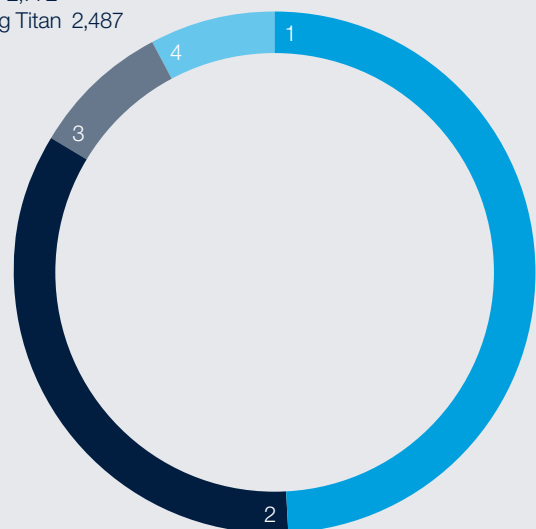
- an embedded culture of equal opportunities for all employees, regardless of gender;
- require external recruitment consultants to submit their diversity policies to the Group prior to appointment;
- ensure that external consultants appointed by Hunting provide the right Board shortlists comprising of an appropriate gender balance; and
- a periodic review by the Nomination Committee of its progress in complying with best practice recommendations.

**Near-Miss Frequency Rate**

2021		0.78
2020		0.89
2019		2.61

**Training hours completed by operating segment**

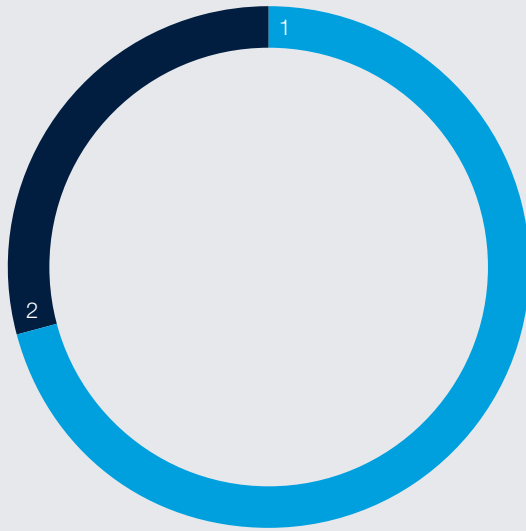
1. Asia Pacific 16,042
2. North America 11,264
3. EMEA 2,772
4. Hunting Titan 2,487





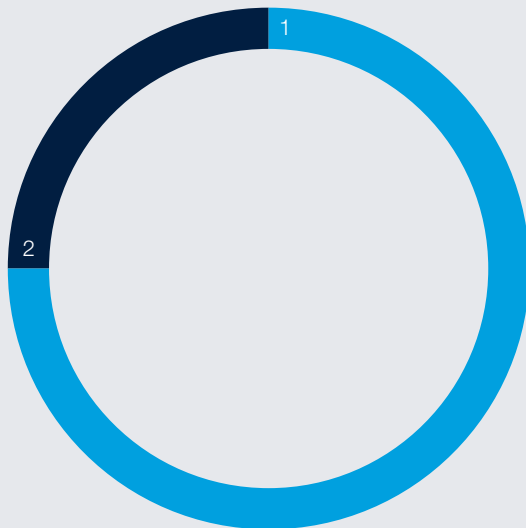
### Board

- 1. Male 5 – 71%
- 2. Female 2 – 29%



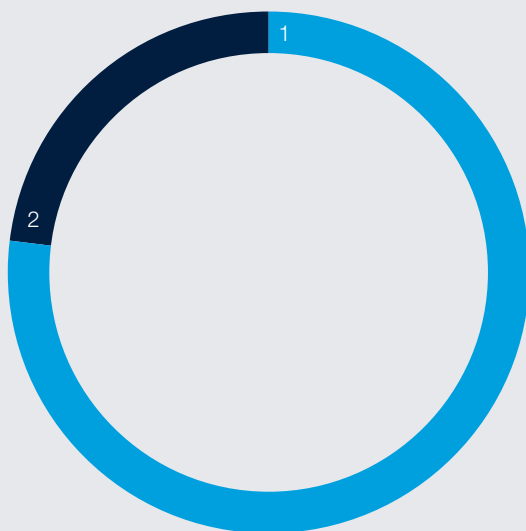
### Senior Management

- 1. Male 63 – 75%
- 2. Female 21 – 25%



### Workforce

- 1. Male 1,502 – 77%
- 2. Female 447 – 23%



## Our Business Model

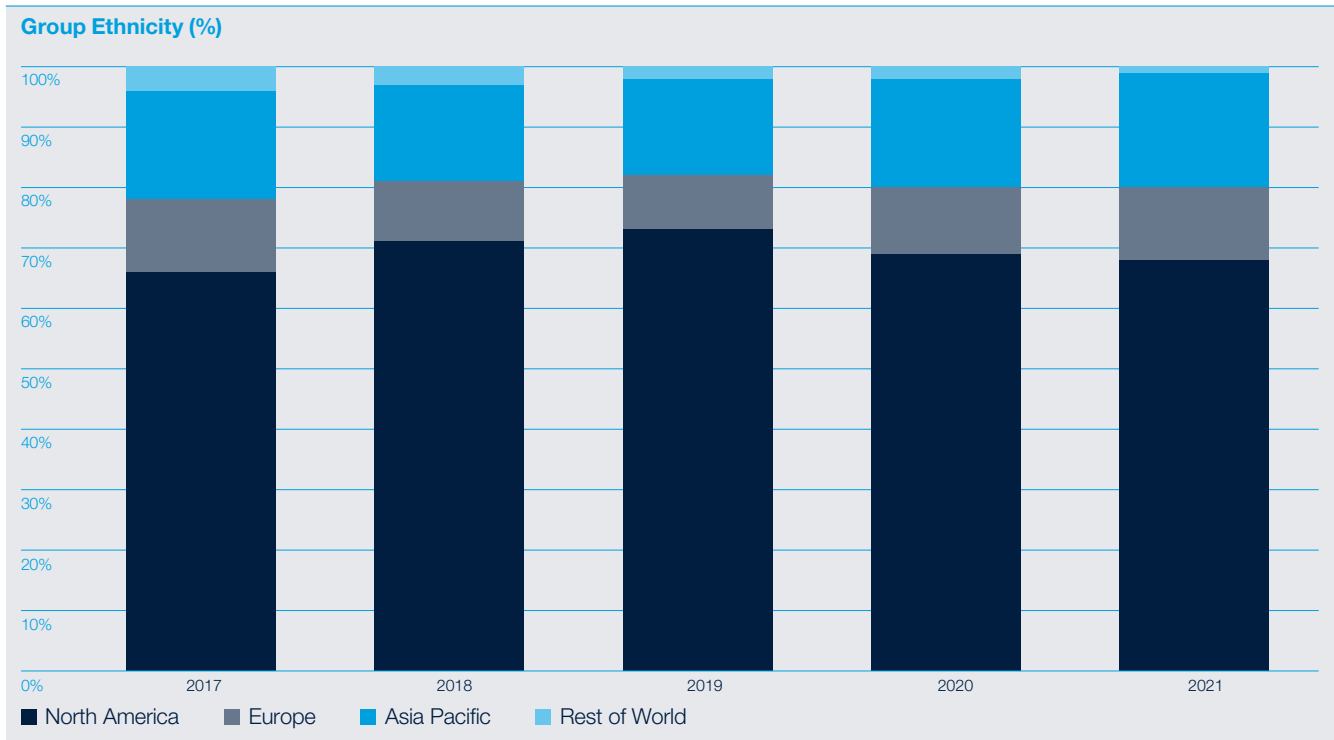
continued

Gender and ethnicity suggestions made in the Hampton-Alexander and Parker reviews have been noted by the Board and will be taken into consideration as the Board is refreshed over the coming years.

Gender diversity data of Hunting's Board, senior management and workforce is noted in the charts on page 57.

### Ethnicity

Hunting is committed to an ethnically diverse workforce and extends its global operating footprint to 11 countries. The Group remains North American focused, with over c.70% of employees from that region at 31 December 2021.



### Whistleblowing

The Board of Hunting has established procedures whereby employees can raise concerns in confidence, by contacting the Chairman or Senior Independent Director. The Group also uses an independent whistleblowing service operated by SafeCall. Contact information for both these lines of reporting is usually published on staff notice boards across the Group's facilities and within the Group's magazine published twice yearly, the "Hunting Review" which is available to all employees.

#### Board Engagement and Decision Making – Employees

Through the newly formed Ethics and Sustainability Committee, the Board has formalised the reporting of Human Resources matters, with the Group's Chief HR Officer providing reports at each meeting of this newly formed Committee.

As part of Hunting's improved governance framework, the Hunting Executive Committee was also expanded to include the Chief HR Officer, with reports considered at each meeting.

Hunting's Director of Health, Safety and Environment ("HSE"), who is a member of the Executive Committee, reports directly to the Chief Executive and the Directors review a HSE report at each Board meeting. The Directors noted the low number of incidents in the year, reflecting Hunting's strong attention to this area, which has now extended over many years.

Further, the Board received reports from Keith Lough, the Company's Senior Independent Director, on the whistleblowing reports received. In the year, the Group received one report to the SafeCall service (2020 – two reports).

As the Group exited from the impact of the pandemic, an employee engagement event was held at the Group's Subsea business unit in September 2021, where Annell Bay, the designated non-executive Director for employee engagement, met with members of the workforce.

## Our Customers

As a member of the oil and gas equipment supply chain, Hunting's broad portfolio of products and services enables the Group to cover a large proportion of the needs of the global energy industry, including onshore and offshore drilling projects and conventional and unconventional resource development, supported by selected high value services to help our customers achieve their strategic objectives. A common theme across all our businesses is our ability to add value for our customers, which is achieved by providing high technology products that lower the cost of operation, resolve technical problems, or simply enable a job to be completed more quickly or safely, without compromising on quality.

The ongoing impact of the COVID-19 pandemic and ongoing lower demand for hydrocarbons, have continued to challenge across all levels of the oil and gas supply chain. The major theme of the Group's customer discussions in the year was the improving outlook for energy demand and the ability of the supply chain to meet client needs as and when equipment purchasing recommences in earnest. Hunting has continued to engage its customer base proactively to continue to assist our clients in meeting their strategic objectives and continues to assist customers with technology developments to lower production costs or increase in-field safety.

### Our Customer Channels to Market

	Split of Group revenue
<b>Operators</b> Operators are the end consumers of our products and related services. These include national oil companies, international oil companies and independents. Approximately 15% of our sales are made directly to operators.	c.15%
<b>Service Companies</b> Our primary route to market is via other service providers, which generate c.60% of our revenue. These include "1st tier" service companies who can provide project management services to operators. Key customers include Halliburton, Baker Hughes, Schlumberger and PipeCo Services.	c.60%
<b>Steel Mills and Other Oil and Gas</b> Steel mills are key suppliers to our business; however, in some circumstances we can perform threading services for them or supply OCTG products.	c.18%
<b>Non-Oil and Gas</b> Non-oil and gas sales are led by our Trenchless, Dearborn and Electronics operations, which have developed new customers within the aviation, medical, space and telecommunications sectors.	c.7%

### Customer Engagement

Client engagement is key to the Group's understanding of the short- to medium-term needs of our various clients. This daily dialogue helps us shape our strategy and focus our product research and development programmes. In the year, the Group continued to launch new products that directly addressed customer needs, some of which resulted from close customer collaboration in response to in-field technical challenges.

As part of our active dialogue and engagement with our customer base, key clients are usually invited to our facilities to review our production capabilities and processes, review new technology and brainstorm on future projects. Customer contact reports are a regular feature of our sales function, which often include issues or concerns, in-field performance feedback and overall customer satisfaction.

Hunting's customer-facing sales teams are directly supported by the Group's Engineering, Quality Assurance and Health, Safety and Environment teams, which all assist in the provision of key operational performance information that supports global tenders and the overall sales function. Further, to embed the Group into our customer base, Hunting is a member of a number of industry and trade association bodies including:

- American Petroleum Institute;
- Society of Petroleum Engineers;
- International Association of Drilling Contractors;
- Aberdeen Renewable Energy Group;
- Carbon Capture & Storage Association; and
- DeepWind.

The Group also attends various industry conferences annually to profile the Group's products and services.

### Anti-Bribery and Corruption ("ABC") and Payments Transparency

The Group has processes and procedures in place to monitor and risk-assess bribery and corruption. Hunting's Code of Conduct training course includes detailed modules on ABC compliance and risk assessment procedures. The Group also completes a process of assessing each company role and employee for bribery risk – with a central register being maintained of these employees. SASB Code: EM-SV-510a.2.

Twice a year, each major business unit completes a risk assessment process, detailing management's views on its risk profile against 16 key ABC considerations, and includes details of the mitigating controls in place for each of these risks. The results of this assessment are presented to the Group's Ethics and Sustainability Committee (and before 2021 to the Group's Audit Committee), this also includes a Group ABC risk register.

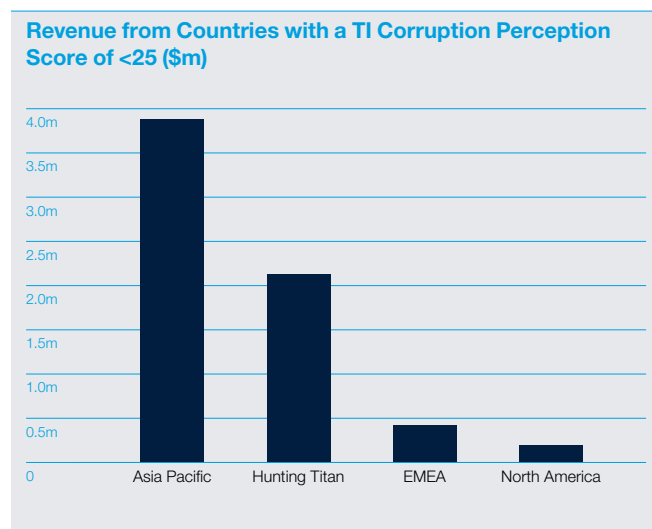
As part of the Group's Internal Audit function's work programme, a review of these risk registers is undertaken where the ABC risk profile is challenged. Results of this work are to be reported to the Board through the Ethics and Sustainability Committee.

The Group's ABC procedures include the detailed monitoring of entertainment and hospitality with customers and suppliers in our supply chain, with approval procedures in place when high-value events are being planned.

In addition, the Group monitors all agents and charitable donations, with central registers and Board reporting included.

The Group's Whistleblowing Service also promotes the reporting of any employee concerns about ABC issues.

In compliance with SASB Code: EM-SV-510a.1, the Group's net revenues to countries with low rankings for Corruption Perception, as published by Transparency International ("TI") are as follows:





**Ethics and Governance**

Hunting's close relationship with its customers is also enhanced by our ethical policies and transparent ways of doing business. All of our major customers receive our Code of Conduct, which includes a commitment to be transparent in our business dealings. Regular due diligence on new customers is also undertaken to ensure the Group complies with international trading and sanctions legislation. In many cases, we ask our clients to complete "end user" declarations to confirm that Hunting's products do not conflict or breach trading restrictions or sanctions legislation. The Group also has strong entertainment and hospitality policies, which support our commitment to anti-bribery and corruption.

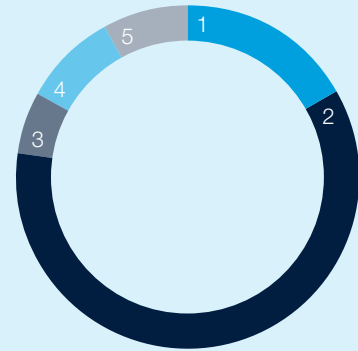
**Board Engagement and Decision Making – Customers**

In parallel with the commercial dialogue and engagement undertaken by our leadership teams with our customers, the Board of Hunting, in support of its statutory stakeholder duty, has approved the development of the Group's strategy by reviewing and approving capital investment projects that directly support future customer needs. Board approvals are also required for contracts over a certain monetary value. In the year, the Group provided \$2.5m convertible financing to Well Data Labs, a software development company focused on in-field drilling data and analysis, and invested \$5.1m in Cumberland Additive, a 3D printing and additive manufacturing business. Other capital investment in the year totalled \$6.6m in production capacity and equipment.

The Board approved these capital investments, either as part of the approval of the Strategic Plan or Annual Budget process. In each case, the Board was satisfied that there was good alignment between the final capital allocation and the Board's consideration of customer matters.

**Capital Investment**

- 1. Hunting Titan 17%
- 2. North America 62%
- 3. Asia Pacific 6%
- 4. EMEA 8%
- 5. Central 7%



**Suppliers**

Hunting's supplier base assists the Group in achieving its purpose of providing high quality products that our customers can rely on and trust.

The Group has a strategy of ensuring that critical materials are not sourced from a single supplier, which provides assurance to our customers that Hunting will always be in a position to deliver. Long lead-time material supplies are regularly reviewed to ensure market pricing remains competitive.

Hunting's strategic sourcing includes working with a wide range of suppliers with a regular two-way dialogue on quality expectations. Often, supply chain managers visit the facilities of our suppliers to review procedures, including Quality Assurance, Health and Safety performance and employment practices.

In the case of new suppliers, including those who provide key components, first article inspection procedures are in place prior to issuing the order, to ensure quality and delivery expectations are met.

**Ethics and Governance**

Like the Group's customer base, Hunting completes due diligence on its supplier base and communicates its ethics policies to its major suppliers. The Group's Code of Conduct is issued to its suppliers and specifically our Modern Slavery policy, which highlights the Group's ethical trading and fair labour policies.

**Board Engagement and Decision Making – Suppliers**

The Board, through the work of the Ethics and Sustainability Committee, reviews the Group's supply chain risk profile and reviews engagement reports on the Group's dialogue with customers and suppliers. This leads to discussion and challenge by the Directors.

**Hunting's strategic sourcing includes working with a wide range of suppliers with a regular two-way dialogue."**

# Environment

## Introduction

Carbon and climate matters have become an area of close scrutiny in recent years, with the Board overseeing the development and introduction of strong governance and reporting initiatives that will support Hunting's commitment to these issues for the long term.

The Directors are mindful that all commitments made by the Group should remain proportionate to the size and profile of our operations, but also to protect our earnings and shareholder returns, which are the basis of our investment case.

Hunting has disclosed its Scope 1 and 2 greenhouse gas emissions since 2013, with the reporting process integrated into our non-financial reporting framework. This has led to attention being given to energy efficiency programmes, which have included low energy and higher efficiency solutions being introduced into many of the Group's facilities, along with the migration to lower carbon electricity arrangements. In 2019 Hunting published its first carbon reduction commitments.

## Governance

The Board of Hunting recognises the importance of a strong governance framework to address carbon and climate matters as well as long term sustainability.

As noted in the Corporate Governance Report on pages 99 to 104, 2021 saw the formation of a new Ethics and Sustainability Board Committee, which comprises the independent non-executive Directors of the Company. The new committee monitors and reviews a range of non-financial reporting matters, including the Group's total carbon footprint, the reporting against the framework published by the Task Force for Climate-related Financial Disclosures ("TCFD"), ESG, bribery and corruption, modern slavery and sanctions as well as other key areas.

The Board has appointed Jim Johnson, Hunting's Chief Executive, to oversee the development of these matters and coordinate regular reporting of these issues to the Board. The Chief Executive has in turn empowered the Hunting Executive Committee to develop strong carbon reduction and climate change planning processes for integration into the Group's day-to-day operations.

The Group has formed an internal ESG steering group, which comprises a wider number of senior executives from across the Company, who develop procedures and processes. As part of this initiative a specific TCFD working group has been formed.

## Group Climate Policy and Commitment to the Paris Accords

The Board of Hunting has committed to the principles published in the 2015 Paris Agreement, which aims to limit the increase in global temperatures. The Group's Climate Policy was published in January 2020 and can be found at [www.huntingplc.com](http://www.huntingplc.com).

While the Group is slowly migrating its electricity supplies to renewable energy sources, the Board believes that stronger carbon reduction targets are realistic and achievable.

## Carbon Reporting Roadmap

2013	2019	2020	2021
Commenced Scope 1 and Scope 2 greenhouse gas emissions reporting.	Publication of first carbon reduction and intensity targets.	Initial TCFD disclosures published, including governance and physical risk analysis.	TCFD disclosures reported, in line with UK Listing Rules. TCFD steering group formed.
		External advisers appointed.	

## Annual Greenhouse Gas Emissions

To monitor the impact of Hunting's operations on the environment, and in compliance with UK Company Law, the Group collates greenhouse gas ("GHG") data in accordance with the principles of the Kyoto Protocol.

Hunting is committed to addressing environmental issues and embedding a low carbon culture within our operating facilities and our employees. New facilities take into account environmental impact considerations, including protection from extreme weather events, such as wind storms and flooding.

The Group's Quality Management System ("QMS") is compliant with the globally recognised ISO 14001 (Environmental) standard and most of our facilities are operated in compliance with this standard as well as ISO 50001 (Energy Management), as we demonstrate our commitment to operating in an environmentally responsible manner with the aim of reducing the environmental impact of our global footprint.

Environmentally responsible initiatives implemented across the Group include (1) energy efficiency solutions including more efficient lighting; (2) water capture and recycling; and (3) waste recycling. These initiatives are continuously enhanced to incrementally reduce the Group's overall carbon footprint and environmental impact.

## Our Business Model

continued

The Company has elected to disclose the breakdown of its greenhouse gas emissions, to enable stakeholders to understand the overall mix of emissions and the likely areas of emissions reduction, as the Group continues to evolve its initiatives to contain and reduce its carbon footprint.

Tonnes CO <sub>2</sub> e	2021	2020	2019
<b>Scope 1</b>			
– Fuel consumption, including natural gas	1,680	3,267	4,128
– Vehicle consumption, including diesel and gasoline	2,491	3,338	2,972
<b>Total</b>	<b>4,171</b>	<b>6,605</b>	<b>7,100</b>
<b>Scope 2</b>			
– Electricity purchased	14,688	18,811	23,042
<b>Total</b>	<b>14,688</b>	<b>18,811</b>	<b>23,042</b>
<b>Total Scope 1 and Scope 2 emissions</b>	<b>18,859</b>	<b>25,416</b>	<b>30,142</b>

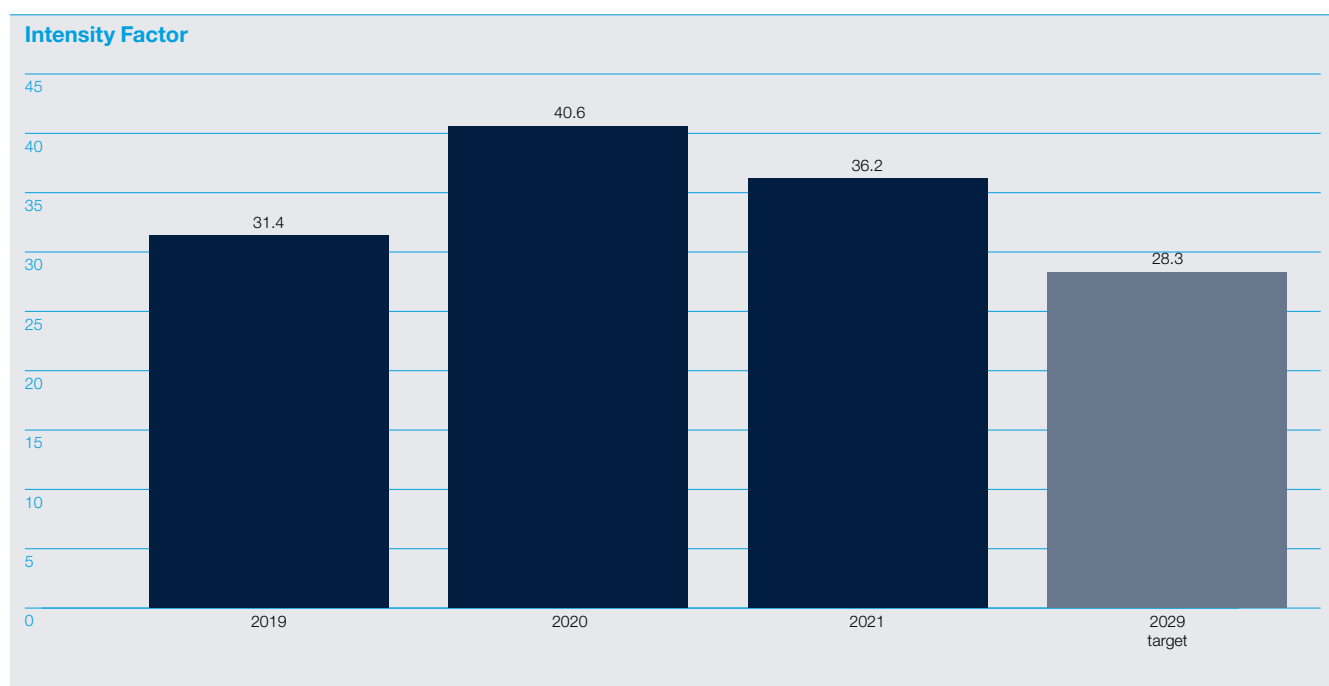
The Group submits its greenhouse gas data to the Carbon Disclosure Project, which is available at [www.cdp.net](http://www.cdp.net). The data reported, and carbon dioxide conversion factors used to report the Group's carbon footprint, are based on those published by BEIS and DEFRA in the UK ([www.defra.org.uk](http://www.defra.org.uk)) and the International Energy Agency.

In the UK, total Scope 1 and 2 emissions in 2021 were 474 tonnes of carbon dioxide equivalent compared to 1,493 tonnes in 2020.

The Group also participates in a number of other initiatives, including the Energy Saving Opportunity Scheme, which requires Hunting's UK facilities to be audited for energy efficiency, with recommendations provided to reduce energy usage.

### Intensity Factor

The Group's intensity factor is based on total carbon dioxide equivalent emissions divided by the Group's revenue in 2021, and was 36.2kg/\$k of revenue, compared to 40.6kg/\$k of revenue in 2020.



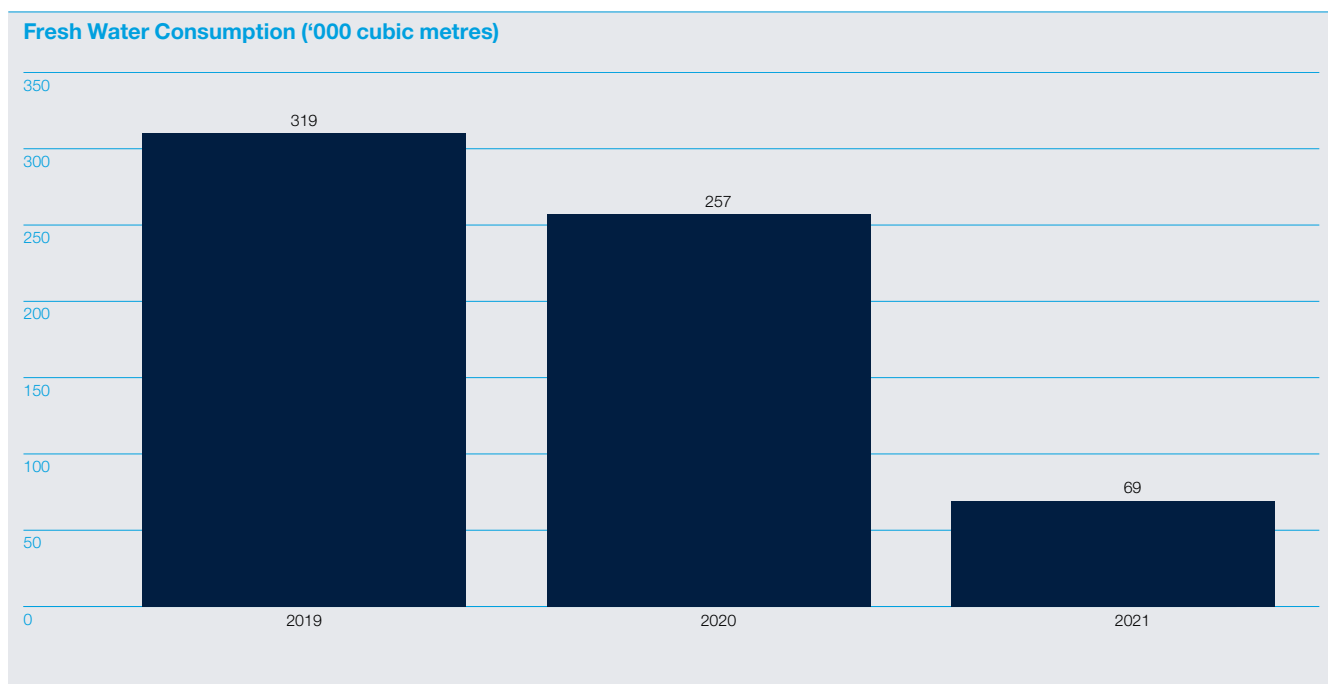
### Annual Energy Summary

Energy Type	Units	2021	2020	2019
Natural gas – Group	GWh	8.5	13.7	17.7
Natural gas – UK	GWh	0.2	2.6	4.2
Vehicle consumption and process emissions – Group	Tonnes CO <sub>2</sub> e	2,491	3,338	2,972
Vehicle consumption and process emissions – UK	Tonnes CO <sub>2</sub> e	1.4	3.3	6.0
Electricity purchased – Group	GWh	40.5	48.6	55.7
Electricity purchased – UK	GWh	1.4	1.4	1.6
Renewable electricity purchased – Group	GWh	6.3	5.8	2.1
Renewable electricity purchased – UK	GWh	0.3	0.4	0.5

As noted above, Hunting is slowly migrating its electricity purchased to more renewable and sustainable sources. In the US, where the majority of the Group's facilities are located, wind generation capacity is substantial giving the Board confidence that a large proportion of its carbon footprint (predominantly Scope 2 electricity usage) can be eliminated by moving to renewable energy. In the UK, the Group's Aberdeen and London operations have secured renewable energy supplies. SASB Code: EM-SV-110a.1, EM-SV-110a.2 and RT-IG-130a.1.

## Water Usage

Water management is becoming a key feature of Hunting's sustainability strategy, with measures being introduced to recycle more fresh water across the Group's facilities. Hunting's historic water usage is as follows:



The Group's primary water consumption is based on supporting property and equipment needs. Hunting has a number of water supplies, some provided by utility networks, which comprise the above figures and some from bore-holes drilled at each location. Our long-term sustainability plans include measuring all water inputs and from 2023 we will be reporting the percentage of water recycled in line with SASB Code: EM-SV-140a.1 and EM-SV-140a.2.

Wherever possible, we work very closely with our global facilities to ensure we reduce our environmental impact, including water consumption, as we realise the importance of protecting these valuable resources. Similarly, where water is used as part of our manufacturing process, the discharge of waste (e.g. cooling) water, is not discharged into the original water source. Our method is to focus on monitoring our water usage and operational risk, and proactive water management. For example, as part of the regional Environmental and Water Management strategy in the EMEA region, the Fordoun site monitors the water discharged from operational activities twice per calendar year. Additionally, we have a commitment to conserving and protecting freshwater resources whenever possible – from water withdrawal, to use and reuse where possible; whilst contaminated water is collected and disposed of as special waste, destined for further recycling.

## Waste Management and Recycling

During the year, the majority of the Group's facilities had at least one recycling programme in place. In 2019, the Group initiated a new process to quantitatively collect recycling information on metal, paper/wood and plastics. The following table shows the data collected in the year.

Metal recycling	<b>3,060 tonnes</b>
Wood/paper recycling	<b>67 tonnes</b>
Plastics recycling	<b>43 tonnes</b>

## Board Engagement and Decision Making – Environment

The Board has overseen the development of carbon and climate initiatives, which have included the formation of the Ethics and Sustainability Committee, the formation of an internal ESG steering group and a TCFD working group. These working groups have a specific remit to review climate and carbon matters, and accelerate the development of a strong sustainability agenda for the Group's senior leadership team to address.

As part of this process, the development of ESG initiatives and carbon data management has been introduced into the annual bonus objectives of the executive Directors, as noted in detail in the Annual Report on Remuneration. The Board also engaged third party analysis of the Group's climate risk, which is outlined in the TCFD section of the report on the pages following.

## Task Force for Climate-related Financial Disclosures

Under the UK Listing Authorities reporting requirement, (LR 9.8.6(8)) Hunting presents its TCFD disclosures. The Directors are reporting against the four key reporting pillars of (i) Governance; (ii) Strategy; (iii) Risk Management; and (iv) Metrics and Targets. Further, the Directors also note that it has made good progress in reporting against all of the 11 recommended disclosures as prescribed by the Listing Rules and TCFD's guidance. The Directors' approach to the implementation of TCFD reporting in 2021 has been to focus on the recommended reporting pillars of Governance and Risk Management to provide a strong internal framework for all of the Group's business units to build on in the coming years. It is noted that Hunting published its first carbon reduction commitments in 2019. In addition to increasing its Governance framework and Risk Management procedures, Hunting has developed a Group-level climate change risk assessment and has also completed detailed due diligence on its geographic footprint, to evaluate the current climate-related risk profile and has also developed a number of future risk scenarios, which provides investors with insight into the Group's possible risk profile of its asset base.

## Our Business Model

continued

Hunting continues to evaluate the impact of climate change on its current and non-current assets and in 2022 plans to complete further modelling of the financial impact of climate change. Given the absence of science-based carbon reduction targets, the Directors have not, as yet, aligned Hunting with the UK's Net Zero ambition. However, the Board is confident of progress in this area in the coming year, as the above due diligence is completed. Further, in 2022 the Board are planning to complete an assessment of the Group's Scope 3 greenhouse gas emissions, in line with TCFD recommendations, to understand if it is appropriate for Hunting to report this metric.

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### Governance

#### Our Approach

Hunting's approach to TCFD governance aligns with the Board's broader governance objectives of implementing a framework that empowers management to deliver our TCFD strategy while reporting and monitoring progress to the Directors on a regular basis.

The Board, through the Ethics and Sustainability Committee, has direct oversight of TCFD initiatives, with the Hunting Executive Committee integral to delivering progress at the grass roots of the Group.

A specific TCFD working group comprising senior leaders of the Company has been tasked with delivering a realistic approach to TCFD, which will align with the broader strategic objectives of the business.

#### Our Progress

- Formation of the Ethics and Sustainability Committee in June 2021, chaired by Jay Glick.
- The Committee meets twice a year with carbon data and TCFD reporting being a regular agenda item.
- Formation of a TCFD working group to develop a long-range strategy.

#### TCFD Disclosure

Governance (a) - see pages 65, 105 and 106.  
Governance (b) - see page 65.

#### Next steps

- The Directors will complete further due diligence on the financial impact of climate change during 2022 and will update its Climate Strategy.
- Hunting plans to complete Director training on TCFD during 2022.

For more information of the Group's wider governance framework, please refer to the Corporate Governance Report on pages 99 to 104.

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### Strategy

#### Our Approach

The Group's climate strategy is an evolving area and one that will be developed more strongly in 2022. Hunting's overarching commitment to the 2015 Paris Accords, mean that the Board is committed to reducing its carbon footprint through closer monitoring and reporting and realistic strategies to minimise emissions.

The Directors are also committed to delivering a stronger Sustainability strategy in 2022, which will better align Hunting's longer-term growth objectives with its carbon, climate and sustainability ambitions.

#### Our Progress

- The TCFD working group has completed analysis on its carbon footprint and graded each facility and business on its carbon impact, but also the potential for carbon reduction.

#### TCFD Disclosure

Strategy (a) - see pages 66 to 67.  
Strategy (b) - see pages 66 to 72.  
Strategy (c) - see page 71.

#### Next steps

- The Directors are developing key strategic initiatives to include Energy Transition developments, with the view of entering the carbon capture and storage sub-segment of the market.
- The Group has a broader strategy of revenue diversification as noted on page 72 and in the Chief Executive's Statement on pages 10 to 13.

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### Risk Management

#### Our Approach

The Board has broadened its Risk Management framework, to incorporate more robust analysis of the risks and opportunities climate presents to each business unit.

The Group's central compliance function has prepared a Group-level risk assessment in respect of climate change, which is detailed on pages 66 to 67. The assessment notes the impact and timescales relevant for each risk.

The Directors have also reviewed a broad range of physical (acute and chronic) risks facing the Group's operations and now have a clear reporting framework.

#### Our Progress

- The Group has assessed the risks of climate, specifically in the areas of the distribution of its non-current assets and revenue generating locations.
- Hunting also completed longer-range analysis of the impact of climate on its asset base.

#### TCFD Disclosure

Risk Management (a) - see pages 65 to 67.  
Risk Management (b) - see pages 65 to 66.  
Risk Management (c) - see page 65.

For more information on the wider Group's Risk Management framework, please refer to the pages 82 to 85.

#### Next steps

- In 2022, the Group's Risk Management framework will increase the reporting requirements of each business unit to submit risk disclosures that align with the risk analysis noted on pages 66 to 70.
- Further, it is intended to extend the Group's internal due diligence on the financial impact of climate change, which will include further revenue and expenditure analysis and asset impairment reviews.

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### Metrics and Targets

#### Our Approach

The Group published its maiden carbon reduction targets in 2019. This commits Hunting to reducing its emissions (from the base line year of 2019) by 10% by 2029 and containing its emissions intensity to 30.

#### Our Progress

- In 2021, the Group's total Scope 1 and 2 emissions were 37% below the 2019 base year. This was predominantly driven by lower levels of business activity due to COVID-19.

#### TCFD Disclosure

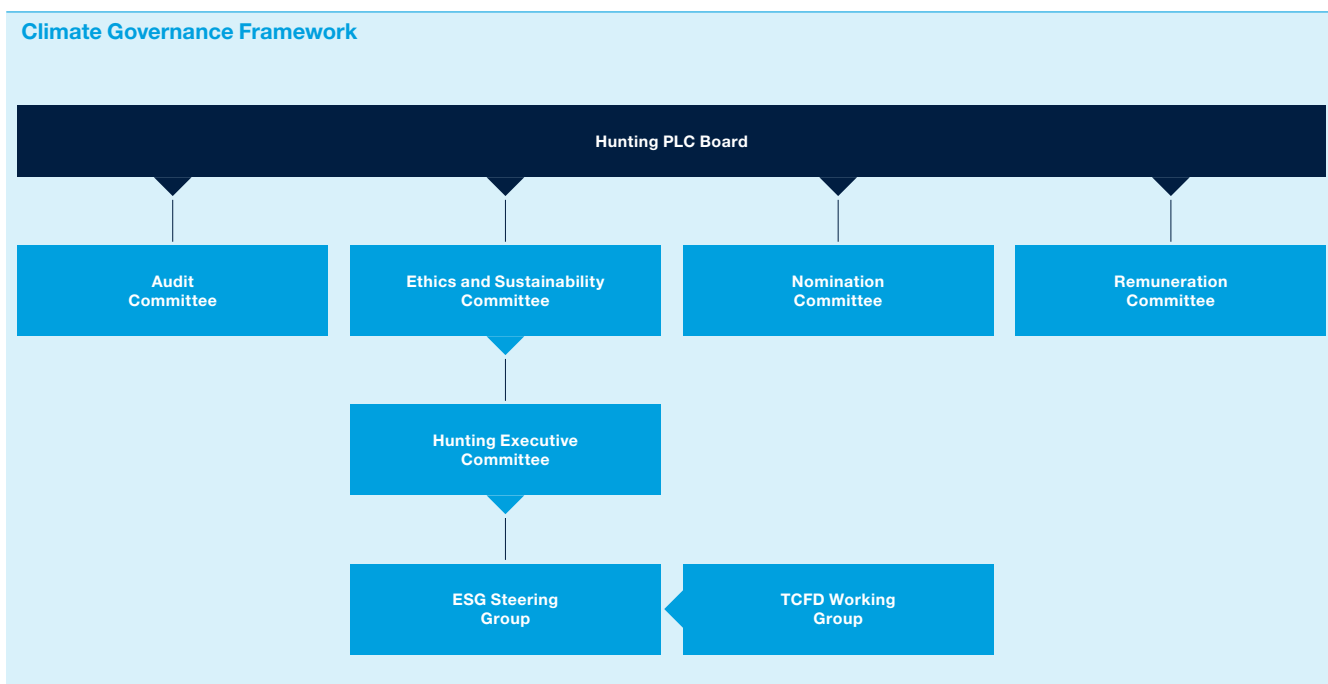
Metrics and Targets (a) - see pages 72 to 73.  
Metrics and Targets (b) - see page 73.  
Metrics and Targets (c) - see pages 62 and 73.

#### Next steps

- The Board recognises that stronger carbon reduction targets are required across the Group, and will publish revised metrics and targets in the near future.

## Climate Governance

The Board of Hunting has put in place a robust climate-related governance framework to oversee and deliver on its objectives going forward. This governance framework is summarised below.



Since 2020, the Board has been briefed by the Group's central compliance function and the Group Company Secretary on the TCFD reporting requirements and the workstreams underway across the Group to assess compliance. As a consequence of this, the Directors approved the appointment of WillisTowersWatson to assist in the assessment of the Group's physical risks, based on the location of its current and non-current assets.

In addition, the Board decided to create an Ethics and Sustainability Committee to improve Hunting's overall governance and reporting framework in the area of climate change and wider ESG issues. The Committee meets twice a year, with carbon, climate and TCFD matters being regular agenda items to present to the Board, with management's ongoing assessment, and associated work streams to address, the risks and opportunities facing the Group in respect of climate change. The Ethics and Sustainability Committee review and monitor a broad range of non-financial aspects of the Group's activities, including key aspects of ESG governance. Regular Quality Assurance and Health and Safety briefings are a feature of each meeting of the new Committee and environmental and climate matters are a new feature of the Group's governance processes, where direct Board monitoring of these key matters will occur. Members of the Group's senior leadership team are invited to meetings of the Committee and they in turn are supported by the Executive Committee, a formal ESG internal steering group and TCFD steering group, the latter being charged with developing formal reporting and new strategies to curtail the Group's carbon footprint, reduce its impact on the environment and to provide direction on Hunting's sustainability ambitions.

While the Ethics and Sustainability Committee reviews these important non-financial matters, the Audit Committee retains key oversight of Hunting's public disclosures on these areas, including the information contained in its Annual Report and Stock Exchange announcements.

## Climate Policy

In December 2020, the Directors approved a Climate Policy (located at [www.huntingplc.com](http://www.huntingplc.com)), which commits the Board to Group-level monitoring of climate-related opportunities and risks. This Policy acknowledges the global goal to limit global warming in line with the Paris Accords and commits the Group to assisting in the delivery of this ambition through a reduction in its global carbon footprint. The Group acknowledges it is at the beginning of its journey and will endeavour to reach these targets in the coming years as low-carbon initiatives are extended throughout the Company and are made more widely available in each geographic region of operation.

## Climate Risk Management

As noted in the Risk Management section on pages 82 to 85, the Group has a broad-based risk management process, which includes a submission by each business unit three times a year of the major risks, and mitigating controls, facing their operations. This is reviewed by the Group's Audit Committee. Climate Change risk has been included as a principal risk, given the Group's focus on the oil and gas industry as well as current sentiment within financial and investment markets towards traditional energy businesses.

As part of the Group's preparations for TCFD reporting, Hunting's central compliance function prepared a climate risk assessment, which is a Group-level assessment of the short, medium and long-term risks facing the Group in respect of climate change, and presents the perceived impact climate has on Hunting, in addition to the timescale to which the risk is relevant to the Group. Management has given consideration to its long range revenue streams, likely changes to the Group's cost base, in addition to an assessment of its asset base in respect to the impact of climate change. Further, consideration has been given to reputation and wider financial market risk, given the scrutiny of climate change by investors and lenders.

In 2020 and 2021, the Group's central compliance function, which also oversees the annual insurance renewal for all of Hunting's businesses, worked with specialists from WillisTowersWatson to compile a physical climate risk assessment for Hunting's climate exposures. In 2022, each business unit will be requested to include climate considerations in their analysis from the perspective of market, operational and financial risk.

## Climate Change Risk Analysis

Category	Rating	Description of risk and management actions	Timeframe	Financial Impact
<b>1. Market</b> Transition Risk	Low/ Medium	<p>During 2021, the Board reviewed a number of primary energy demand scenarios, developed by Wood Mackenzie and the International Energy Agency ("IEA"), which included the Energy Transition projections and scenarios. These are noted on page 68.</p> <p>The Directors of Hunting have concluded that a likely demand scenario supports a robust outlook for oil and gas for the medium term i.e. at least 15-20 years, which will drive strong demand for Hunting's energy-focused products through this timeframe.</p> <p>The Directors will continue to monitor these projections and government legislation and will also track its customers and suppliers who are also developing compliance to this long-range change to the energy industry.</p> <p>As part of a longer-range strategy, the Board and management are putting initiatives in place to diversify its revenue streams, which do not rely on the global oil and gas market, as noted in the Chief Executive's Statement on pages 10 to 13 and also on page 72.</p>	Long Term	Revenue
<b>2. Technology</b> Transition Risk	Medium	<p>Should the pace of the Energy Transition be more rapid than what is currently projected, certain of the Group's product lines and technologies will be less adaptable to a low carbon energy world.</p> <p>However, the Directors have noted that a number of businesses including the Group's OCTG, Perforating Systems and Advanced Manufacturing groups are highly adaptable to the Energy Transition and are well placed to develop non-oil and gas revenues. Please refer to Climate Opportunities on pages 71 and 72.</p>	Long Term	Revenue
<b>3. Labour</b> Transition Risk	Medium/ High	<p>Historically, the oil and gas sector has provided highly competitive rates of pay and benefits and, therefore, has always been an attractive sector to work in.</p> <p>The global climate action agenda, coupled with the COVID-19 pandemic, has contributed to a change in perception of the global oil and gas sector, which may present a continuing risk of attracting and retaining skilled talent.</p> <p>The consequence of this risk is that employee costs may rise in the short to medium term as the global energy market returns to growth.</p> <p>The Directors have monitored this risk during 2021 and through the Ethics and Sustainability Committee, will review the Group's strategy for human capital, including hiring and employee remuneration.</p>	Short to Medium Term	Expenditures
<b>4. Insurance and Tax</b> Transition Risk	Low/ Medium	<p>As a premium listed Company focused on the oil and gas industry, Hunting is faced with the likelihood of increased operating costs, including insurance and tax costs.</p> <p>It is possible that Hunting's insurance costs could rise in the future, given its presence in the global energy supply chain. Further, it is likely that western governments will introduce taxation on companies, based on its carbon footprint.</p> <p>Given its focus on precision engineering, Hunting is in a strong position to affect a long-term revenue diversification strategy. This is evidenced by a resilient non-oil and gas revenue stream reported in 2021 and a broader corporate strategy of developing non-oil and gas sales.</p> <p>Further, given that the Group has a relatively low carbon footprint, any carbon related taxation is likely to be small. Hunting's total carbon footprint is c.80% derived from electricity consumption, which is an area where detailed analysis is currently being undertaken to increase renewable-sourced energy. Therefore, the Directors believe that over time Hunting can transition to green energy contracts that will minimise this financial risk.</p>	Short to Medium Term	Expenditures



Category	Rating	Description of risk and management actions	Timeframe	Financial Impact
<b>5. Assets</b> Physical Risk	Low/ Medium	<p>During 2021, Hunting has focused its climate change analysis on the physical risks facing the Group including carrying out an assessment of each operational location in respect of possible extreme weather events. See pages 69 and 70.</p> <p>Future climate scenarios have also been developed, which have highlighted certain facilities that are more exposed to climate-related risks and severe weather events. These reports are being reviewed by management to support our long-term operating resilience.</p> <p>In 2022, the Group will increase its long-term analysis of its asset base, which will include an assessment of triggers for the impairment of property, plant and equipment, based on this physical risk profile.</p> <p>The Directors believe that given Hunting's long-term presence in Louisiana and Texas, which periodically suffers from tornadoes and other extreme weather events, management is highly experienced in managing this risk. The Directors are therefore satisfied that appropriate attention is given to this area.</p>	Long Term	Assets and Liabilities
<b>6. Financial Markets</b> Transition Risk	Medium	<p>With the increased attention climate change is being given by financial markets, the standing of energy-related companies has come under increased scrutiny in recent years.</p> <p>Perceived transition risk by shareholders, lenders and market commentators has the potential for financial institutions to increase their margins on borrowings or limit the ability to raise equity finance, leading to an increase in the overall cost of capital for the Group.</p> <p>The Directors believe that investors and lenders will be more demanding in respect of the provision of financing in the future. However, this risk is partially mitigated by the Board's non-oil and gas ambition, its successful refinancing with the new \$150m Asset Based Lending facility and the positive outlook for oil and gas to 2030.</p>	Short to Medium Term	Capital and Financing
<b>7. Regulatory, Legal &amp; Compliance</b> Transition Risk	Medium	<p>Regulatory and compliance risk with respect to climate has increased in the past year, including the introduction of TCFD reporting requirements and the demand for long-term planning disclosures to address climate change.</p> <p>The Directors of Hunting believe that regulatory and compliance costs are likely to increase over time as companies address carbon and climate issues, which will likely require additional human capital to meet stakeholder expectations as well as to develop Net Zero strategies.</p> <p>As noted in the Risk Management section on page 88, the Directors also believe that compliance to climate change legislation within the Group's customer and supplier base, could differ substantially given the various government and political agendas where Hunting's stakeholders are located.</p>	Short to Medium Term	Expenditures, Capital and Financing
<b>8. Reputation</b> Transition Risk	High	<p>Many stakeholders have become more aware of climate change over the last couple of years, linking a company's response to the climate debate. Many companies are beginning to respond to this reputational risk by addressing stakeholder concerns, which range from strong carbon reduction commitments to publishing Energy Transition strategies.</p> <p>The Directors believe that a proportionate response to climate change planning is being implemented, which protects shareholders' short- to medium-term interests, including earnings and capital returns. Over time, the Directors will increase the disclosures in this area as longer-term plans are agreed.</p>	Short to Medium Term	Capital and Financing

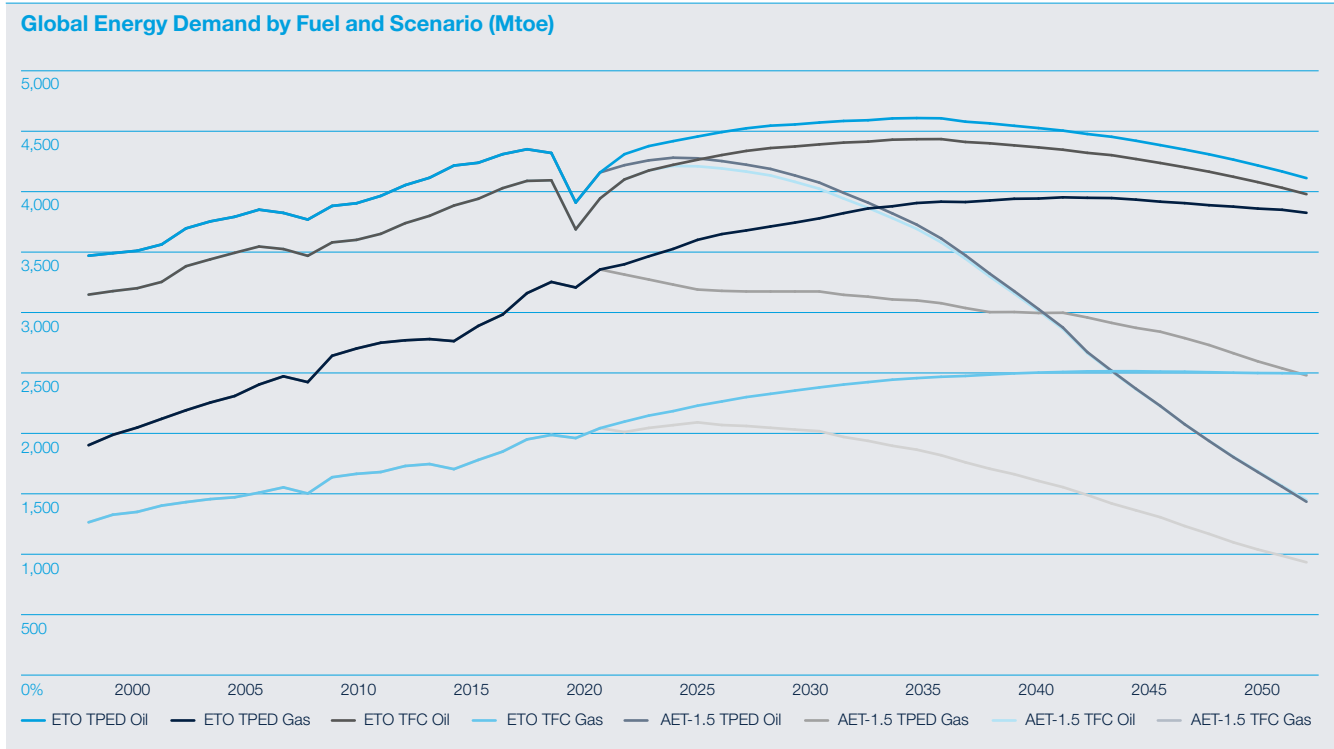
## Our Business Model

continued

### Market Risk

The Directors regularly receive reports from the Chief Executive on the short- to medium-term outlook for oil and gas demand, given that this is a key revenue driver. As noted in the Market Review, market indicators include rig count data and drilling and production spend data published by Spears & Associates that are used by Hunting, which supports the Group's wider financial reporting needs, including impairment reviews.

In December 2021, the Board received a briefing from Wood Mackenzie on oil and gas demand scenarios based on government-driven climate commitments. A summary of this is presented in the chart below, which highlights that one possible long-term scenario is that oil and gas demand will decline from c.2035 onwards. Market projections published by the International Energy Agency have also been reviewed in the year, which support a more stable outlook for oil and gas, as part of the primary energy demand mix. The Directors therefore believe that this spectrum of views presents support for the long-range demand for oil and gas - and that a managed diversification of Hunting's revenue can be achieved.



ETO – Energy Transition Outlook (base case)

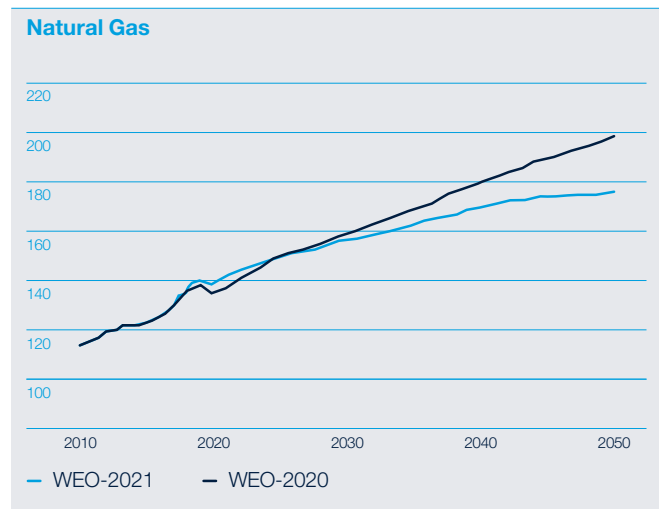
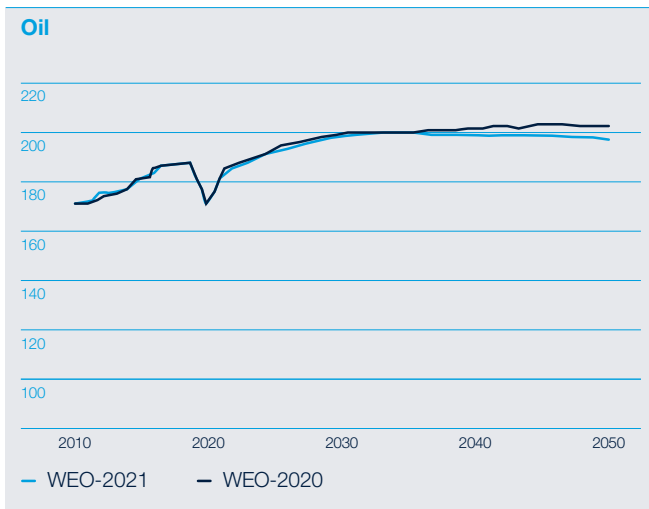
AET – Accelerated Energy Transition (1.5°C)

TPED – Total Primary Energy Demand

TFC – Total Final Consumption

Source: Wood MacKenzie.

### Oil and Gas Primary Energy Demand Projections to 2050 – EJ (Exajoule 10<sup>9</sup> joules)



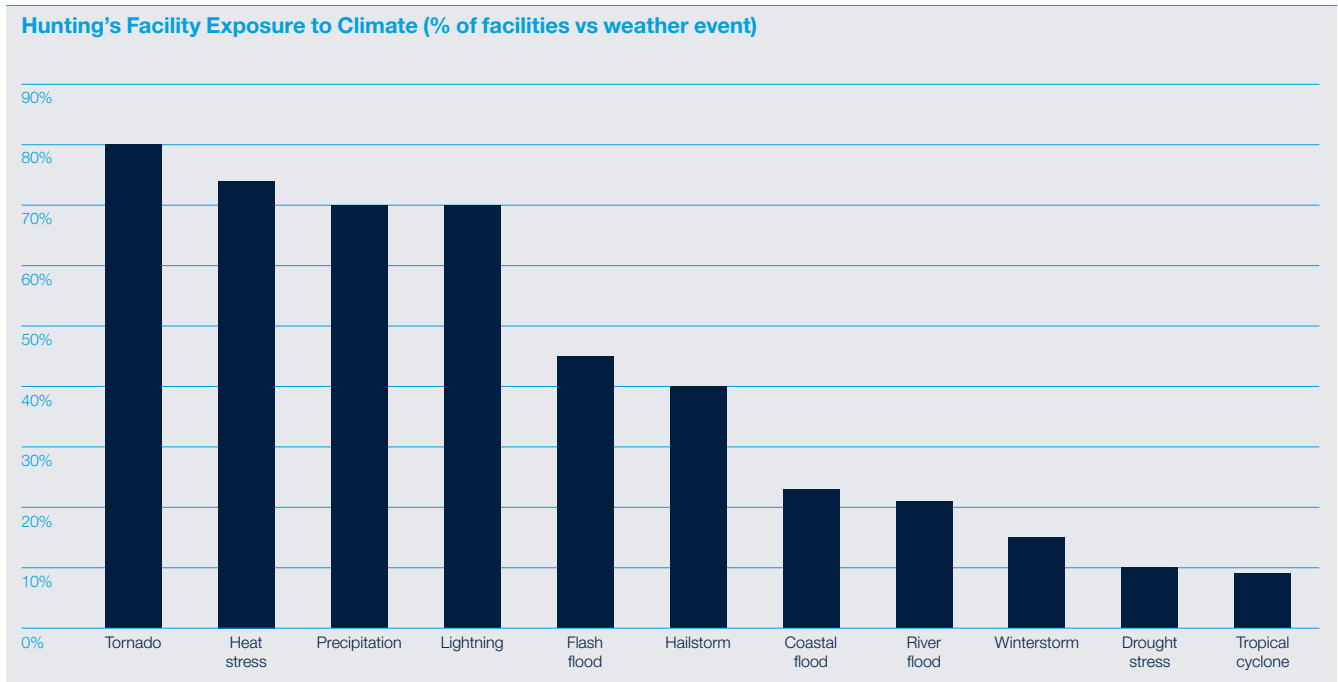
WEO – World Energy Outlook

Source: International Energy Agency.

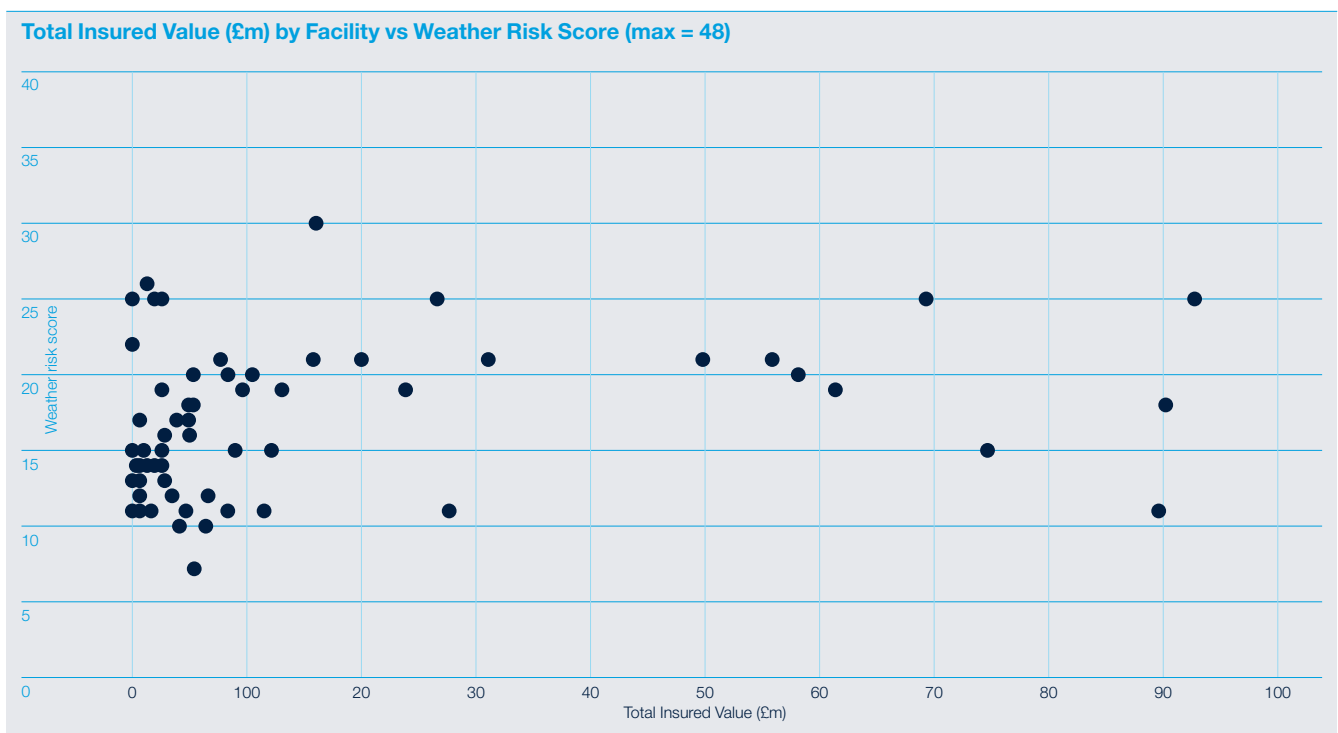
## Asset Risk

In December 2021, the Committee reviewed an independent report that presented the Group's physical risk profile with respect to climate change and which presented analysis of Hunting's operating locations and their respective risk profiles against a variety of weather events. The report also detailed a longer-range risk analysis incorporating a number of climate scenarios and how this could potentially impact the Group's operations. The results of this analysis are summarised below.

Given the concentration of facilities in Texas and Louisiana, locations that periodically experience tornadoes and wind storms, c.80% of the Group's operating locations are in higher-risk locations. Other storm-related risks are reflected in the chart below. Flood risk is overall a lower risk for the Group.

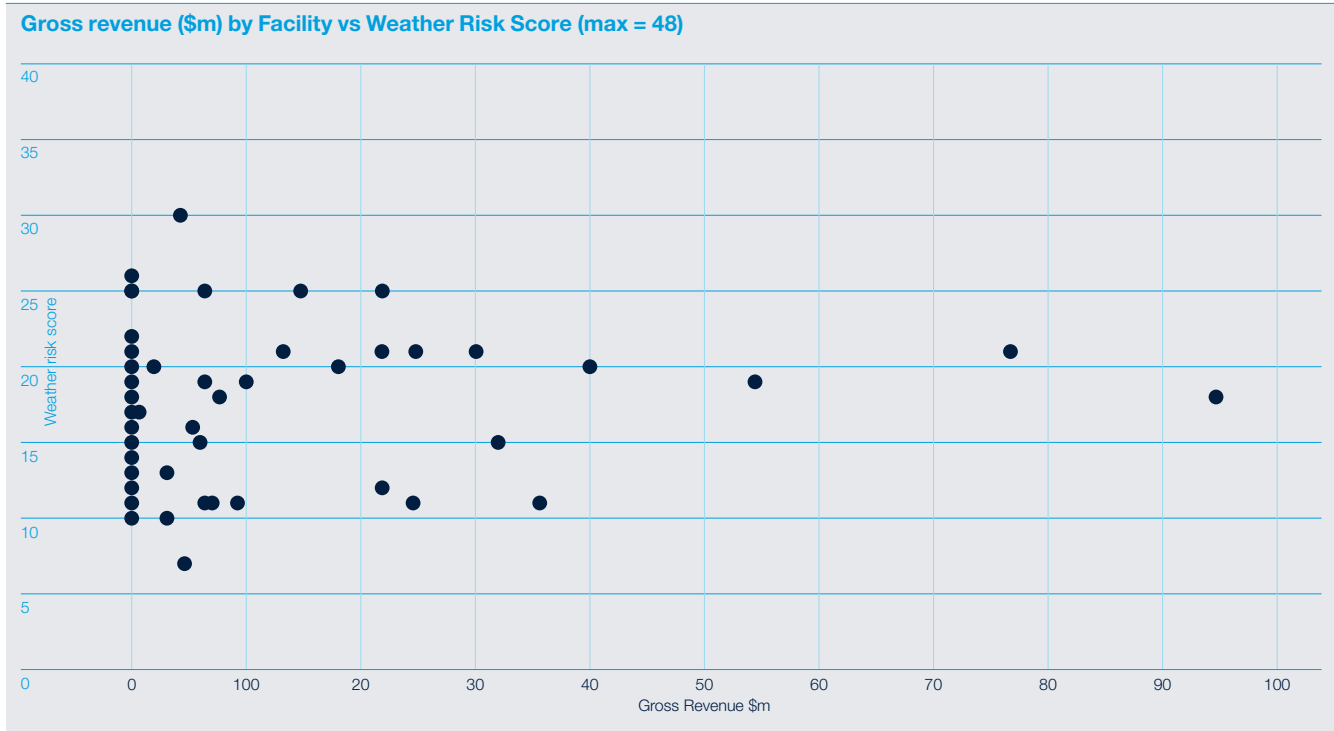


The charts following present the asset and revenue risk of the Group, by location and relative value, as a function of the weather event score applied by the WillisTowersWatson analysis. The total insured value figure is the value of assets held at each location, which are covered by Hunting's global insurance programme and which covers both property damage and business interruption. It can be noted that a small number of facilities have a higher concentration of insured assets, with the overall asset risk mitigated across the Group's diversified global operations. The Directors have also received reports detailing where key products lines are manufactured and the relative climate risk associated with each of these sites.



**Our Business Model**  
continued

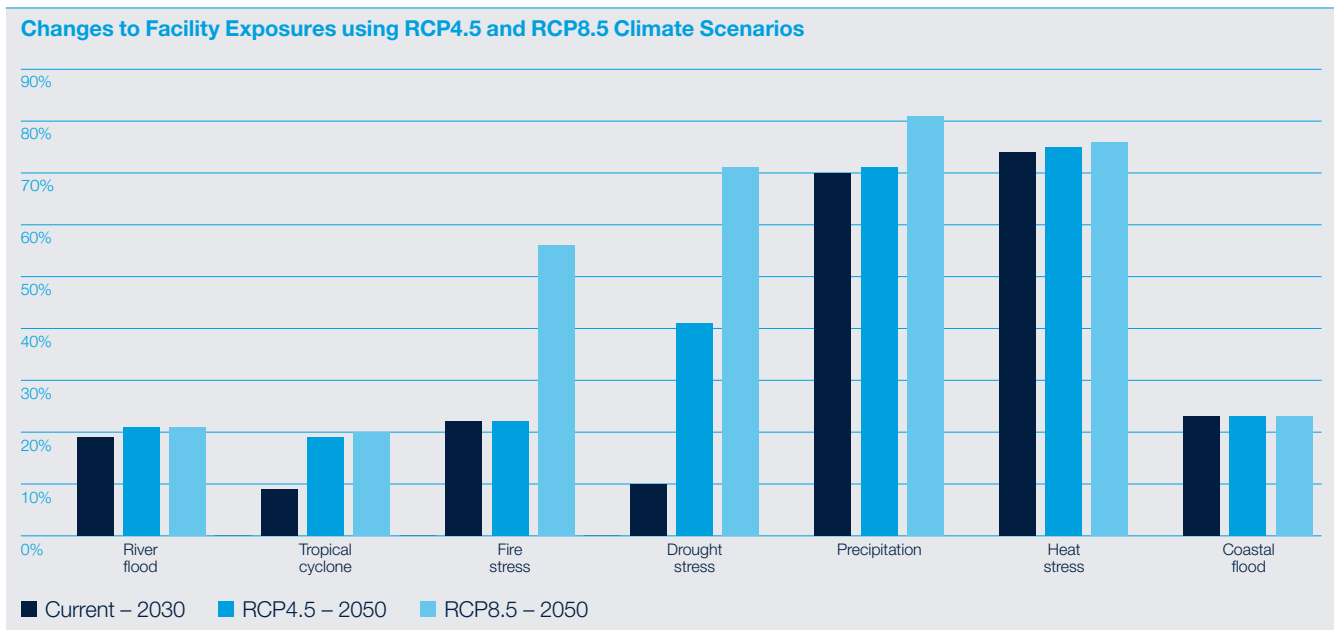
Similar to the asset and weather risk chart, the Directors have reviewed the Group's revenue by operating location as a function of WillisTowersWatson's weather event scores. The Board understands which facilities are key revenue generators and the risk of loss should a weather event hit a particular facility. It can again be noted that a small number of facilities have a higher concentration of revenue, however, the overall asset risk is mitigated across the Group's diversified global operations.



Similar to the chart presented on page 69, WillisTowersWatson evaluated the longer-range climate risk to the Group's operating locations, applying the following two scenarios up to 2050:

- Scenario 1 – RCP4.5 (an increase in global temperature by 2-3°C by 2050)
- Scenario 2 – RCP8.5 (an increase in global temperatures by 4°C by 2050)

It can be noted that both climate scenarios lead to an increase in weather risk, in respect of (i) tropical cyclones; (ii) fire stress and (iii) drought stress. However, all other risks are currently known and evaluated by the Board under the Group's current operational risk programme. It is therefore noted that, on this basis, the Group's asset base risk is appropriately mitigated for the long term with actions and controls in place. It should be noted that all operating sites in Texas and Louisiana are constructed in a manner that address weather risk and include storm water drainage systems and safety measures to withstand strong weather events.



## Climate Resilience

The Directors therefore believe that the Group has gathered sufficient data to support long-term asset planning against climate change risk, for the short- to medium-term and that weather-related risk can be managed to a satisfactory level. As noted throughout this report, the Group's primary trading markets are likely to be robust for many years, which supports Hunting's business strategy and model, and the efforts to diversify its revenue streams into new sectors will also support the Group should the Energy Transition be more rapid than what is currently anticipated.

The Directors' view is that climate change risk is a principal risk to the Group and has been embedded into our Risk Management processes to which the Group's senior leadership team can respond in an appropriate manner. Further information on climate change risk can be found on page 88 within Risk Management.

The Directors have also considered the potential impact that climate change could have on the financial statements of the Group. The Directors support the view that there will be robust demand for the Group's oil and gas products for a significant time span and that this does not cause concerns regarding the carrying values or expected lives of non-current assets. The Directors also believe there is significant operational adaptability to move into other non-oil and gas product lines.

## Climate Strategy

Given the Group's focus on the oil and gas industry, there is a long-range risk to the sustainability of Hunting's revenue profile as global economies commit to lower carbon energy sources. See page 68 for further details.

Currently 93% of Group revenue is derived from the oil and gas industry. The Directors believe that the Group's core geographic markets of North America, Europe and Asia Pacific will remain reliant on oil and gas as primary energy sources for a number of decades to come, which is supported by reputable market commentators, and therefore the risk to the Group's revenue profile is believed to be low to medium for at least 15 to 20 years.

Further, the Directors believe that the Group's core competencies of engineering, systems design and production, precision machining and quality print-part manufacturing can be applied to non-oil and gas applications, with efforts underway to diversify Hunting's revenue streams. In 2021, the Group reported \$37.6m in revenue from non-oil and gas product lines and services, which provides a platform for growth for the long term. Hunting's current product offering is also highly aligned with lower carbon technologies such as carbon capture and storage and geothermal projects. The Group has already demonstrated some success in entering these tangential markets with the supply of OCTG to a geothermal project in the UK.

Hunting has also adopted an operational strategy to address its carbon exposure as follows:

1. To monitor and measure the Group's impact on the planet, including accurately determining its greenhouse gas emissions and carbon footprint;
2. Contain this environmental impact; and
3. Identify opportunities to minimise this impact.

The Group's carbon emissions footprint, presented as a function of major business units, is noted on pages 61 and 73. The Board believes that simple, but meaningful, carbon reduction strategies will drive down the Group's emissions and include:

1. Moving electricity contracts for Group facilities to renewable-based energy arrangements.
2. Building of a zero emission vehicle fleet over time, including heavy and light duty vehicles and the provision of all-electric cars to relevant staff.
3. Installation of solar panels on relevant facilities, for a zero emission base load energy feed.
4. Tree and grass planting strategy at Group facilities to offset residual carbon emissions.

## Climate Opportunities

The Directors of Hunting have assessed the opportunities that climate change presents to the Group and notes the following:

### 1. Participation in Non-oil and Gas Primary Energy Development

An area of focus within the global energy industry is geothermal energy development. These projects present a long-term opportunity for the Company to provide OCTG, premium and semi-premium connections and accessories to operators. Hunting's expertise in these products is industry leading and therefore accessing these markets is believed to be relatively low risk. In 2021, Hunting completed a project at the UK Eden Project.

The Directors also noted that its major customers are also commencing the climate journey, with the Energy Transition plans being announced by many clients. Hunting's relationship with key exploration and production companies and international energy service groups has been established over many years, with Hunting being a trusted member of the global energy supply chain. The Board therefore believes that Hunting can successfully leverage its brand and reputation to remain a key participant in the Energy Transition.

### 2. Participation in Carbon Capture and Storage Projects

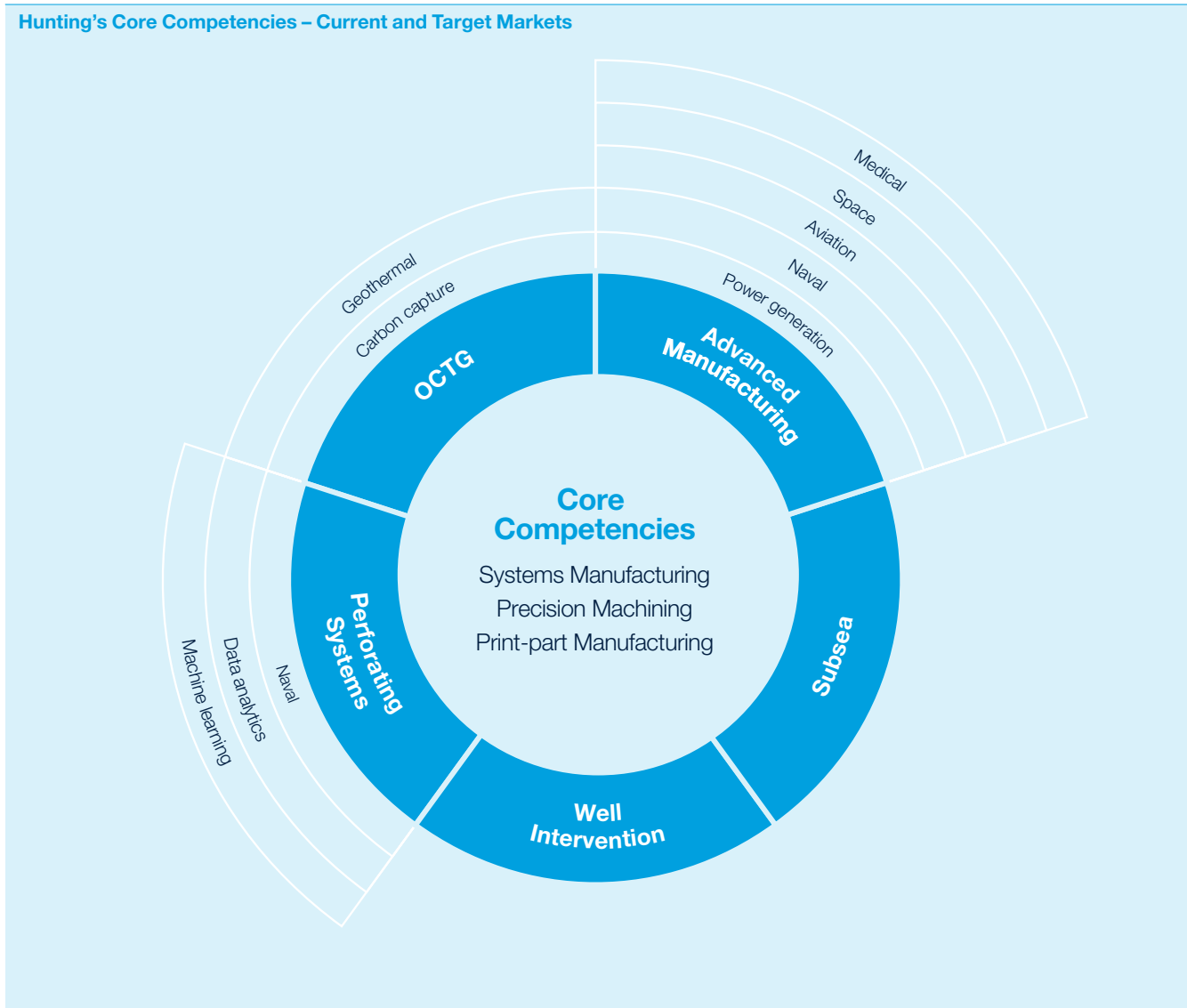
As noted in the Market Review, a large number of carbon capture and storage projects are to be completed within the 2025-2030 timeframe, to offset carbon dioxide build-up in the atmosphere. These projects, which require carbon dioxide re-injection into known oil and gas fields, or greenfield developments, again present a long-term opportunity for the Company to provide OCTG, premium and semi-premium connections and accessories to operators. The Group's Energy Transition team is exploring participation in this area.

## Our Business Model

continued

### 3. Diversification into Other Non-oil and Gas Sectors

The following chart illustrates the Group's key product lines and core competencies and demonstrates that the majority of Hunting's businesses have expertise to diversify into other growth sectors, such as medical, space, aviation and naval. Hunting has a non-oil and gas revenue ambition, which is supported by this analysis and has taken steps to drive new sales, particularly within the Group's Advanced Manufacturing group.



### 4. Strong Management of Scope 1 and 2 Greenhouse Emissions

The Group is focusing its efforts on reducing its Scope 1 and Scope 2 emissions, by strong reporting and governance procedures that have been put in place during the year. The Directors expect to publish stronger carbon reduction targets in the coming year, but believe that the progress made since 2019 underlines the potential for the Group to successfully deliver a realistic reduction in our carbon footprint and therefore offset or reduce the potential long-range tax costs. The Group's business model and strategy currently focus on the supply of products and services to the global oil and gas industry. As demonstrated in recent years, our business model is applicable to other industries including aviation, naval, and space where good progress has been made in establishing our presence in these sectors. While our oil and gas-related revenue was \$484.0m/93% (2020 – \$586.2m/94%) all our businesses have been tasked with identifying complementary markets and products that leverage our manufacturing expertise and reputation for quality. Hunting's current product offering is also highly aligned with lower carbon technologies such as carbon capture and storage and geothermal projects. The Group has already demonstrated some success in entering these tangential markets with the supply of OCTG to a project in the UK.

#### Climate Targets And Metrics

To monitor Hunting's climate related risks and opportunities, the Group has elected to adopt three carbon and climate metrics, which will be measured and reported in the coming years:

- Scope 1 and 2 greenhouse gas emissions (tonnes of CO<sub>2</sub>e);
- Intensity Factor (tonnes of CO<sub>2</sub>e (kg) per \$'000 of revenue); and
- Non-oil and gas revenue (\$m).

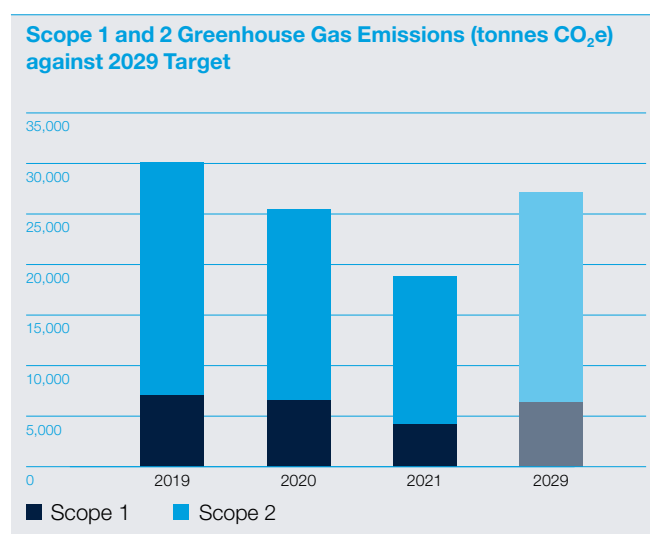
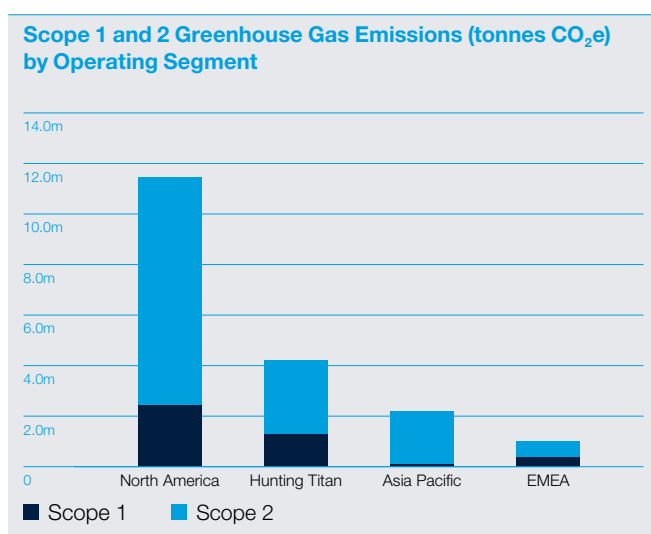
Management believes that the monitoring of the Group's direct impact on the environment and mitigating the longer range risk to Hunting's operations is best achieved by reporting and reducing its Scope 1 and 2 emissions, which are under the control of management. In 2022, the Board will commence an assessment of Scope 3 emissions to understand if it is appropriate for Hunting to report this metric.

In 2019, the Group published its initial carbon reduction targets, committing to a 10% reduction in total Scope 1 and Scope 2 emissions within 10 years and containing its intensity factor (calculated as total emissions divided by revenue) to less than 30. The base year for these targets was the 2019 carbon data reported within Hunting's 2019 Annual Report and Accounts. The Directors note that the 2019 targets were set when oil and gas markets were projected to continue to grow at a modest rate, and therefore the reduction targets represented a meaningful commitment to reducing the Group's carbon footprint. With the onset of the COVID-19 pandemic, oil and gas demand and economic growth assumptions were materially reduced, and as noted elsewhere in this Annual Report, the impact on the Group's revenue and trading results is apparent.

In 2020 and 2021, the Group has reported a reduction in its greenhouse gas emissions, primarily driven by lower trading activity, but also due to wider restructuring, which has seen Hunting closing and consolidating its facility footprint. This explains why the Group's 2021 carbon emissions are below the 2029 targets. While the Board anticipates a return to growth across the energy industry, it is likely this will be accompanied by an increase in the Group's carbon tonnage. Further, it is on this basis that 2022 will see the development of a longer-range carbon reduction target.

Scope 1 and 2 emissions in 2021 were 18,859 tonnes, which are 37% below the 2019 result and 30% below the 2029 target. The Intensity Factor in 2021 was 36.2kg/\$k, which is 15% above the 2019 result and 28% above the 2029 target.

Non-oil and gas revenue was \$37.6m in 2021 representing 7% of the Group's total revenue.



#### Board Engagement and Decision Making – Environmental and Climate

During 2021, the Board oversaw a material increase in the Group's governance and monitoring procedures with respect to the environment and climate matters. As noted elsewhere, the newly formed Ethics and Sustainability Committee was formed in June 2021 and in support of the workings of this Committee, an internal ESG steering group and TCFD working group were formed comprising senior leaders of the Group. The Company has increased its external reporting for climate change and has also increased the external data published data on its greenhouse gas emissions.



## Governments

Hunting's global operating footprint extends across 11 countries. As a consequence of this, the Group interacts with a number of global regulators, governments and tax authorities to ensure that Hunting retains a good reputation and business standing within each region of operation and also seeks to comply with all applicable and relevant local laws and regulations.

As a UK premium-listed public company, the Financial Conduct Authority ("FCA") is the Group's primary regulator. However, each operating segment retains a close relationship with the relevant local tax and legal authority. With the assistance of the Group's brokers and legal advisers, the relationship with the FCA is closely managed as and when relevant matters arise.

Given the sensitivity of interacting with government officials, with respect to the risk of bribery, the Group's internal procedures include analysis of which customers and suppliers are government-owned, with all externally-facing employees trained in the Group's anti-bribery and corruption policies.

### Tax Strategy

Hunting is committed to acting with integrity and transparency in all tax matters relating to the countries in which we operate. Simply put, our tax strategy is to comply with local tax regulation, and pay taxes when due.

The tax contributions from Hunting's global activities include the following sources:

- Corporate income taxes;
- Employment taxes;
- Social security taxes;
- Property taxes;
- State taxes;
- Consumption taxes (Value Added Taxes, Goods and Services Taxes and Insurance Premium Taxes);
- Carbon taxes; and
- Fuel duties.

When evaluating how we should organise our business affairs, a wide variety of factors are considered, including operational efficiency, risk management and taxation. If the tax regulation allows us to organise our commercial business affairs in a manner which reduces tax costs, while meeting our overall objectives, we will do so but we will not carry out tax evasion or create artificial structures. If necessary, we engage professional tax or legal advisers to ensure that we have interpreted tax law correctly. We will not enter into transactions that have a main purpose of interpreting tax law that is opposed to its original intention or spirit.

### Board Engagement and Decision Making – Governments

The Group's tax governance is managed as follows:

- The Board reviews the Group's tax strategy and policies on an ongoing basis with regular updates on the tax position provided at each Board Meeting;
- Day-to-day matters are delegated to the Group's Head of Taxation and a small team of in-house tax professionals who hold a combination of accounting and tax qualifications;
- Annual review of tax policies as part of our internal Group Manual updates;
- Monitor and discuss changes to tax legislation that will have an impact on us and discuss with advisers as required; and
- Engage specialist advisers when appropriate.

## Our Communities

The Board delegates community initiatives to the Executive Committee, which allows for local cultural practices to be integrated into community-focused activities and projects. Local community sponsorships or charitable donations are encouraged, following approval by a member of the Board or Executive Committee. Most businesses within the Group normally host "Open House" days at facilities to allow customers, suppliers, employees' families and other members of the local community to see our operations. Community initiatives are regularly reported in the Group's magazine, the "Hunting Review", which profiles the Group's operations, employees and community work.

## Section 172(1) Statement

This statement has been prepared in compliance with the Companies (Miscellaneous Reporting) Regulations 2018. The Board of Hunting PLC considers that, in complying with its statutory duty during 2021 and under section 172 of the Companies Act 2006 (the "Act"), the Directors have acted in good faith and in a manner which they believe is likely to promote the continued success of the Company, for the benefit of its members and stakeholders as a whole.

The Board also engages with its stakeholders when considering major strategic decisions, in the following ways:

- each year the Board reviews its short- and long-term strategy. In recent years these have remained consistent, with a focus on maintaining a firm financial foundation, improving facilities and investing in the development of new technology and in our workforce;
- the Board aims to ensure that our employees work in a safe environment, that they receive appropriate training and are sufficiently rewarded for their efforts;
- over the years we have fostered long-standing relationships with our customers, suppliers and our external advisers. We base our philosophy on sharing our core values with our key stakeholders throughout the supply chain and by keeping in regular contact with suppliers and customers advising them of our market strategy and product innovation;
- as a company operating in the oil industry, we regularly monitor the impact of our activities on the environment and on the communities in which we operate and, in particular, where we maintain active manufacturing facilities; and
- as a Board, we endeavour to operate responsibly and to make carefully considered decisions. We encourage high standards of business conduct from our employees and try to lead by example.

In 2020, the Board was very much focused on the impact of COVID-19 and how the Company responded through its engagement with stakeholders, especially our employees. In 2021, the Board has continued in its efforts in ensuring that robust health and safety procedures were sustained to protect employees as they returned to the normal working environment. The main emphasis has been on getting the Company back to its core strengths of maintaining high standards, not only in employee wellbeing but also in quality assurance and in its business conduct and relationships with customers, suppliers and other stakeholders.

Following engagement with a wide range of stakeholders, the following actions were taken:

- our global Human Resources function, in conjunction with external advisers reviewed and updated workforce hiring and retention policies, and benchmarked remuneration to ensure our employees were paid fairly when compared to similar companies in our sector;
- following consultation with investor groups, the Board has shown a real determination to aid management in implementing climate change reporting policies and in setting realistic targets;
- the Board set up a new Ethics and Sustainability Committee, to receive and action reports from senior operational managers and appointed Jay Glick as Committee Chair;
- the Board also implemented a strategy to diversify some of our technical expertise into non-oil and gas areas and considers that investment in alternative sectors will enable the Company to become more adaptable as its long-term strategy develops;
- the Executive Committee has been strengthened with additional members from Human Resources, Central Compliance, Health & Safety and Information Technology; and
- the Board monitored senior management engagement with customers, suppliers and other stakeholders.

The following sections and cross references provide a summary of where details of key stakeholder and associated engagement and decision making is located within the 2021 Annual Report and Accounts and also some of the considerations taken by the Board in fulfilling their duty under section 172(1) of the Act:

- shareholders (pages 53 and 54);
- lenders (page 54);
- employees (pages 55 to 58);
- customers (pages 59 and 60);
- suppliers (page 60);
- environment and climate change (pages 61 to 73);
- governments (page 74); and
- communities (page 74).

On behalf of the Board



**Jim Johnson**  
Chief Executive



**Bruce Ferguson**  
Finance Director

3 March 2022

# Our Approach to Sustainability

Operating responsibly and ethically, with a focus on the most efficient allocation of resources is firmly embedded in our strategy and culture. The establishment of the Ethics and Sustainability Committee signals the Group's commitment to further embedding sustainability processes, reporting and governance across the Group.

In 2021, we took a number of significant steps towards enhancing and formalising our ESG approach, including an assessment and evaluation of our most material ESG issues and the adoption of TCFD and SASB reporting.

## Focus on material issues

- 10 ESG issues identified, following formal materiality audit.

## Sustainability framework

- Six key focus areas underpin our sustainable development ambitions.

## Contributing to SDGs

- Identified nine Sustainable Development Goals (“SDGs”) to which we actively contribute.

## Safety remains a priority

- Zero fatalities in 2021.

## Responsible employer

- Group employee voluntary turnover rate of 10.2% (2020 – 10.1%).

## Gender diversity a focus area

- In 2021, women made up 29% of the Board of Directors; 25% of senior management; and 23% of the overall workforce.

## ESG framework alignment

- Nine frameworks and standards guide our reporting.

## Reducing our carbon footprint

- Committed to reducing our emissions (from the base line year of 2019) by 10% by 2029.

## Our Approach to Sustainability

continued

Operating responsibly and ethically, with a focus on the most efficient allocation of resources, is firmly embedded in our strategy and culture. This is also reflected in our reporting, where the most significant material issues are discussed throughout this report.

The establishment of the Ethics and Sustainability Committee during the year signals the Group's commitment to monitoring, managing and mitigating sustainability matters that are both financially material in influencing the value of the business, as well as those that are material to our markets, our employees, the environment and other stakeholders. These areas are overseen by the Ethics and Sustainability Committee, with executive responsibility led by our Chief Executive, and supported by the internal ESG steering group and Executive Committee.

In 2021, we took a number of significant steps towards enhancing and formalising our environmental, social and governance ("ESG") approach. Key among these have been:

- the formal adoption of, and initial reporting aligned with, the recommendations of TCFD, following the publication of our first carbon reduction and intensity targets;
- the adoption in August 2021 of the Value Reporting Foundation: Sustainability Accounting Standards Board ("SASB") reporting disclosures;
- an assessment and evaluation of our most material ESG issues; and
- the development of a sustainability reporting roadmap.

## Our Sustainability Framework

Our approach to sustainability can be illustrated through the following framework, which underpins our ambition to responsibly create long-term and sustainable value for all of our stakeholders.

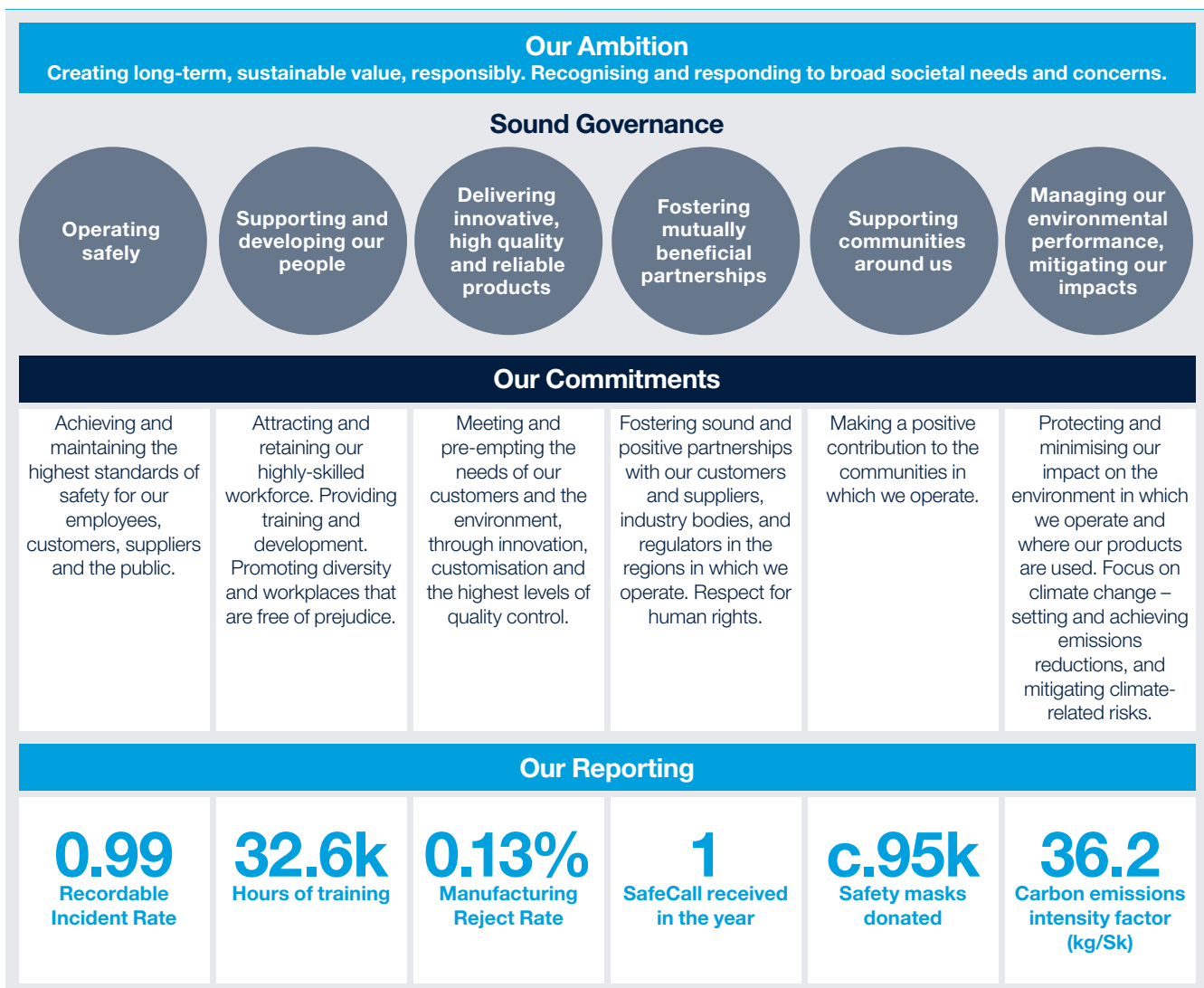
In developing this framework, we considered the concerns and trends that shape our world, the business, social, environmental, regulatory and geopolitical imperatives affecting the Group, and the views and feedback of our key stakeholders.

Within the context of increasing ESG governance, our six key areas of focus are operating safely; supporting and developing our people; delivering innovative, high quality and reliable products; fostering mutually beneficial partnerships; supporting communities around us and managing our environmental performance and mitigating our impacts.

We have made specific commitments in support of these focus areas and report on them throughout this Annual Report.

As we progress our reporting journey, we will set and update our targets and KPIs for all these commitments, and will report them in more detail going forward.

Our six focus areas align with the material issues that we have identified and support our contribution to the UN Sustainable Development Goals ("SDGs").



## Reporting Frameworks and Alignment

There are a number of sustainability frameworks and standards that guide our reporting, and to which we comply.

<b>Task Force on Climate-related Financial Disclosures</b>	<p>A principles-based framework for climate-related financial disclosure that is structured around four thematic areas: governance, strategy, risk management, and metrics and targets, with a strong focus on risks and opportunities related to the transition to a low-carbon economy.</p>	<p>Initial TCFD disclosure published in 2021. Full disclosure in 2022.</p>
<b>Carbon Disclosure Project</b>	<p>Operates a global disclosure system, via an annual survey, to support companies, cities and regions in measuring and managing environmental risks and opportunities.</p>	<p>We make an annual submission to CDP on our carbon emissions.</p>
<b>Value Reporting Foundation – Sustainability Accounting Standards Board (“SASB”)</b>	<p>SASB is an independent standard-setting organisation providing sustainability disclosure standards that enable businesses to identify, manage, and communicate financially material sustainability information to investors.</p> <p>The standards outline the subset of environmental, social, and governance issues most relevant to financial performance in an industry.</p>	<p>Reporting against two standards – Oil &amp; Gas Services and Industrial Machinery &amp; Goods, to the degree that these are relevant.</p>
<b>United Nations Sustainable Development Goals (“SDG”)</b>	<p>The Sustainable Development Goals comprise 17 interlinked global goals designed to be a “blueprint to achieve a better and more sustainable future for all”.</p> <p>SDG disclosure recommendations aim to establish best practice for corporate reporting on SDG and more standardised reporting on climate change, social and other impacts.</p>	<p>We have identified SDGs 3, 5, 6, 7, 8, 9, 12, 13 and 17 as areas where we can make a positive contribution.</p>
		
<b>Global Reporting Initiative (“GRI”)</b>	<p>GRI is an independent standard-setting organisation, which enables businesses to report on their significant impacts on the economy, environment and society, including impacts on human rights.</p>	<p>Our materiality assessment and ongoing reporting is informed by the guidance published by GRI.</p>
<b>ISO 14001</b>	<p>An international standard for designing and implementing an environmental management system.</p>	<p>Our Quality Management System is compliant with the standard and most of our facilities are compliant in their operation. Energy, Carbon, HSE and Quality Assurance reports are reviewed by the Ethics and Sustainability Committee twice a year.</p>
<b>ISO 50001</b>	<p>An international standard for designing, implementing and maintaining an energy management system.</p>	<p>Our Quality Management System is compliant with the standard and most of our facilities are compliant in their operation. Energy, Carbon, HSE and Quality Assurance reports are reviewed by the Ethics and Sustainability Committee twice a year.</p>
<b>UK Bribery Act</b>	<p>Requires organisations to put in place adequate procedures to prevent, monitor and risk assess bribery and corruption.</p>	<p>We report this annually through our Annual Report each year.</p> <p>Reports are presented to the Ethics and Sustainability Committee twice a year.</p>
<b>UK Modern Slavery Act</b>	<p>Requires organisations to develop and publish a modern slavery act statement in the form of an annual report, outlining the steps taken to combat human trafficking and modern slavery throughout its supply chain.</p>	<p>We report annually on our website.</p> <p>The Board approves its annual Modern Slavery Act statement, which is signed by the Chief Executive.</p>

**Materiality Assessment and Reporting**

In identifying and reporting on our material issues we have been guided by SASB's definition that "information is financially material if omitting, misstating, or obscuring it could reasonably be expected to influence investment or lending decisions that users make on the basis of their assessments of short-, medium-, and long-term financial performance and enterprise value". Moreover, we have taken a broader view, promoted by GRI, that these should include topics that represent the organisation's most significant impacts on the economy, environment, and society, including impacts on human rights.

**Materiality Matrix**

In 2021, we undertook our first materiality assessment, although the issues we monitor and manage have always been informed by our extensive and broad risk management approach. We followed a six-step materiality process along with internal and external stakeholder engagement. Data gathering methods included interviews with our business units across our operations around the globe, surveys, and desktop analysis. It focused on employees, executives and Board, investors, customers and regulators. We also undertook a benchmarking exercise to understand the issues that are considered to be material by our peers.

In determining our material issues, we considered the impact of issues on our ability to create value, combined with the significance of those issues to our stakeholders. We have themed these broadly as environmental, social, economic and governance, but recognise that many issues are cross-cutting. We have listed the top 10 material issues, based on the stakeholder input gathered during the audit.

**Six-step Materiality Process**







## Environmental

<b>Environmental management</b>	Environmental management and compliance, the efficient use of natural resources such as water and raw materials, as well as reducing our waste footprint, are critical areas for the business.  Our ISO 14001-aligned Quality Management System ensures the consistent application of the principles of sound environmental care and stewardship, with regular reviews and auditing ensuring compliance.	pages 61 to 63.
<b>Carbon footprint</b>	While our carbon footprint (defined as our Scope 1 and 2 emissions) in respect of our manufacturing facilities is relatively small, we have introduced energy conservation measures and targets in support of our journey to lower our carbon footprint. Included in this are initiatives to increase the contribution of renewables to our energy mix. We are also assessing and addressing the carbon footprint throughout our value chain.	page 62.
<b>Climate change</b>	As our world transitions to a low carbon economy in response to, and to mitigate, climate change, there will be a significant impact on our business and our ability to create value. Currently, around 7% of our revenue contribution is from non-oil and gas sectors.  Our efforts to align our business model to take into account and pre-empt this transition, and the opportunities that this potential for diversification has for the business, is described in our Climate Change statement which can be found at <a href="http://www.huntingplc.com">www.huntingplc.com</a> .	pages 63 to 73.



## Social

<b>Health and Safety</b>	The health and safety of our employees is of utmost importance to the business, and this has been of even greater concern during the COVID-19 pandemic. We recognise that we have a greater role and responsibility to the health and safety of those who use or are affected by our services and equipment, and that through innovation we can build and implement safety-enhancing features in the work we do.	page 55.
<b>Employee engagement</b>	We have a skilled and diverse workforce, operating in 11 countries across the globe. We place a great deal of focus on attracting and retaining talented employees, and ensuring that they are engaged and can develop to their full potential.	page 56.
<b>Community engagement</b>	We strive to be good neighbours in the communities in which we operate, not only in respect of charitable donations but also in support of economic opportunity and environmental stewardship.	page 74.
<b>Diversity and inclusion</b>	Hunting aims to ensure that our workplaces and decision-making are free of prejudice, and where hiring and promotion is based on merit. We note, specifically, opportunities to promote diversity on our Board, and among our senior leadership.	pages 56 to 57.



## Economic

<b>Innovation and customisation</b>	Our ability to innovate and customise our equipment and services to the changing and specific needs of our clients is not only an economic imperative, but it also has a positive impact in terms of safety and environmental developments.	page 59.
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## Governance

<b>Business ethics</b>	We pride ourselves in the way in which our values are lived in our daily interactions, within the business and outside of it, and are committed to upholding the highest levels of integrity and ethics in all our business dealings. This is implemented through our Code of Conduct within the business and, increasingly, in our supply chain. We have created the opportunity for whistleblowers, both within the business and in our supply chain, and have measures in place to address anti-bribery, corruption and payments transparency.	pages 56 to 60.
<b>Human rights</b>	We are committed to respecting and upholding human rights within the business and in the interaction of our business with society. Our Code of Conduct for suppliers addresses human rights, and in particular Modern Slavery.	page 56.

### Next steps

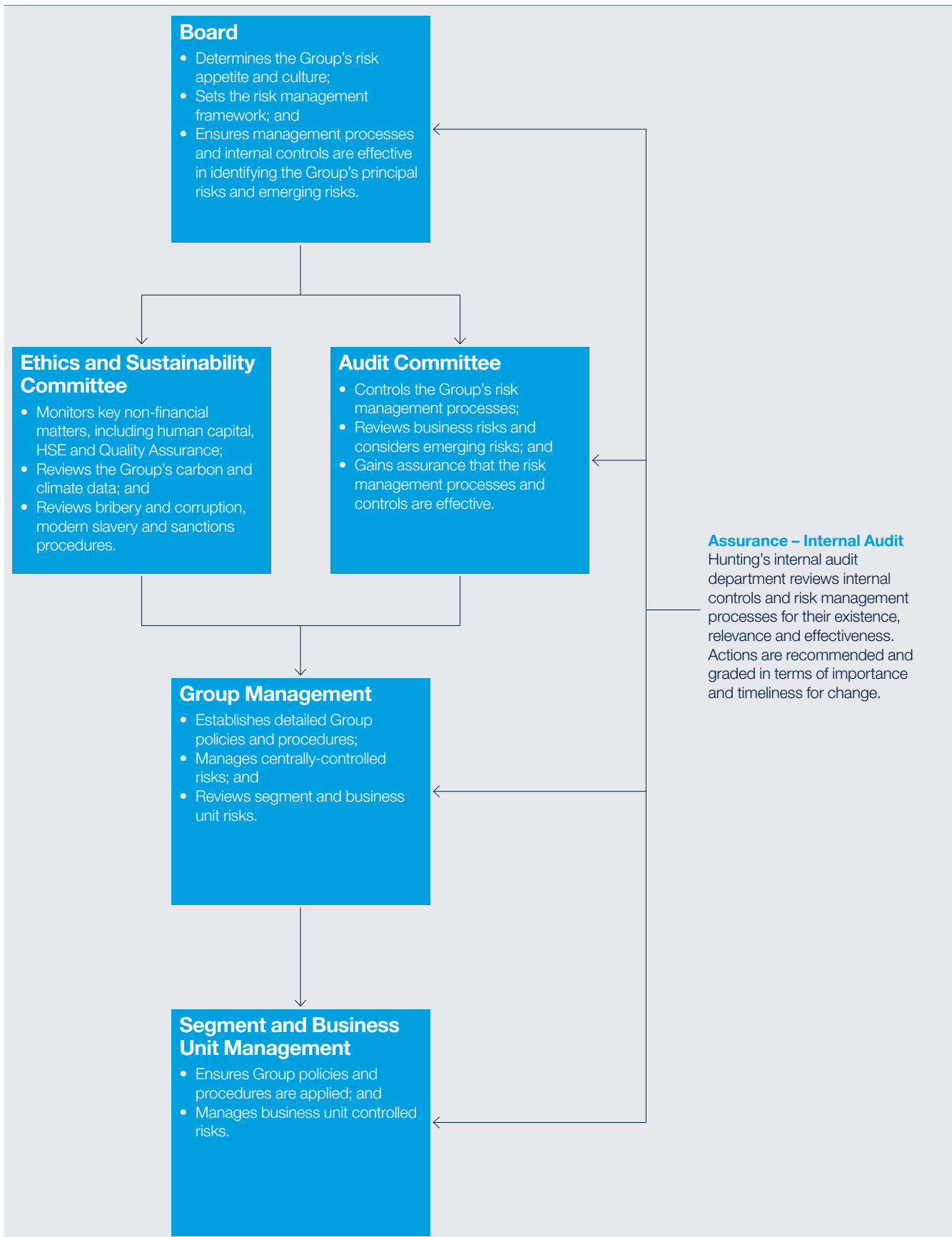
In the year ahead, we will further embed sustainability processes and reporting into the business. While many of these currently exist, they are not necessarily accounted for or addressed in an integrated way. The role of the Ethics and Sustainability Committee will be invaluable in driving this process, as will be the role and efforts of the ESG steering group. We will increase and improve our ESG reporting as we continue to progress along our sustainability journey.



# Risk Management

## Roles and Responsibilities

The Board has set risk management roles and responsibilities as illustrated below:



## Introduction

The oil and gas industry is highly regulated and demands high specification products that meet stringent quality criteria, given the challenging environments in which these products are used. Hunting's risk management and internal control processes are, therefore, designed to appropriately mitigate the operating risks inherent in this sector, whilst allowing the Group to achieve its strategic objectives and deliver value to shareholders.

## External Risks

The Board recognises that a number of risks are not within the direct control of management, including energy market factors such as commodity pricing and daily supply/demand dynamics driven by economic or geopolitical movements and climate change. These factors are regularly assessed by the Board and are considered alongside the risk management framework operated by the Group.

As highlighted elsewhere in this report, the COVID-19 pandemic has continued to have an adverse impact on global economic activity, which in turn impacted the demand for oil and gas leading to lower revenue in 2020 and 2021.

The roles and responsibilities within the risk management hierarchy are described in detail below.

## The Board

The Board of Hunting has responsibility for developing and maintaining a robust risk management framework and for monitoring the Group's system of internal control to ensure it remains effective and fit for purpose.

The Board is also responsible for developing the Group's strategic objectives. The balance between the Board's desire to meet these strategic objectives and its appetite for risk creates the risk culture within the Group, which impacts capital investment decision-making, consideration of new acquisitions, other organic growth opportunities and management of finances.

The Board's appetite for risk is key to establishing effective systems of internal control and risk management processes.

The Board's review and debate of risk follows detailed discussions by the Chief Executive and Finance Director with members of the Executive Committee. By reviewing and debating the relevant evidence, the Board then develops an appreciation for the contributory factors that generate a particular risk.

Subsequently, through delegation, the Board establishes the extent to which the risk should be mitigated relative to its impact and the cost to the Group. The Board, for example, has little appetite for high levels of exposure to geopolitical risk and, consequently, the Group's expansion strategy has avoided countries that are considered to be significantly unstable or too high risk to maintain a physical presence, notwithstanding the potential benefits that may be generated. Advice on risk management is sought by the Board from both internal and external sources.

The risk management processes are further supported by:

- understanding the current and evolving market environment;
- challenging executive management on new growth opportunities;
- reviewing proposed new product developments and capital investment projects; and
- consideration and discussion over emerging risks.

## Audit Committee

Segment and business unit management establish and undertake risk management processes that are relevant to the risk profile of each business unit.

The key risks and emerging risks are identified and reported to Group management three times a year, from which a Group Risk Register is maintained covering the key risks to the Group, including all financial, operational and compliance matters.

On behalf of the Board, the Audit Committee seeks to ensure that risk management processes are established within the framework set out by the Board and, as part of this assessment, conducts a formal review of the Group's Risk Register three times a year.

The Group's Principal Risks are disclosed on pages 86 to 90. In addition, once a year, the Audit Committee seeks assurance with regard to the effectiveness of the internal financial controls based on a self-assessment exercise carried out by local management. The appropriateness of these self-assessments is checked by Internal Audit, on a sample basis, as part of its routine programme of work. The Internal Audit department reports directly to the Audit Committee. The relationship with the external auditor is monitored by the Audit Committee which is responsible for completing the review of the effectiveness of the external auditors.

## Ethics and Sustainability Committee

The Ethics and Sustainability Committee was established in 2021 to improve Board oversight and guidance on these matters. The Committee reviews and monitors the Group's policies, targets, initiatives and reporting on a wide range of activities that includes: greenhouse gas emissions, compliance with the Task Force for Climate-Related Financial Disclosures, recycling, bribery and corruption, modern slavery and trading sanctions compliance. The Committee also reviews whistleblowing procedures, stakeholder engagement and section 172 reporting. Although the Audit Committee has final approval on externally reported information, the Ethics and Sustainability Committee has the power to formulate and instigate initiatives through Group management.

## Group Management

All Group business units operate in accordance with the Hunting Group Manual which sets out Group policies and procedures, together with related authority levels, and identifies matters requiring approval or notification to central management or to the Board.

Included within the Group Manual are policies covering general finance requirements, taxation responsibilities, information on Hunting's internal control and risk management framework, legal compliance and governance. Compliance is also monitored and subject to review by the Internal Audit department. The Group Manual also incorporates and mandates the Group's accounting policies. This is periodically supported by documents that are prepared centrally and circulated throughout the Group in order to advise local management and establish major accounting and policy changes on a timely basis. Group management is responsible for ensuring the risk management processes approved by the Audit Committee are implemented across the Group. Group management is also responsible for identifying treasury-related risks, such as currency exposures, that are subsequently managed by Group Treasury, in accordance with the treasury risk management policies contained in the Group Manual. Group management is also responsible for managing the global insurance programme.

### **Segment and Business Unit Management**

The management of each business unit has responsibility for establishing an effective system of controls and processes for its business, which, at a minimum, meets the requirements set out in the Group Manual and complies with any additional local requirements. Local management is empowered, under Hunting's decentralised philosophy, to manage the risks in their respective markets.

### **Assurance**

The Board uses a number of functions and reporting procedures to provide assurance that the risks identified by management are appropriate for the Group as a whole.

Hunting's Internal Audit department reviews the Group's businesses covering operational areas including:

- inventory management;
- purchasing supply chain;
- large project risk;
- IT controls;
- customer credit risk; and
- ethics compliance, including bribery and corruption.

From Q2 2020, the work of the Internal Audit function was adjusted due to the COVID-19 pandemic, with the work of the function shifting to internal control consulting work with a number of businesses in respect of the implementation of a new enterprise resource planning system and the enhancement of processes and controls that will support the transition to a stricter controls environment within the Group. During Q3 2021, the Internal Audit function re-commenced its work on the business and operational controls.

The Group's risk management processes are further supported by an internal Quality Assurance department that is headed by the HSE and Quality Assurance Director, who reports directly to the Chief Executive. This department also undertakes periodic audits that monitor quality control and safety within the Group's product lines and provides regular reports to the Board.

Hunting also receives guidance from a number of external advisers. In particular, guidance from the Group's insurance broker, who arranges, among other policies, the annual renewal of a worldwide credit insurance policy for the Group. Compliance with the policy requires each business unit to undertake certain procedures, including vetting new customers and maintaining appropriate creditworthiness data, that further strengthens the Group's credit management processes.

Insurance brokers also ensure gaps in cover are identified and in recent years have advised on cyber risk and ongoing weather-related risks.

Hunting's external auditor provides assurance to the Board regarding the accuracy and probity of Hunting's consolidated financial statements. The auditor also reviews all of Hunting's non-financial statements, including governance disclosures included in the Annual Report, and provides observations on the financial controls in operation across the Group based on the external audit.

Hunting's legal advisers assist the Board in ensuring that Hunting is compliant with the Financial Conduct Authority's Listing Rules, Disclosure Guidance and Transparency Rules sourcebook and UK Company Law, and that there is an understanding across the Group of its obligations under current sanctions legislation.

Additionally, Hunting relies on market and investor advice from its corporate brokers and financial advisers. The Board is satisfied that the above sources of assurance have sufficient authority, independence and expertise to enable them to provide objective advice and information to the Board and also takes this into account when assessing the robustness of the risk management and control process.

# Risk Management Procedures

**The Board has reviewed its risk management, principal risks and internal control processes and confirms that the procedures in place are robust and proportionate to Hunting's global operations and position in its chosen market.**

Hunting's internal control system, which has been in place throughout 2021 and up to the date of approval of these accounts, is designed to identify, evaluate and manage the principal risks to which the Group is exposed, as well as identify and consider emerging risks to which the Group may be exposed in the future. Internal controls are regularly assessed to ensure they remain appropriate and effective.

This system of internal control is designed to manage rather than eliminate risks, therefore it can only provide reasonable but not absolute assurance against material misstatement or loss in the consolidated financial statements and of meeting internal control objectives.

The Directors have reviewed the effectiveness of the Group's system of internal control and have taken into account feedback from the Audit Committee for the period covered by the consolidated financial statements. No significant failings or weaknesses were identified in the review process.

The key elements to understanding, establishing and assessing Hunting's internal control system are as follows:

## Business Risk Reporting

Three times a year, local management formally reviews the specific risks faced by their business, based on current trading, future prospects and the local market environment. The review is a qualitative assessment of the likelihood of a risk materialising and the probable financial impact if such an event were to arise. All assessments are performed on a pre-controls and post-controls basis, which allows management to continually assess the effectiveness of its internal controls with separate regard to mitigating the likelihood of occurrence and the probable financial impact. These principal local risks are reported to Group management. In addition, during 2021, in order to heighten Group monitoring of the potential for fraud, local management commenced reporting on local fraud risk irrespective of its perceived potential low impact on the local business.

The local risks that have the greatest potential impact on the Group are identified from these assessments and incorporated into the Group Risk Register, which is also reviewed by the Audit Committee three times a year, and is scrutinised and challenged by the Board. An appropriate executive Director, together with local management, is allocated responsibility for managing each separate risk identified in the Group Risk Register.

## Emerging Risks

Alongside the process of identifying the Group's current risks, management is challenged to identify and consider emerging risks that may impact the Group at some point in the future. In prior years, climate change had been identified by the Audit Committee as an emerging risk for the Group as, although it had little impact on abating the growth in demand for oil and gas, it did have the future potential to impact the Group's operating and financing decisions. During 2021, a number of these decisions were made with climate change at the forefront of the process and consequently the Audit Committee concluded that climate change has transitioned to a current risk to the Group – see Climate Change within the Group's Principal Risks on page 88.

Management monitors emerging risks through observing press comment including industry-specific journals, discussions with shareholders, advisers, customers and suppliers, attendance at structured forums, review of comments published by other companies, review of insurance company risk assessments, and internal debate by senior executive committees. As a result of climate change escalating to the status of a current risk, the Audit Committee has not identified any other risks emerging through 2021 and as at the year-end.

## Financial Controls Self-assessment

Business unit management completes an annual self-assessment of the financial controls in place at their business unit. The assessment is qualitative and is undertaken in context with the recommended controls identified within the Group Manual. Gaps between the recommended controls and those in place are assessed and improvements are actioned within a targeted timeframe when these are identified as a necessary requirement. Results of the assessments are summarised and presented to the Audit Committee annually.

## Reporting and Consolidation

All subsidiaries submit detailed financial information in accordance with a pre-set reporting timetable. This includes weekly, bi-monthly and quarterly treasury reports, annual budgets, monthly management accounts, periodic short-term and mid-term forecasts, together with half-year and annual statutory reporting. The Group's financial accounting consolidation process is maintained and regularly updated, including distribution of the Group Manual to all reporting units. All data is subject to review and assessment by management through the monitoring of key performance indicators and comparison with targets and budgets. The Group monitors and reviews new UK Listing Rules, the Disclosure Guidance and Transparency Rules sourcebook, accounting standards, interpretations and amendments, legislation and other statutory requirements.

## Strategic Planning and Budgeting

Strategic plans, annual budgets and long-term viability financial projections are formally presented to the Board for adoption and approval and form the basis for monitoring performance.

## Quality Assurance

Most of the business sectors in which the Group operates are highly regulated and subsidiaries are invariably required to be accredited by the customer or an industry regulator, to national or international quality organisations. These organisations undertake regular audits and checks on subsidiary procedures and practices, ensuring compliance with regulatory requirements. The Board monitors compliance by receiving Quality Assurance reports at each meeting from the Director of Quality Assurance. The Group has received accreditations from many organisations including the American Petroleum Institute (for example API Spec 5CT and API Spec Q1 certifications), the International Organization for Standardization (for example ISO 9001:2015 and ISO 14001 certifications) and the Occupational Health and Safety Assessment Series (for example OHSAS 18001 certification).

## Health, Safety and Environment ("HSE")

All facilities have designated and qualified HSE personnel appointed to ensure the Group's policies and procedures are adopted and adhered to. All local HSE personnel report to the Group's HSE and Quality Assurance Director. All facilities arrange regular training and review sessions to ensure day-to-day risks are managed and shared with the wider workforce.

## Expenditure Assessment and Approval Limits

All significant capital investment (business acquisitions and asset purchases) and capital divestment proposals require approval by the Chief Executive up to certain thresholds. Major capital investment or divestment require approval by the Board. Detailed compliance and assurance procedures are completed during a capital investment programme and project reviews and appraisals are completed to compare actual returns achieved with those projected within capital investment proposals.

Updates to the Group's policies and procedures are communicated to the relevant personnel by way of periodic revisions to the Group Manual, which is issued to all business units.

## Principal Risks

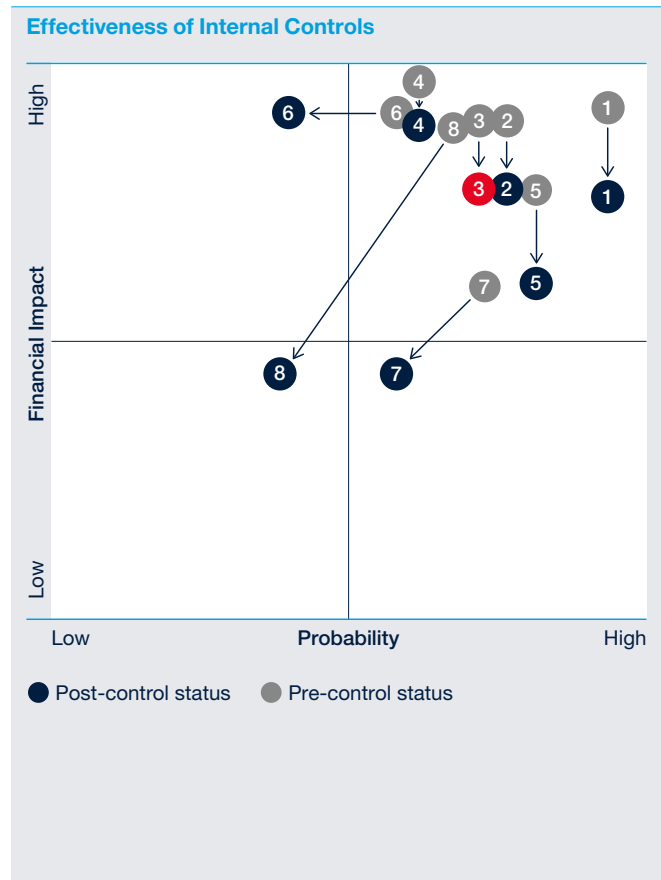
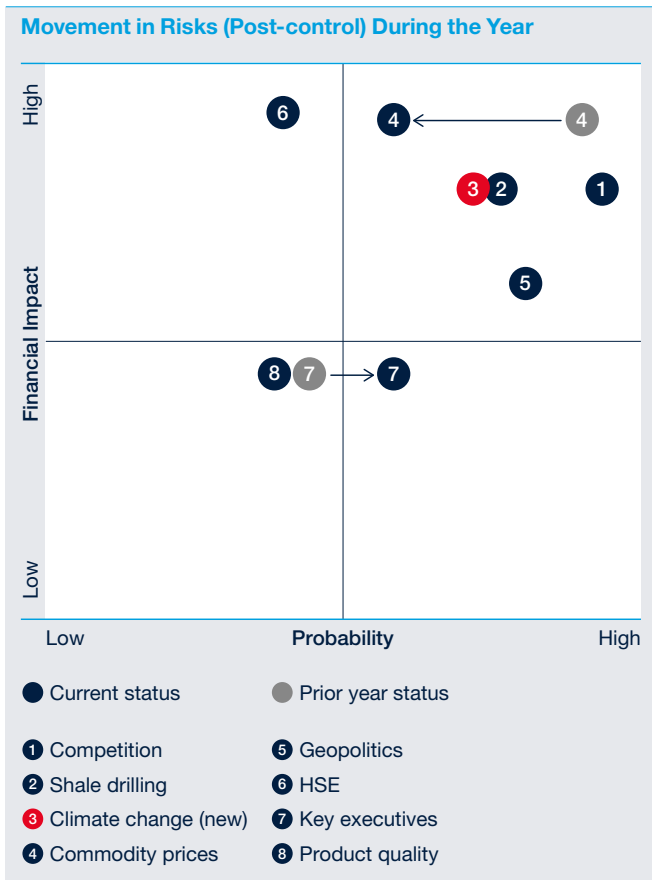
The status of Hunting's exposure to each of its principal risks, the movement in these risks (post-controls) during the year and the effectiveness of the Group's internal controls in mitigating risks are summarised in the accompanying two graphs set out below.

The extent of Hunting's exposure to any one risk may increase or decrease over a period of time. This movement is due either to a shift in the profile of the risk arising from external influences, or is due to a change in the effectiveness of the Group's internal control processes in mitigating the risk.

A detailed description of each principal risk, the controls and actions in place and the movement in the year are given in the following section.

The Group's principal risks are identified below and on the page following. While we have presented these as separately identified risks, discrete events will often affect multiple risks and this is considered by the Board when assessing the impact on the Group.

No movement in risk	↔
Increase in risk	↑
Decrease in risk	↓
New principal risk	●



### COVID-19

The impact of COVID-19 has been pervasive, affecting global energy demand generally and causing business activity to remain slow throughout 2021. COVID-19 has affected the Group's businesses worldwide. The Board and global management at Hunting were able to respond quickly to the pandemic in 2020, including the closure of facilities, right-sizing of active businesses, significantly reducing the workforce, reducing capital expenditure, re-arranging facilities to enable social distancing in the workplace, and tightening working capital management, amongst others. These measures were continued through 2021. As a consequence, the Group continues to maintain a healthy cash position despite the losses incurred.

## 1. Competition



### Nature of the Risk

The provision of goods and services to oil and gas drilling companies is highly competitive. In current market conditions, pricing pressures remain a feature of the trading environment. Competitors may also be customers and/or suppliers, which can increase the risk of any potential impact.

Technological advancements in the oil and gas industry continue at pace and failure to keep ahead will result in lost revenues and market share.

Looking further ahead, advancements in alternative energy sources are considered a risk to the oil and gas market in the long term.

### Movement in the Year

During the year, the competitive environment within the markets that Hunting serves remained strong, therefore Hunting's exposure to this risk is unchanged since the start of the year.

### Controls and Actions

Hunting has a number of high specification proprietary products that offer operational advantages to its customers. The Group continually invests in research and development that enables it to provide technological advancement and a strong, ever-widening, product offering. Hunting continues to maintain its standards of delivering high quality products, which has gone some way in sheltering the pricing pressure impact on margins.

Hunting's operations are established close to their markets, which enables the Group to offer reduced lead-times and a focused product range appropriate to each region. Local management maintains an awareness of competitor pricing and product offering. In addition, senior management maintains close dialogue with key customers and seeks to maintain the highest level of service to preserve Hunting's reputation for quality. The Group has a wide customer base that includes many of the major oil and gas service providers and no one customer represents an overly significant portion of Group revenue. In addition, the Group is widening its product offering beyond the oil and gas market, as detailed within the Chief Executive's Statement on pages 10 to 13.

The Group's operating activities are described in detail on pages 42 to 75.

## 2. US Shale Drilling



### Nature of the Risk

The Group provides products to the oil and gas shale drilling industry. Oil and gas produced from US onshore shale remains a relatively expensive source of hydrocarbons, despite advances in technology that have reduced these costs.

Consequently, shale drilling is more sensitive to a decline in commodity prices compared with conventional sources, so it is more likely to be curtailed and therefore negatively impact what has become a steadily increasing revenue stream for the Group (see the risks associated with commodity prices).

### Movement in the Year

Shale drilling activity was slow during 2021 due to the impact of the COVID-19 pandemic, and there remains uncertainty over the timing and rate of recovery of the oil and gas industry despite the rising WTI oil price. Consequently, the potential for an adverse impact on future results and cash flows generated from trading activity due to a protracted reduction in shale drilling activity remains high.

### Controls and Actions

The Board monitors rig count and general completion activities within the US shale industry. In addition, local management maintains an ongoing dialogue with key customers operating within the US market.

The Group maintains a diverse portfolio of products that extends beyond supplying the shale drilling industry, including products for conventional drilling and the manufacture of high-precision and advanced technology components for both the onshore and offshore markets.

Many of the Group's facilities have the flexibility to reconfigure their manufacturing processes to meet a change in the pattern of demand. Please refer to the "COVID-19" section above.

The Group's operating activities are described in detail on pages 42 to 75.



### 3. Climate Change



#### Nature of the Risk

Failure to adapt to climate change or to mitigate the Company's impact on the environment has the potential to damage the Company's reputation and cause issues in a number of areas, including:

- financial institutions may increase their margins on borrowings;
- difficulty in attracting appropriate executives and other employees;
- loss of investors and market analysts; and
- restrictions in the type of use for leased assets imposed by climate-conscious lessors.

In addition, climate change has the potential to cause the following beyond the Company's influence:

- increased incidence and severity of flooding, countryside fires and abnormal weather patterns causing disruption to the Company directly and/or our customers and suppliers;
- loss of customers or suppliers through their own failure to comply with climate based regulations;
- increased cost and/or incidences of asset purchases in order to comply with new technological regulations;
- energy costs and liability insurance premiums increase; and
- increased taxation on perceived non-sustainable industries as governments set about using the tax system to pay for their net carbon emissions targets.

#### Movement in the Year

Climate change transitioned from an emerging risk to a principal risk for Hunting during 2021. In prior years, climate change was not considered to be a current risk because its impact on the medium-term growth in global demand for oil and gas, being the Company's principal market, was not expected to be material. Indeed, market observers such as the International Energy Agency continue to predict that climate change will not decelerate the growth in demand for oil and gas in the medium term. However, during 2021, climate change started to impact various work streams and operating decisions to such an extent that management concluded that climate change has now escalated to the status of a principal risk.

#### Controls and Actions

Ongoing migration of electricity supplies to renewable energy resources. Introduction of low energy and higher efficiency solutions at the Group's facilities. Board commitment to the principles published in the 2015 Paris Accord. In addition, during 2021:

- the Company established an Ethics and Sustainability Committee to monitor and review non-financial climate-based matters;
- the Executive Committee was charged with the responsibility of reducing carbon emissions;
- an ESG Steering Group was formed to develop reporting procedures that include the impact of climate change on the Group;
- an internal TCFD Working Group was formed; and
- in 2020, the Group set up an Energy Transition project team in Aberdeen to pursue projects which align to the evolving industry.

The Group's environmental, climate and TCFD disclosures are described in detail on pages 61 to 73 and 76 to 81.

### 4. Commodity Prices



#### Nature of the Risk

Hunting is exposed to the influence of oil and gas prices, as the supply and demand for energy is a key driver of demand for Hunting's products.

Oil and gas exploration companies may reduce or curtail operations if prices become, or are expected to become, uneconomical and, therefore, continuation of prices above these levels is critical to the industry and the financial viability of the Hunting Group.

Adverse movements in commodity prices may also heighten the Group's exposure to the risks associated with shale drilling (see the risks associated with shale drilling).

#### Movement in the Year

Hunting's exposure to this risk was high at the start of the year but has reduced during the year due to the sustained increase in the WTI price of oil. In addition, there is now less of a connect between oil prices and exploration activity, which is the main driver of the Group's revenue, as drilling activity during 2021 was slower to respond than experienced historically.

#### Controls and Actions

Working capital, and in particular inventory levels, are closely managed to ensure the Group remains sufficiently agile to meet changes in demand.

The Group's products are used throughout the life cycle of the wellbore and each phase within the life cycle generates demand for a different range of products and services. The Board and management closely monitor market reports on current and forecast activity levels associated with the various phases of the life cycle of the wellbore in order to plan for and predict improvements or declines in activity levels.

In addition, management continues to reduce production costs and develop new technologies, including automation and robotics, that help mitigate the impact of any further downturn in commodity prices in the future.

Further information on the movement in commodity prices during the year is detailed on page 17.

## 5. Geopolitics



### Nature of the Risk

The location of the Group's markets is determined by the location of Hunting's customers' drill sites – Hunting's products must go where the drilling companies choose to operate. To compete effectively, Hunting often establishes a local operation in those regions; however, significantly volatile environments are avoided.

The Board has a strategy to develop its global presence and diversify geographically.

Operations have been established in key geographic regions around the world, recognising the high growth potential these territories offer. The Group carefully selects from which countries to operate, taking into account the differing economic and geopolitical risks associated with each geographic territory.

### Movement in the Year

Geopolitical issues remain a feature of the modern world in which the Hunting Group operates. The Board monitors geopolitical events around the world through media channels and industry contacts and assesses these relative to Hunting's operations. The scale and nature of these geopolitical issues, in how they have the potential to impact the Company's operations and markets, have not significantly changed over the past year.

Furthermore, the Group has very little exposure to exports between the UK and European markets and consequently the Board believes that Brexit will continue to have very little impact on the Group's trading activities.

### Controls and Actions

Areas exposed to high political risk are noted by the Board and are strategically avoided. Global sanctions and international disputes are also closely monitored with compliance procedures in place to ensure Hunting avoids high risk countries or partners. The Board and management closely monitor projected economic trends in order to match capacity to regional demand.

The Group's exposure to different geographic regions is described on page 48.

## 6. Health, Safety and the Environment ("HSE")



### Nature of the Risk

Due to the wide nature of the Group's activities, it is subject to a relatively high number of HSE risks and the laws and regulations issued by each of the jurisdictions in which the Group operates.

The Group's exposure to risk therefore includes the potential for the occurrence of a reportable incident, the financial risk of a breach of HSE regulations, and the risk of unexpected compliance expenditure whenever a law or regulation is renewed or enhanced.

The Group, its customers and its suppliers are dependent on personal interaction which has the potential to disrupt, or even close business operations if personnel become unavailable.

### Movement in the Year

The Group experienced a number of minor HSE incidents in the year, which is significantly below the industry average and is similar to the Group's record in prior years. This particular risk therefore continues to be low.

However, the overall risk to HSE was heightened during 2020 due to COVID-19 which in Q2 of that year started to impact operations. Due to the increased absenteeism through self-isolation and, tragically, a small number of deaths from the virus amongst the staff, this risk remained at the heightened level throughout 2021.

### Controls and Actions

The Board targets achieving a record of nil incidents and full compliance with the laws and regulations in each jurisdiction in which the Group operates.

Every Group facility is overseen by a Health and Safety Officer with the responsibility for ensuring compliance with current and newly issued HSE standards.

The Board receives a Group HSE compliance report at every Board meeting.

In 2020, the Group's facilities rescheduled work patterns, reconfigured unit layouts and encouraged staff to work from home whenever possible to enable appropriate social distancing measures. These arrangements started to be wound down during Q3 2021 as vaccination programmes were rolled out.

The Group's HSE performance is detailed on pages 55 and 56.



## 7. Key Executives



### Nature of the Risk

The Group is highly reliant on the continued service of its key executives and senior management who possess commercial, engineering, technical and financial skills that are critical to the success of the Group.

### Movement in the Year

Executives with fungible skills are at risk of migrating to other industries with less exposure to cyclicality, enflamed by the impact of COVID-19 on the oil and gas industry, and consequently where the prospects of career growth may appear to be brighter. The Directors have noted the labour constraints currently experienced in the oil and gas industry and consequently the risk of losing a key executive has heightened since last year

### Controls and Actions

Remuneration packages are regularly reviewed to ensure that key executives are remunerated in line with market rates. External consultants are engaged to provide guidance on best practice. In response to the heightened risk of losing a key executive, base salaries were raised during 2021, following a pay freeze during COVID-19, in order to provide an incentive to remain with the Group.

Senior management regularly reviews the availability of the necessary skills within the Group and seeks to engage suitable staff where they feel there is vulnerability.

Details of executive Director remuneration are provided in the Remuneration Committee Report on pages 107 to 130.

## 8. Product Quality



### Nature of the Risk

The Group has an established reputation for producing high quality products capable of withstanding the hostile and corrosive environments encountered in the wellbore.

A failure of any one of these products could adversely impact the Group's reputation and demand for the Group's entire range of products and services.

### Movement in the Year

The risk of poor product quality or reliability has remained unchanged during the year, with no significant issues raised by the Group's customers or during the Board's internal monitoring process.

### Controls and Actions

Quality assurance standards are monitored, measured and regulated within the Group under the authority of a Quality Assurance Director who reports directly to the Chief Executive.

The Group's commitment to product quality is detailed on page 47.

# Directors' Report

## Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU") and have also chosen to prepare the parent Company financial statements under IFRSs as adopted by the EU. Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that Directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Responsibility Statement

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's and parent Company's financial position and performance, business model and strategy. Each of the Directors, whose names and functions are listed on pages 96 and 97 confirm that, to the best of their knowledge:

- the financial statements, prepared in accordance with IFRS, as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- the Strategic Report includes a fair and balanced review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's financial position and performance, business model and strategy.

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group's and parent Company's auditor are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group's and parent Company's auditor are aware of that information.

This responsibility statement was approved by the Board of Directors at their meeting on 1 March 2022.

## Directors

The Directors of the Company during the year and up to the date of signing these accounts are listed on pages 96 and 97.

## Companies Act 2006

### Section 415

In compliance with section 415 of the Companies Act 2006, the Directors present their report and the audited financial statements of Hunting PLC for the year ended 31 December 2021. The Strategic Report incorporates the Chairman's Statement, Chief Executive's Statement and Outlook, Market Review, Key Performance Indicators, Group Review, Segmental Review, Stakeholder Engagement disclosures, Business Model and Strategy and Risk Management and is located on pages 4 to 90. As permitted by legislation, the Board has chosen to set out, within the Strategic Report and Corporate Governance Report, some of the matters required to be disclosed in the Directors' Report, which it considers to be complementary to communicating Hunting's financial position and performance, as follows:

- changes in the Group and its interests (pages 12 and 13);
- dividends (pages 5 and 53);
- future developments (pages 12 and 13);
- risk management, objectives and policies (pages 82 to 85);
- bribery and corruption (pages 59, 60 and 74);
- ethnicity and diversity (pages 56 to 58); and
- greenhouse gas emissions and environmental matters (pages 61 to 73).

On 7 February 2022, the Group entered a new \$150m Asset Based Lending facility, which replaced the \$160m Revolving Credit Facility. For further information please see page 27. On 11 February 2022, the Group announced that Richard Hunting, non-executive Director is to retire from the Group on Wednesday 20 April 2022. On 3 March 2022, the Group announced the proposed appointment of Paula Harris as a new independent, non-executive Director. The appointment is being submitted to shareholders for approval at the Company's Annual General Meeting on Wednesday 20 April 2022.

In addition, information relating to the Directors' indemnity provisions and dividend waivers, Annual General Meeting, dividends, Directors' powers and interests, share capital, political donations, research and development and significant agreements, can be found within the Shareholder and Statutory Information section located on pages 223 to 225.

## The Companies (Miscellaneous Reporting) Regulations 2018

As required by The Companies (Miscellaneous Reporting) Regulations 2018 (the "Regulations"), the Board of Hunting PLC has prepared a section 172(1) statement, which can be found on page 75 and also on the Group's website [www.huntingplc.com](http://www.huntingplc.com). The Directors' Stakeholder Engagement and decision making disclosures are summarised within the Strategic Report on pages 53 to 74, and include cross references to the various engagement activities across the Group's operations. Additional disclosures in respect of customers, suppliers and other key business relationships can also be found within the Strategic Report.

By order of the Board



**Ben Willey**  
Company Secretary

3 March 2022

# Viability and Going Concern

## Viability Statement

### Introduction

Hunting has a diverse global customer base underpinned by strong, long-term relationships. The Group provides a large range of products and services through its manufacturing and distribution facilities, which are located in a number of countries across the globe.

In considering the Group's long-term viability, the Board regularly assesses the risks to its business model, strategy, future performance, solvency and liquidity. These assessments are supported by the risk management processes described on page 85 and include a review of the Group's exposure to the oil and gas industry, competitor action, customer plans and the robustness of the supply chain.

### Assessment Period

The Group's customers are principally involved in the exploration for and production of oil and gas. Given the nature of the industry and the planning cycles involved, these activities can cover periods of no more than several weeks and up to several years from start to end.

Hunting's management works closely with its customers, discussing their operational plans and related capital expenditure programmes, with a natural focus on the earlier years in which projects will be in progress, or committed to, and for which requirements for goods or services from Hunting will be more certain. The outlook for the Group beyond this period is generated from management's assessment of industrial data and projections published by industry commentators and analysts, including statistics on exploration and production expenditure, footage drilled and rig activity. These macro, longer-term forecasts are more subject to significant volatility.

Due to the complexities in projecting forward any meaningful outlook beyond three years, the Group's bank funding facilities are generally limited to a similar period. This enables the Group to reduce the risk of either being underfunded or overfunded (thereby incurring non-utilisation fees) beyond the foreseeable future by being able to negotiate new facilities to accommodate revised operational and strategic changes expected during that additional period. The current Asset Based Lending facility is a four-year facility that commenced in February 2022. Projections beyond the facility period are too uncertain for the Group to commit to a longer facility. The Group's Treasury department generally aims to initiate negotiations for a facility renewal approximately twelve months before the maturity date and the most recent outlook would contribute to those discussions.

Taking these factors into consideration, the Board believes that a three-year forward-looking period, commencing on the date the annual accounts are approved by the Board, is the appropriate length of time to reasonably assess the Group's viability.

### Consideration of Principal Risks

The nature of the Group's operations exposes the business to a variety of risks, which are noted on pages 86 to 90. The Board regularly reviews the principal risks and assesses the appropriate controls and further actions as described on page 85, given the Board's appetite for risk as described on pages 83 and 84. The Board has further considered their potential impact within the context of the Group's viability.

Despite the current cash-positive position, which is expected to remain as such throughout the assessment period, the Group's funding policy is cautiously managed. Consequently the Group has available a \$150m committed Asset Based Lending facility that replaced the previous Revolving Credit Facility on 7 February 2022. The new, four-year facility includes an option that allows Hunting to increase the facility by \$50m subject to the lenders' credit approval.

## Assumptions

In assessing the long-term viability of the Group, the Board made the following assumptions:

- global exploration and production spend in 2022 is expected to rise by 26% compared with 2021, and will steadily increase thereafter to 2025;
- demand for energy service products improves in the medium to long-term, given the global outlook for oil and gas demand, which is driven by growth within emerging markets and sustained demand from developed markets. These are the fundamental drivers of Hunting's core business of manufacturing, supplying and distributing products and services, which enable the extraction of oil and gas;
- the Group's reduced cost base enables the business to remain competitive within the weaker sectors of the global energy markets, particularly within the offshore and international markets; and
- the Group will continue to have a medium to low exposure to higher risk countries given the proportion of its current revenues and profits and losses derived from politically stable regions such as North America, Europe and South East Asia.

In addition, a downside case of the financial projections was produced to model a meaningful deterioration in market conditions and this revealed no concerns regarding viability.

A stress test case was performed, as noted in the going concern statement on page 93, to identify the financial conditions required to cause a possible breach of the Group's banking covenants within the following twelve month period. As stated in that statement, the Board concluded that the likelihood of this occurrence is remote.

### COVID-19 Related Factors

The Group's 2021 financial statements illustrate the adverse impact of the COVID-19 pandemic on its financial performance. Revenue, results from operations, loss/profit for the year and loss/earnings per share all declined in the year. The impact on cash reserves was less material, as the Group's business model enabled Group and local management to respond quickly to the turn of events. At \$114.2m, total cash and bank at the end of 2021 was \$12.5m higher than at the start of the year, aided by a \$27.7m net inflow from the restructuring of the North Sea business.

The actions taken by Group and local management during 2020 and which continued through 2021, that enabled the preservation of cash and the continued resilience of operations, include the following:

- the closure/mothballing of facilities and relocation of plant and machinery;
- reductions in force;
- right-sizing of active business units;
- reduced capital investment;
- wider limitations on other types of spending;
- tightening working capital management;
- reduced dividends to shareholders;
- closer monitoring of markets and of selected customers' financial condition;
- widening of markets;
- adjusting work schedules and business layouts to enable workplace social distancing;
- working from home if possible;
- applications made for government financial assistance; and
- purchase of mask-making equipment and distribution of disposable masks to the Hunting sites and to the Company's wider communities.

### Conclusion

The Board believes that the Group's strategy for growth, its diverse customer and product base, the resilience of its business model and the positive outlook for the oil and gas industry after 2022, in the medium term provide Hunting with a strong platform on which to continue its business. The Directors therefore have a reasonable expectation that Hunting will be able to continue in operation and meet its liabilities as they fall due over the three-year period of their assessment.

## Going Concern Statement

### Introduction

The Group's principal cash outflows include capital investment, labour costs, inventory purchases and dividends. The timing and extent of these cash flows is controlled by local management and the Board. The Group's principal cash inflows are generated from the sale of its products and services, the level of which is dependent on overall market conditions, the variety of its products and its ability to retain strong customer relationships. Cash inflows are further supported by the Group's credit insurance cover against customer default that, at 31 December 2021, covered the majority of its trade receivables, subject to certain limits.

Current and forecast cash/debt balances are reported on a weekly basis by each of the business units to a centralised treasury function that uses the information to manage the Group's day-to-day liquidity and longer term funding needs.

The Group has access to sufficient financial resources, including a \$150m secured committed Asset Based Lending facility that replaced the Revolving Credit Facility on 7 February 2022. Throughout 2021, borrowing facilities were, and currently remain, underdrawn. The Group's internal financial projections indicate that the Group will retain sufficient liquidity to meet its funding requirements over the next twelve months.

### Review

In conducting its review of the Group's ability to remain as a going concern, the Board assessed the Group's recent trading performance and its latest forecasts and took account of reasonably predictable changes in future trading performance. The Board also considered the potential financial impact of the estimates, judgements and assumptions that were used to prepare these financial statements. Management sensitised these forecasts to reflect plausible downside scenarios as a result of the protracted COVID-19 impact on global economies. These demonstrated that the Group is able to maintain sufficient cash resources to meet its liabilities as they fall due over the next twelve months.

Management also prepared further stress-test forecasts to identify the conditions required to utilise all existing cash resources without drawing down on the Asset Based Lending facility. The Group modelled a drop in monthly revenue from April 2022 to December 2023 reflecting the lowest levels experienced during late 2020/early 2021, and consequent modest negative EBITDA margins. Working capital days were assumed to weaken as early as March 2022 and broadly remain that way through to December 2023. Even with these factors reflected, a further six-fold increase in the monthly EBITDA loss was required to cause a breach. To advance the possible breach to June 2023 would require a further 51% decline in the stressed monthly EBITDA margin. Given the severity of the stress test conducted and the additional headroom afforded by the new bank facility, the Board concluded that the likelihood of such an occurrence leading to a liquidity issue over the next twelve months is remote. The Board is also satisfied that no material uncertainties have been identified.

### Conclusion

The Board is satisfied that it has conducted a robust review of the Group's going concern and has a high level of confidence that the Group has the necessary liquid resources to meet its liabilities as they fall due. Consequently the Board considered it appropriate to adopt the going concern basis of accounting in preparing these consolidated financial statements.