



2022

Corporate Sustainability Report



About Dril-Quip, Inc.

Dril-Quip, Inc. is a leading developer of innovative technologies for the energy industry. We design and manufacture best-in-class products for traditional oil and gas, and certain energy transition applications. Dril-Quip is known for solving customers' most challenging problems with equipment that performs reliably, safely, and cost-effectively in deepwater, harsh environments, and severe service applications. Our products are used by major integrated, independent, and foreign national energy companies throughout the world. Headquartered in Houston, we are well positioned to serve the needs of the global energy industry with major manufacturing facilities in Houston, Texas; Aberdeen, Scotland; Macaé, Brazil; and Singapore; and service facilities in Australia, Ecuador, Mexico, Norway, China, Egypt, Ghana, and Qatar.



Focus on Sustainability

Our focus is to ensure sustainability is embedded across all our operations as a company.

We believe technological innovation is key to improving [energy efficiency](#) and providing people around the world with universal [access to reliable, affordable, clean energy](#). By doing so, we stimulate economic growth and enhance the standard of living for all, improving health and creating employment opportunities globally.

From the President and Chief Executive Officer Jeffrey J. Bird

"Environmental, Social, and Governance (ESG) is an important focus area at Dril-Quip. We are committed to operating in a manner that promotes human rights, health and safety, and ethical behavior in all the countries in which we conduct business, reducing our own greenhouse gas emissions footprint, and helping the world transition to a low-carbon future."



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Supporting the UN Global Compact

Dril-Quip is an active signatory of the United Nations (UN) Global Compact and supports the organization’s Ten Principles on human rights, labor, environment, and anti-corruption as a Participant. We incorporate these principles into the culture, strategy, and day-to-day operations of our company.

Dril-Quip Sustainable Development Goal (SDG) Actions

SDG	UN GLOBAL COMPACT AMBITION BENCHMARK	DRIL-QUIP COMMITMENT
	Ensure inclusive and equitable quality education and promote lifelong opportunities for all.	<ul style="list-style-type: none"> • Community involvement • STEM education • Young professional development • Engaged workforce
	Achieve gender equality and empower all women and girls.	<ul style="list-style-type: none"> • Employee engagement and peer networks • Community investment • Talent retention and recruitment • Board and employee diversity
	Ensure access to affordable, reliable, sustainable and modern energy for all.	<ul style="list-style-type: none"> • Energy efficiency • Industry-leading environmental management systems • Evolutionary technology solutions • Renewable energy
	Take urgent action to combat climate change and its impact.	<ul style="list-style-type: none"> • Energy efficiency • Industry-leading environmental management systems • Evolutionary technology solutions • Renewable energy

Achieving Our Goals

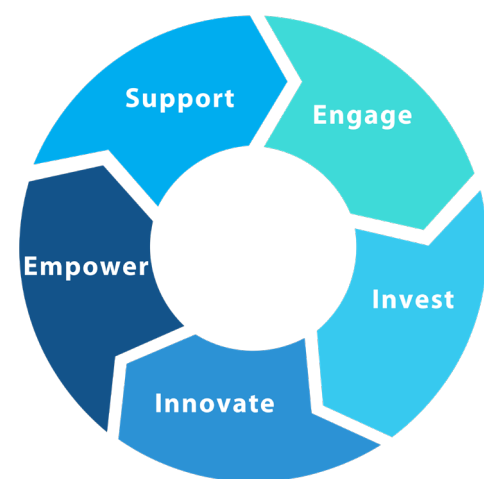
At Dril-Quip, we rely on our **people, processes, and technologies** to achieve our long-term environmental, social, and corporate governance objectives and drive sustainability across operations. We focus on developing solutions that benefit our customers, including products that naturally contribute to lower carbon emissions.

PEOPLE	PROCESSES	TECHNOLOGIES
Work with cross-functional teams to identify next-generation drilling, completion, and production technologies	Follow industry-leading standards to manage health and safety risks, while identifying technologies to enable, empower, and equip energy efficiency.	Bring to market differentiating technologies such as the Green By Design™ initiative to contribute to environmental sustainability.

A Straightforward Approach

Dril-Quip's approach to developing products that align with our commitment to UN SDGs is straightforward:

- We continuously **engage** with customers to understand their strategic priorities around energy efficiency and carbon emission reduction.
- We **invest** heavily in R&D as innovation has been central to technologies we have been bringing to the marketplace since 1981, and incorporate the evaluation of climate change risks and opportunities in our R&D processes.
- We **innovate** based on customer feedback and continuously improve our product portfolio.
- We **empower** customers to minimize health and safety risks while reducing their carbon footprint.
- We **support** our local communities by fostering the availability of clean, affordable energy to all.



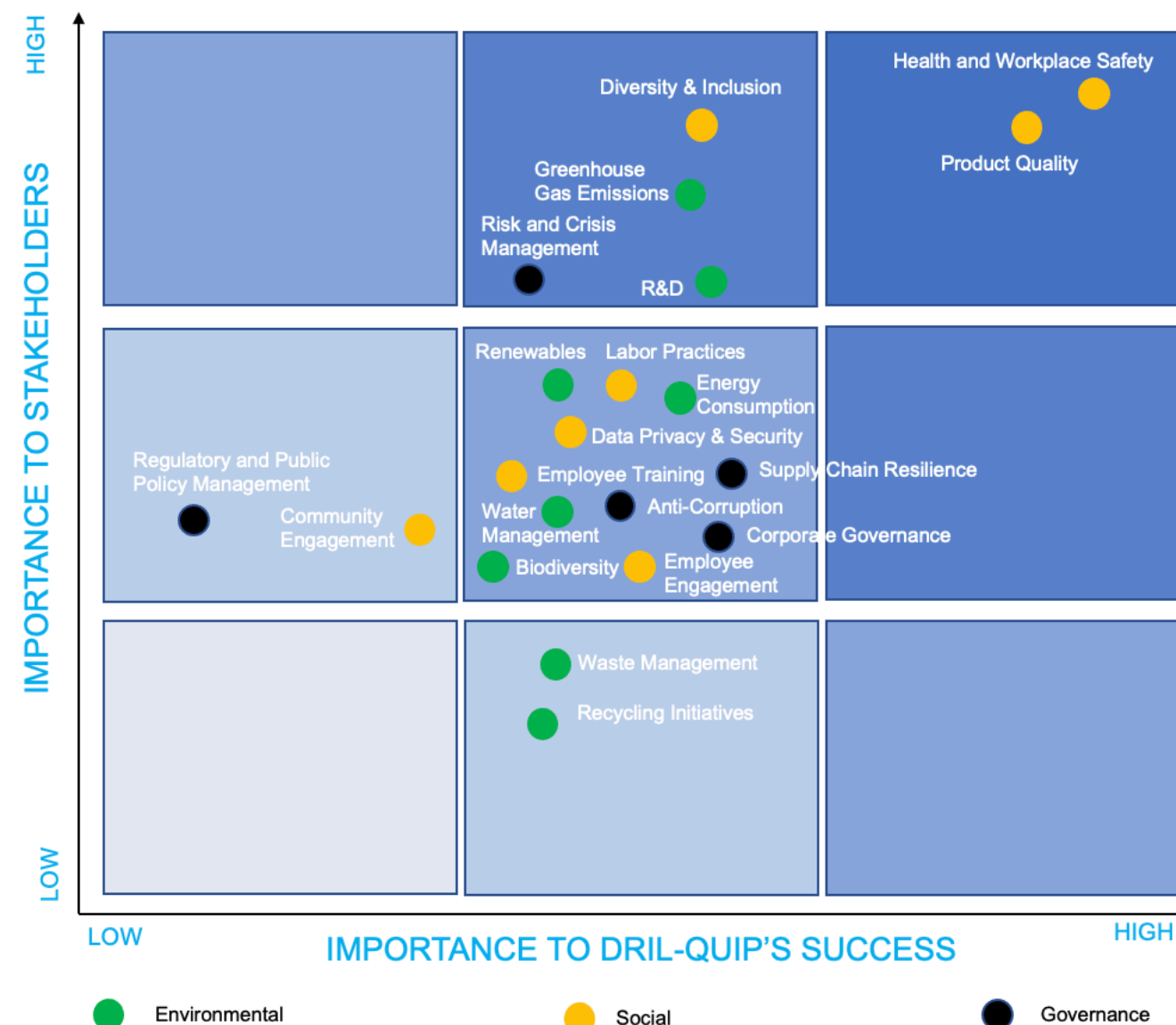
Corporate Responsibility Framework

At Dril-Quip, we think about all our stakeholders and prioritize three key strategic pillars:

- **Investing in R&D and technology to protect the environment**, reduce overall carbon footprint and drive efficiency across operations.
- **Empowering our workforce** by supporting diversity, equity, and inclusion, providing employee training and development, and driving excellence in workplace health and safety standards.
- **Engaging actively in the local communities** in which we operate around the world.

Materiality Matrix Priority Assessment

As Dril-Quip examines ways to improve sustainability across our operations internally, we regularly review our medium- to long-term sustainability priorities based on the materiality of these factors, accounting for both our own and stakeholders' expectations and overall societal demands. A summary of these material priorities is routinely evaluated and outlined below.





Protecting the Environment

Sustainability has always been at the core of our operations because we believe our technology not only equips customers to reduce operational and environmental risk, but also empowers them to be efficient, thereby reducing their overall carbon footprint.

the power of e™

The Dril-Quip Story

It is ingrained in our culture of the Power of e™ and exemplified by our Green By Design™ solutions that link a focus on sustainability across our entire product portfolio.

These technologies are helping our customers to reach their carbon reduction targets, while lowering their capital and operating expenses.

The Power of e™ can mean many things . . .

- evolutionary
- empowering
- enabling
- exceptional
- effective
- efficient

It is a phrase that encapsulates what Dril-Quip is all about. It is our philosophy and culture of engineering the exceptional products that we have been bringing to the market since 1981. And, it stands for epic because Dril-Quip is fundamentally changing the way wells are drilled and completed with solutions that provide permanent efficiencies and enduring cost savings.

As the market becomes increasingly focused on the energy transition, we are aligning our capabilities and dedicating R&D resources to further develop differentiating technologies.

As we have consistently done over the last several decades, we are committed to bringing higher levels of innovation in sync with the needs of our customers.

Our Products Are Greener

Our **Green By Design™** products were deliberately engineered to eliminate hardware and materials, reduce installation time, and minimize transportation, which helps our customers lower their carbon footprint.

It's a testament to our commitment to driving environmental sustainability and why we will be able to meaningfully contribute to **UN SDG 7** "Affordable and Clean Energy."

An excellent example of how we put our **Green By Design™** approach into practice is our revolutionary VXTe™ Vertical Subsea Tree System. The VXTe™ features game-changing technology that completely re-thinks well completion, enabling our customers to lower their carbon footprint, save money, and reduce operational and health, safety and environmental risks.

Dril-Quip® VXTe™ System*:

- **Reduces the carbon footprint** by more than 1,000 metric ton by removing the 40 tons of hardware required in conventional vertical tree installations
- **Dramatically improves subsea well break-even economics**, resulting in millions of dollars of savings per well
- **Improves workplace safety** by reducing more than 30,000 HSE touchpoints

Climate Change

Dril-Quip is actively engaged in helping the world transition to a low-carbon future.

We recognize that climate change is an issue that warrants attention across all aspects of our business. We are committed to environmental stewardship by actively engaging in sustainable practices throughout our operations and by delivering products that contribute to reliable energy.

We believe that our technology enables our customers to reduce their carbon footprint, minimize environmental and safety risks, and enhance operational efficiency.

Technological Innovation

Technological innovation is the key to improving energy efficiency and providing people around the world with universal access to reliable, affordable, clean energy.

Our **Power of e™** culture drives our carbon-conscious R&D efforts. That philosophy led to the development of our e-Series products. These **Green By Design™** innovations are empowering our customers to reach their carbon reduction targets, lower their costs, and adhere to best-in-class health and safety standards."

Evaluating Climate Risks and Opportunities

Climate risk management is part of our overall risk assessment and strategy. Dril-Quip recognizes both the physical and transition risks related to climate change and is committed to managing these risks. Our multidisciplinary, company-wide risk management process for climate change accounts for physical, regulatory, reputational, and market risks. Both senior management and our Board of Directors are responsible for addressing the potential impacts of climate risk across Dril-Quip. We publicly report our management of climate-related risks through our periodic filings with the U.S. Securities and Exchange Commission and in our TCFD Framework.

To further progress our carbon-reduction and sustainability commitments, Dril-Quip has identified the following areas where we are taking action:

Energy Efficiency	<i>Drive operational efficiencies to reduce energy consumption while shifting to low-carbon energy use (i.e., renewables)</i>
Customer and Supplier Engagement	<i>Engage both suppliers and customers in carbon reduction initiatives to drive down emissions across the value chain</i>
Technological Development	<i>Continue to invest in technologies and services through both internal R&D efforts and via acquisitions that reduce carbon and environmental impact</i>

Greenhouse Gas Emissions

At Dril-Quip, we are continually working towards reducing our environmental footprint through lower resource consumption, less waste, and reducing our greenhouse gas emissions (GHGs).

By actively engaging our value chain in sustainable practices and delivering innovative products and services, we are helping our suppliers and customers reduce their GHG emissions and environmental footprint.

Scope of Emissions Evaluation

We provide aggregated greenhouse gas (GHG) emissions data for all relevant categories across Scopes 1, 2, and 3. The emissions data is calculated per the specifications of the Greenhouse Gas Protocol (GHGp) standard and aligned with the International Organization Standard ISO 14064-1.

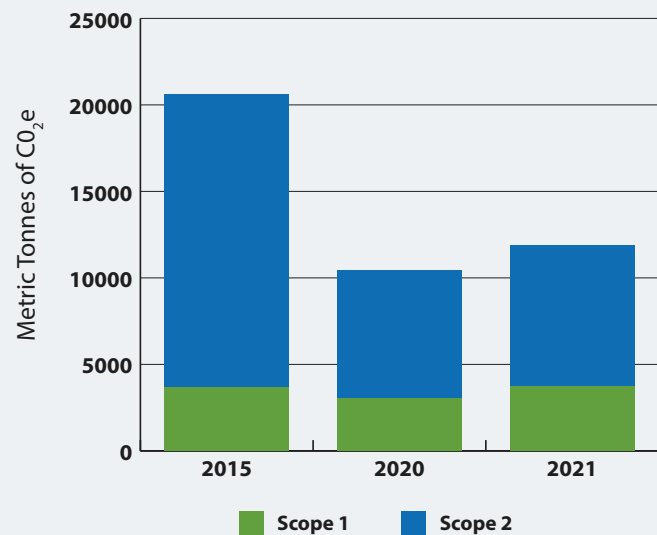
Scope 1 and Scope 2 Categories

The Scope 1 and Scope 2 GHG emissions calculations and methodology are consistent with the GHGp Accounting and Reporting Standard and cover the GHG-emitting activities for both direct emissions¹ (total control) and indirect emissions² (significant control). GHG Emissions are calculated in metric tonnes of CO₂e³.

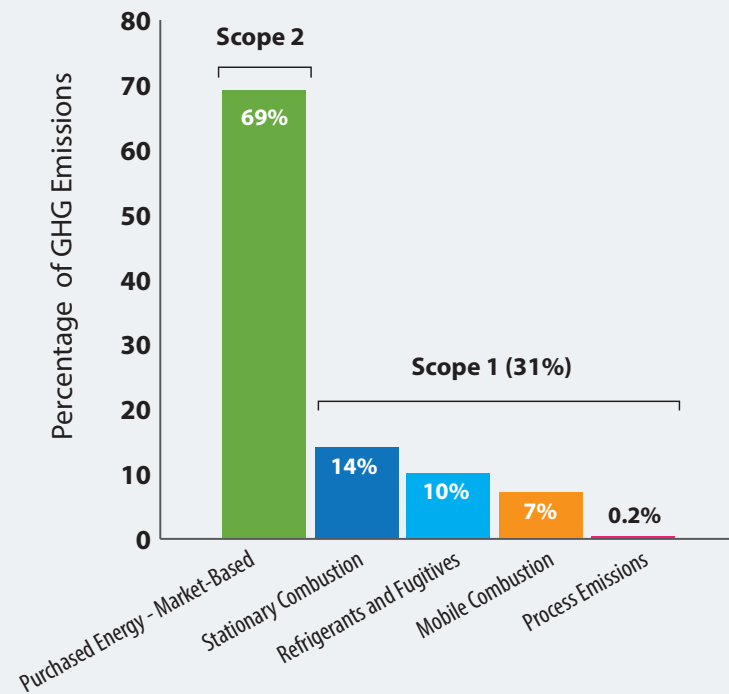
Scope 3 Categories

The Scope 3 emissions calculations and methodology are consistent with the GHGp Corporate Value Chain (Scope 3) Standard. The calculations cover⁴ all relevant GHG-emitting activity categories for indirect emissions (limited control).

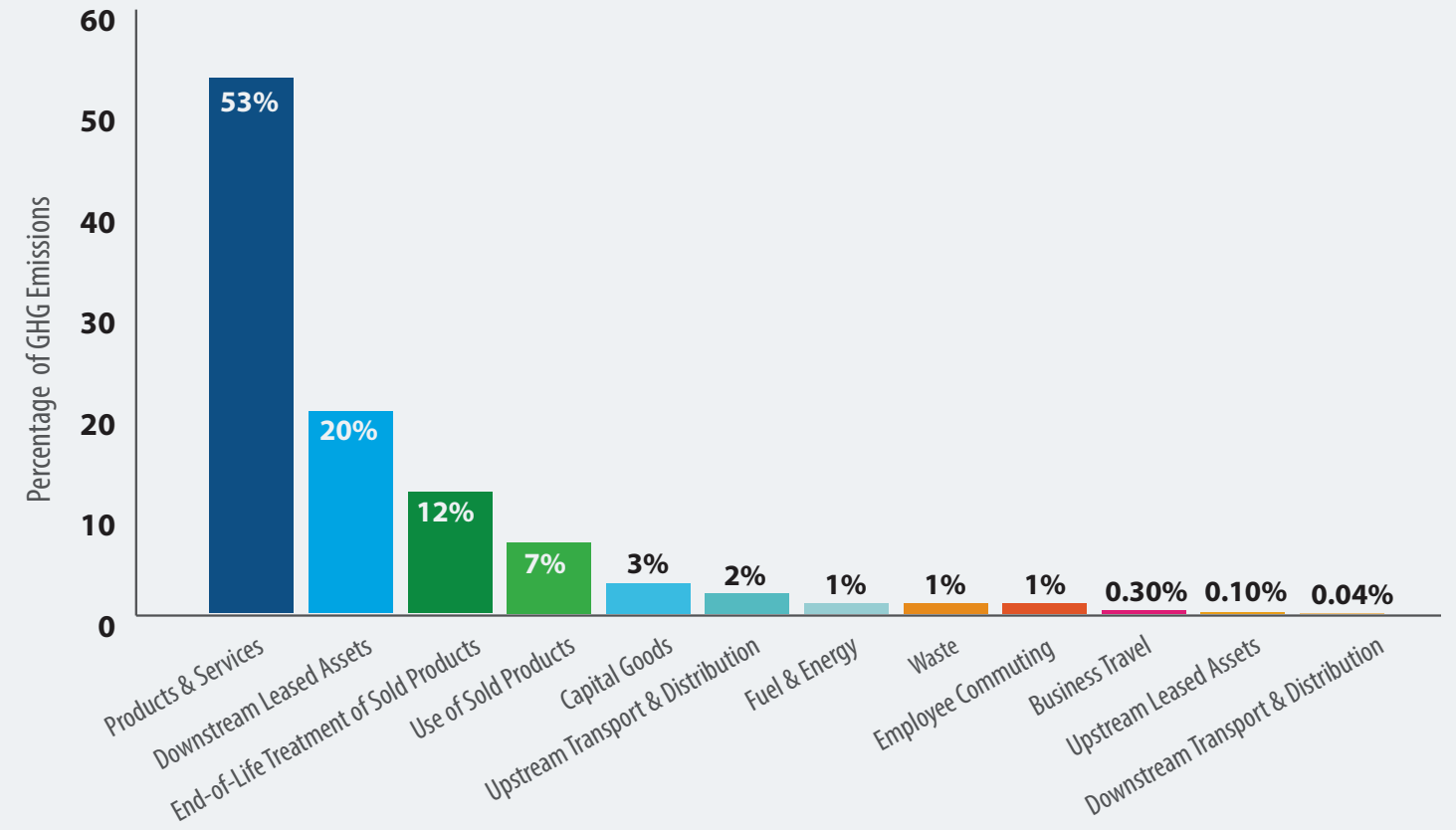
Scopes 1 and 2 GHG Emissions in 2015 (Base Year), 2020, and 2021



Percentage Share of Scopes 1 and 2 GHG Emissions in 2021



Percentage Share of Scope 3 GHG Emissions in 2021



Emissions

Road to Excellence

We have formally launched our decarbonization targets to align with a 1.5°C global warming pathway and the ambitions of the Paris Accord, which seeks to limit global warming to well below 2°C pre-industrial levels.

Dril-Quip targets the absolute reduction of combined Scope 1 and Scope 2 emissions by more than 50% between 2021 and the target year 2030.

Our decarbonization actions include:

- Switching to renewable electricity across major manufacturing sites.
- Rightsizing facilities.
- Investing in infrastructure to reduce fugitive emissions.
- Downscaling and evaluating the electrification of our vehicle fleet.
- Utilizing solar energy at our facilities where possible.

Decarbonization Execution

DECARBONIZATION PATHWAY	INITIATIVE
Scope 1 and 2 Emissions	
Switch to Renewables	Switch to renewables across major facility locations, which drives the majority of Scope 2 emissions
Manufacturing Footprint Optimization	Reduce our footprint at major property locations
Facility/Equipment Improvement	Invest in infrastructure to reduce leaks in air conditioning units and minimize refrigerant leakage
Reduction in Fleet and Electrification of Transport	Reduce our fleet vehicle inventory and explore business opportunities for electric on-road and off-road transport
Scope 3 Emissions	
Engage with Key Suppliers	Reduce upstream emissions in sourcing activity through greater engagement with key suppliers to help them reduce their carbon footprint and commit to long-term targets of GHG emissions
Engage with Customers	Partner with our customers, from design and engineering through installation, to develop solutions that reduce emissions in alignment with their long-term decarbonization goals

Environmental Impact

Biodiversity

Dril-Quip understands the importance of biodiversity conservation and we support it by imbedding strong business controls to **enhance** our business execution in alignment with the United Nations (UN) Convention on Biological Diversity.

We regularly perform Environmental Site Assessments that examine the environmental and ecosystems risks of our operational practices as part of our environmental management. Our management program is audited annually by external accredited organizations such as DNV in order to maintain ISO 14001-certification status.

Our success has been achieved by **enabling** and **empowering** our people to help us **eliminate** environmental incidents as we work to achieve ZERO incidents.

HSE Commitment

Dril-Quip's success is built upon the health, safety and well-being of our employees, stakeholders, and global community. In alignment with our Goal Zero initiative, we strive to improve our HSE policies to minimize safety risks and hazards.

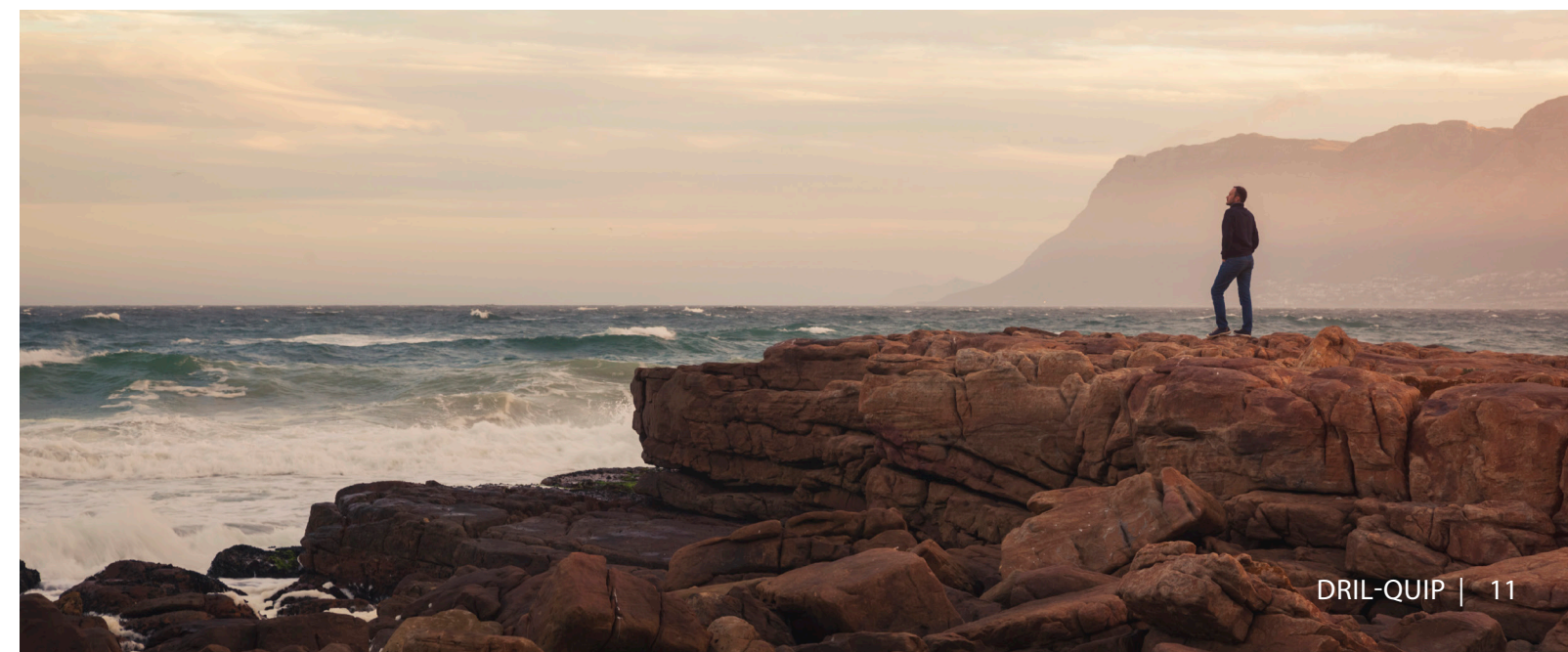
Environmental Management

Enhancing our management system with certifications **enables** us to **effectively** manage our risks. We have obtained API Q1 and Q2, ISO 9001, ISO 14001, and ISO 45001 certifications for 100% of our major property locations.

Dril-Quip's Environmental Management System (EMS), centered around the ISO 14001 principles, is the foundation for how we operate, and it includes sound environmental practices designed for protecting our planet. Environmental risks are mitigated from our activities by incorporating best practices and procedures designed to **enhance** our global performance.

Additionally, we have successfully reduced our soil contaminations at our major property locations from nine in 2015 to **ZERO** in 2020.

Our EMS, coupled with our skillful people, has allowed us to successfully record ZERO industry-recognized spills of 55 gallons or greater over the last FIVE YEARS.



Water And Waste Management and Recycling Initiatives

Empowering our people to **effectively** identify waste streams for opportunities to recycle and engineering our products with environmental considerations in mind, have enabled us to increase our recycling, reduce our environmental waste, and reduce our operating costs.

Using our performance management system to drive our strategies, we are making better choices for our employees and communities and doing our part to reduce our impact to the environment.

Our initiatives have been demonstrating strong results over the last five years, realized in the reduction in waste, an improvement in our recycling initiatives and a decrease in water usage.

Regulatory Compliance

Maintaining regulatory compliance in the countries where we operate is a key part in our quest for environmental stewardship. As a part of our performance management system, we track the number of regulatory violations globally and are transparent in our reporting. Dril-Quip has had minimal violations to date, and none have caused disruptions to our business execution. Each one has been investigated and preventive actions have been put in place.

Goal ZERO Initiative

Goal ZERO is our global health, safety, and environmental initiative, which is designed to ensure a robust and protected work environment for our valued teammates.

In 2021, 42% of our training programs focused on safety awareness and on-the-job safety, which stands as a further testament to our commitment to our employees.

All ISO Certification audits ended with ZERO major findings. Our Goal Zero initiative was founded in 2019 and addresses: **Leadership, People, Processes, Technology, and Risk Management.**



Water Usage Reduction and Recycling (as of 2021)

63%
WATER USAGE (M³)
REDUCTION

29%
INCREASE IN WATER
RECYCLED

Waste (as of 2021)

59%
METRIC TONNES
OF TOTAL WASTE
REDUCED

72%
METRICS TONNES
OF METAL WASTE
REDUCED

8%
OF TOTAL WASTE
GENERATED IS
HAZARDOUS

47%
REDUCTION IN
HAZARDOUS WASTE

70%
METRIC TONNES
OF TOTAL WASTE
IS RECYCLED

Since 2015, we have steadily tracked our progress and are pleased to report a year-over-year reduction for almost all incident and fatality rates across several key performance indicators (KPIs).

Since 2015

0

WORKPLACE
FATALITIES

72%

REDUCTION IN TOTAL
RECORDABLE INJURY RATE
(TRIR)

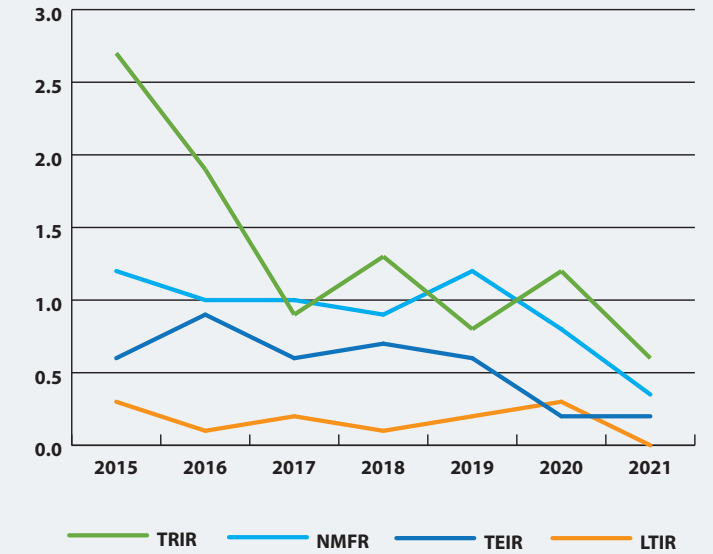
78%

DECLINE IN NEAR-MISS
FREQUENCY RATE (NMFR)

72%

DECLINE IN TOTAL
ENVIRONMENTAL INCIDENT
RATE (TEIR)

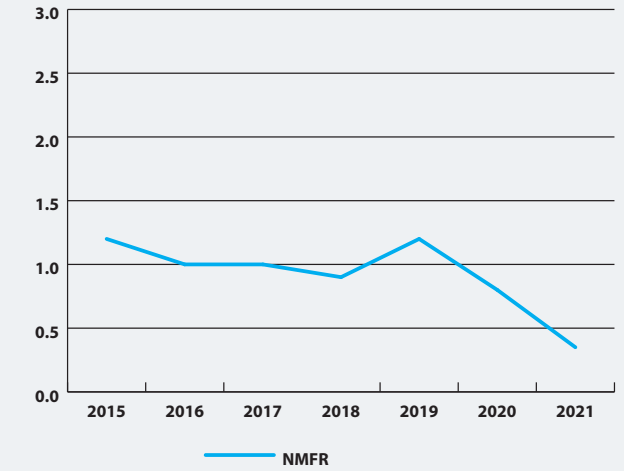
HSE Performance Statistics



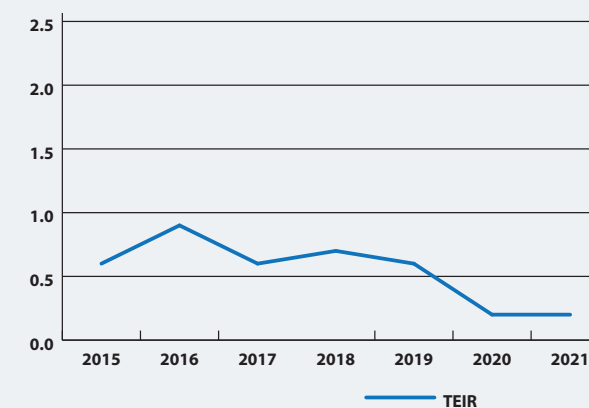
Total Recordable Injury Rate (TRIR)



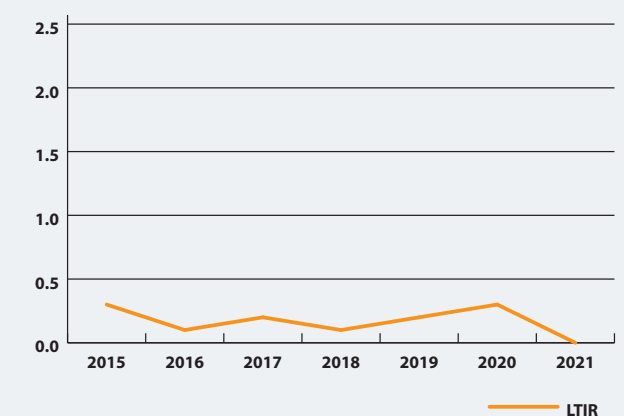
Near-Miss Frequency Rate (NMFR)



Total Environmental Incident Rate (TEIR)



Lost-Time Incident Rates (LTIR)



Health and Safety

At Dril-Quip, the well-being of our employees takes top priority, and we are committed to ensuring that our operations comply with all industry standards, policies, and regulations to prevent any health and safety risks.

Each employee has responsibility for maintaining a safe and healthy workplace for peers by following our health and safety rules and practices. Our major manufacturing facilities are certified to ISO 45001:2018 for occupational health and safety management systems.

- We empower our employees with stop-work authority and hazard/behavior reporting to identify any safety concerns or potential improvements.
- We work collaboratively with our stakeholders and supply chain partners to require that the highest health and safety standards are met throughout our operations, consistent with those of Dril-Quip.

Environmental Protection

We are committed to compliance with all relevant environmental legislation, regulations, and local/country requirements for our facilities and overall operations. Our major manufacturing facilities are certified to ISO 14001:2018 for environmental management. We regularly perform Environmental Site Assessments of our operations and use our assessments to reduce our risks and help us continually improve.

Leadership and Management

Utilizing our HSE systems and tools, our leadership team regularly monitors the health and safety of our organization.

- Our senior management teams perform HSE walk-through assessments at our facilities on a quarterly basis.

- HSE performance is measured against industry standards, and annually, we set strategic goals and objectives to improve our performance each year.

Engagement

We consult with our employees and encourage participation in all HSE matters, which also includes continual feedback and improvement of our standards and policies.

- We encourage our employees to share ideas and raise concerns on all HSE matters.
- We create an environment where every employee embraces HSE as a core value and engages in Goal ZERO.

QHSE Policy

At Dril-Quip, our management fully supports the implementation and ongoing maintenance of Quality, Health, Safety and Environmental (QHSE) Management Systems that define not only their roles and responsibilities, but also those of all members of the workforce. Our complete QHSE policy can be found online.

All our major manufacturing facilities are compliant with OHSAS 18001 for occupational health and safety management systems.

Copies of our certifications are listed in the QHSE section of our website.

Empowering Our Employees

Diversity, equity, and inclusion (DEI) in our workplace broadens thinking and stimulates innovation.

Diversity, Equity, and Inclusion

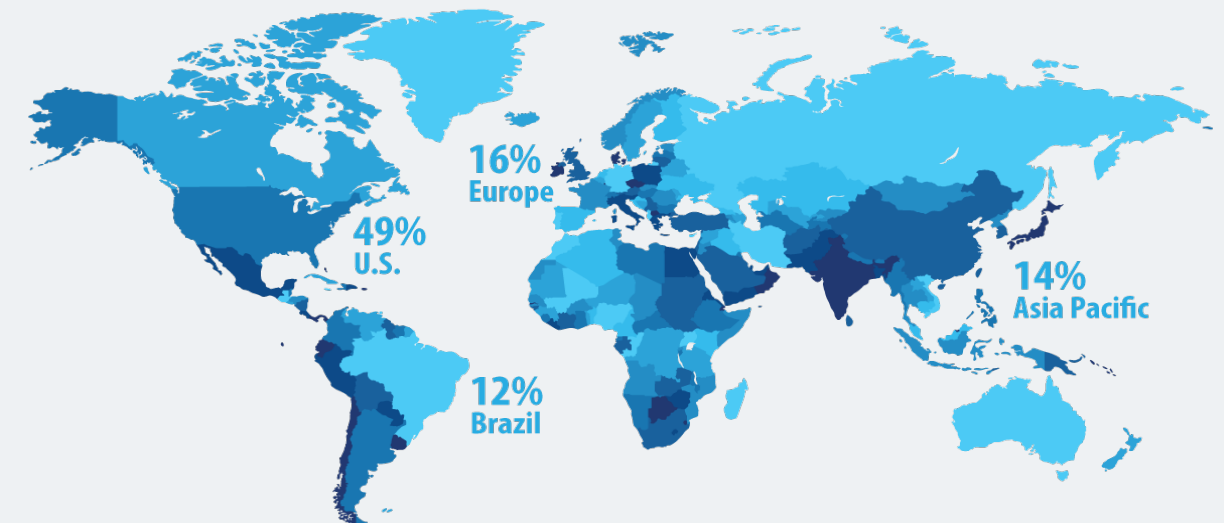
At Dril-Quip, our **DEI framework** outlines our strategy on how we will build, grow, and sustain an inclusive work culture. A diverse workforce facilitates innovative problem solving and solutions for our customers while helping us to attract new customers and open doors to new markets.

At Dril-Quip, DEI is more than just increasing our numbers of diverse people; it is about embedding diversity in our corporate culture to achieve better results in the following areas:

- Attracting top talent
- Driving higher retention and discretionary efforts
- Increasing employee engagement

Our People

With a global workforce in the U.S., Europe, Latin America, and Asia Pacific, we believe our global workplace supports diversity, equity, and inclusion across our entire operations.



2021 Headcount by Region*

51% (↑2%)

OF OUR WORKFORCE IS INTERNATIONAL

18+

COUNTRIES IN WHICH WE OPERATE

**Note: The percentages in the map above reflect the areas with the largest employee populations (from 2020 - 2021).*

Social

As part of Dril-Quip’s Diversity, Equity, and Inclusion (DEI) initiative, we are dedicated to improving female and minority representation across the organization and in leadership positions.

Female Representation

As a result of continuing our focus on career development through training and succession planning, the percentage of females in management roles increased from 2020 to 2021.

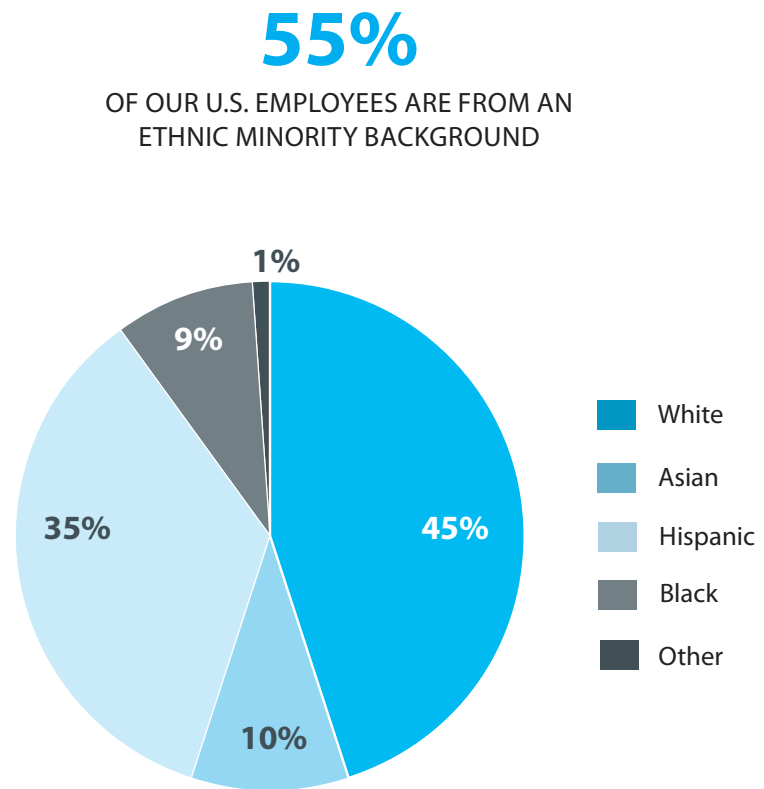
13% (↑1%)
OF OUR EMPLOYEES ARE FEMALE

25% (↑5%)
OF GLOBAL HIRES IN 2021 WERE FEMALE

26%
OF FEMALES IN MANAGEMENT ROLES

Racial Ethnicity – U.S.

In 2021, **27%** of employees hired self-identified as part of a minority group, and we saw an **increase** in representation in employees identifying as Asian, Black, and Hispanic ethnic groups.



Equal Opportunity and Nondiscrimination

Dril-Quip has a long-standing commitment to transparency and nondiscriminatory employment. We provide all applicants and employees fair and equitable consideration and treatment in all matters related to employment, benefits, training, compensation, and other privileges and conditions of employment regardless of race, color, religion, age, sex, sexual orientation, gender identity/expression, national origin, ethnicity, disability, veteran status, or any other basis that is protected under applicable law.

Employee Resource Groups

Dril-Quip’s Employee Resource Groups (ERGs) are a fundamental component of employee engagement. At Dril-Quip, we want to have a positive, energizing workplace where our people feel safe and engaged to drive a more inclusive culture. Our ERGs offer an additional community for our employees to engage in, whether through our **Women’s Empowerment Network (WEN), Activities Committee, Volunteerism**, or attending one of the many company-sponsored events and seminars. Our **WEN** has driven Dril-Quip’s tradition of participating in **International Women’s Day**, where we recognize and celebrate the achievements of the outstanding women at Dril-Quip.

Dril-Quip’s **Women’s Empowerment Network** hosted renowned international speaker, author, and credentialed inspirational coach Margaret A. Johnson, PE and PCC, for a special presentation on effective leadership: “From SOS to WOW! Your Personal Coaching Adventure”.

Training and Recruitment

To support the advancement of our employees, we offer comprehensive training and development programs encouraging advancement from within our organization.

At Dril-Quip, we realize that investing in our community’s education is critical in developing tomorrow’s talent.

Performance Management and Professional Development

Performance management and leadership succession are a vital part of our people development process that helps identify and develop future leadership talent. Our Board of Directors oversees the leadership succession process using human capital analytics on workforce demographics, diversity, inclusion, hiring, and attrition rates. We track these metrics and measure progress at cascading levels of the organization.

3D@DQ

In 2021, Dril-Quip launched the implementation of our new performance management approach, called 3D@DQ, which focuses on the three core elements of performance management:

DEFINE
GOALS

DISCUSS
FEEDBACK

DEVELOP
CAPABILITIES

Supporting Communities

The support we provide to the local communities where we operate directly reflects our company values. Despite the challenges that we faced due to the COVID-19 global pandemic, our employees' passion for helping those in need remains steadfast.

Serving Our Local Communities

In 2022, employees helped build safe and affordable homes for struggling families in our local Houston communities through three projects with [Habitat for Humanity](#). We will continue our work with Habitat for Humanity in 2023 and anticipate an increase in participation due to the growing interest expressed by employees.



Commitment to Quality Education

One of the best ways to encourage our world's future workforce is to ensure that students and teachers have the resources they need. In 2021, Dril-Quip donated Chromebook laptops to [Truitt Middle School](#). Dril-Quip entered into a collaboration agreement with the American Society of Mechanical Engineers (ASME) Foundation as a sponsor of their [INSPIRE STEM Readiness Program](#).

The support from our Dril-Quip engineers was overwhelming. The initiative was at full capacity. ASME continues to work with us in coordinating our 2022 engagement with local schools, assisting with one-on-one coaching with volunteers and meal preparations. The virtual class engagement has received tremendous positive feedback from the schools and our engineers.

It made me more excited than ever to learn about engineering because I was planning to be an engineer when I grow up.

— 6th-grade student, Pasadena ISD/Houston

Corporate Governance

Dril-Quip's Board of Directors is responsible for providing oversight of the corporation's affairs.

Board of Directors Overview

We currently have seven members on the Board of Directors, collectively bringing a diversity of backgrounds, thoughts, and industry knowledge ranging from oil and gas to corporate finance, international business and technology.

The Board of Directors meets four times a year at a minimum and on an ad-hoc basis as required. Six of Dril-Quip's seven directors are independent under New York Stock Exchange guidelines.

To learn more about our Board's composition and qualifications, additional information is set forth in our [Proxy Statement*](#) and [Corporate Governance Guidelines*](#) along with full bios available under the [Investor section*](#) of our website.

Executive Compensation

Our [Compensation Committee*](#), composed of independent outside directors, meets annually, at minimum, and is responsible for the administration of the executive compensation program.

For more information about the compensation approach, additional details are available in the Compensation Discussion and Analysis section of our [Proxy Statement*](#)

Contracts

Suppliers must comply with our Supplier Code of Conduct which is meant to act as a basic framework for our suppliers to follow. We are committed to maintaining an

open dialogue with our business partners to continuously improve their operations. To that extent, Dril-Quip will rigorously monitor compliance to our basic standards laid out in our Code of Conduct.

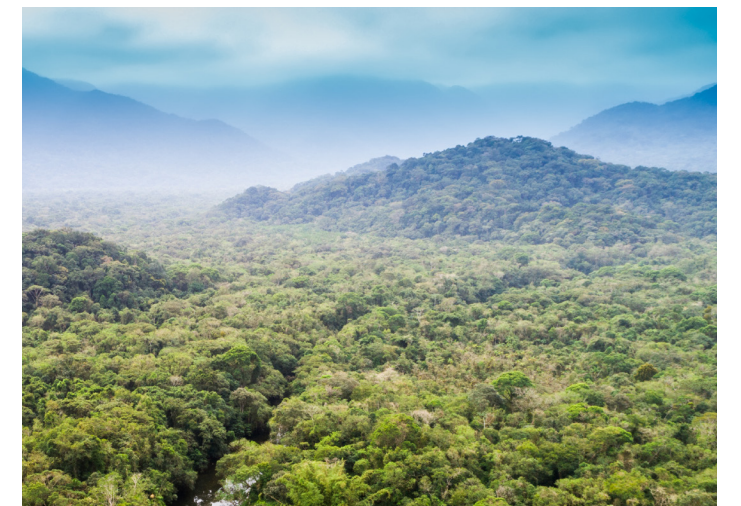
Anti-Bribery Commitment

Dril-Quip does not tolerate bribery or corruption in any form. At Dril-Quip, our reputation for conducting business in a lawful and ethical manner is important to our continued success, and it is our policy to comply with the United States Foreign Corrupt Practices Act (FCPA), the U.K. Bribery Act and all other applicable laws against corruption. [Anti-bribery Commitment*](#)

Ethics and Compliance

Dril-Quip is committed to upholding high ethical standards across business practices.

Read our full [Code of Business Conduct and Ethical Practices*](#). Dril-Quip's Code of Business Conduct and Ethical Practices also apply to our agents, distributors, and joint venture partners.





Supply Chain Policy

Our Supply Chain Policy plays an integral role in Dril-Quip's success. Through our Supplier Code of Conduct, we aim to demonstrate our vision for ensuring long-term value creation across our partner ecosystem. We look to develop strategic partnerships that are mutually beneficial to both parties for the long-term. Dril-Quip's commitment to sustainable and ethical behavior is a core part of the business, and we expect our partners to also act in accordance with our policy.

[Supply Chain Policy.*](#)

Laws and Regulations

Compliance with all applicable laws and regulations includes adherence to all applicable environmental laws and regulations regarding operations or services provided. Dril-Quip does not tolerate the use of child labor or forced labor and works to eliminate workplace discrimination. It is expected that our business and all affiliated partners also commit to conducting operations and business practices in a manner consistent with international law, including the elimination of child labor, forced labor and workplace discrimination.

Conflicts and Corruption

We expect our partners to avoid any conflict of interest or corrupt practices, including, but not limited to, bribery, money laundering, and the hiding of illegal funds. If any conflict of interest occurs, Dril-Quip will take appropriate action. Furthermore, we encourage our business partners to promote transparency and accountability with the aim to prevent the occurrence of such acts throughout their own businesses.

*Copy is available on the Dril-Quip website at <https://www.dril-quip.com/environmental-social-governance.html>

Appendix 1

Scope 1, 2, and 3 GHG Emissions Overview*

Emissions by Scope

Metric Tonnes CO ₂ e per Year	2015	2020	2021
Scope 1	3,686	3,032	3,724
Scope 2 (Market-Based)	16,923	7,440	8,161
Scope 2 (Location-Based)	19,278	9,149	9,031
Scope 1 and 2 (Market-Based)	20,609	10,472	11,885
Scope 1 and 2 (Location-Based)	22,964	12,181	12,755
Scope 3		190,118	220,552
Scope 1, 2, and 3 (Market-Based)	20,609	200,590	232,437
Scope 1, 2, and 3 (Location-Based)	22,964	202,299	233,307

Emissions by GHG

Metric Tonnes CO ₂ e per Year	2015	2020	2021
Scope 1 and 2 (Market-Based)			
Carbon Dioxide (CO ₂)	20,270	10,041	10,497
Methane (CH ₄)	269	18	189
Nitrous Oxide (N ₂ O)	70	35	35
Hydrofluorocarbons (HFC)	0	378	1,164
Perfluorocarbons (PFC)	0	0	0
Sulphur Hexafluoride (SF ₆)	0	0	0
Nitrogen Trifluoride(NF ₃)	0	0	0
Scope 1 and 2 (Market-Based)	20,609	10,472	11,885

Emissions of Each GHG by Mass

Metric Tonnes Gas per Year	2015	2020	2021
Scope 1 and 2 (Market-Based)			
Carbon Dioxide (CO ₂)	20,270	10,041	10,497
Methane (CH ₄)	10	1	7
Nitrous Dioxide (N ₂ O)	0.3	0.1	0.1
Hydrofluorocarbons (HFC)	0	0.2	0.5
Perfluorocarbons (PFC)	0	0	0
Sulphur Hexafluoride (SF ₆)	0	0	0
Nitrogen Trifluoride(NF ₃)	0	0	0
Scope 1 and 2 (Market-Based)	20,280	10,042	10,504

*No biofuel or land-use emissions were released. As such, no data is presented for these categories.

Appendix 2

A. Framework Indexes: SASB Index

SASB Topic	Accounting Metric	Code
Environmental		
Greenhouse Gas Emissions	Gross global Scope 1 emissions, % methane, % covered under emissions-limiting regulations. Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reductions targets, and analysis of performance against those targets.	EM-MD-110a.1 EM-MD-110a.2
Emissions Reduction Services & Fuels Management	Total fuel consumed, percentage renewable, percentage used in: (1) on-road equipment and vehicles and (2) off-road equipment. Discussion of strategy or plans to address air emissions-related risks, opportunities and impacts. Percentage of engines in service that meet Tier 4 compliance for non-road diesel engine emissions.	EM-SV-110a.1 EM-SV-110a.2 EM-SV-110a.3
Air Quality	Air emissions of the following pollutants: (1) NO _x (excluding N ₂ O), (2) SO _x , (3) volatile organic compounds (VOCs), and (4) particulate matter (PM ₁₀).	EM-MD-120a.1
Energy Management	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage alternative, (4) percentage renewable.	EM-CM-130a.1
Water Management Services	(1) Total volume of fresh water handled in operations; (2) percentage recycled. Discussion of strategy or plans to address water consumption and disposal-related risks, opportunities and impacts.	EM-SV-140a.1 EM-SV-140a.2
Waste Management	Amount of waste generated, percentage hazardous, percentage recycled.	EM-CM-150a.1
Chemicals Management	Volume of hydraulic fracturing fluid used, percentage hazardous. Discussion of strategy or plans to address chemical-related risks, opportunities and impacts.	EM-SV-150a.1 EM-SV-150a.2
Ecological Impact Management	Average disturbed acreage per (1) oil and (2) gas well site. Discussion of strategy or plan to address risks and opportunities related to ecological impacts from core activities.	EM-SV-160a.1 EM-SV-160a.2

Download the SASB Index chart at https://www.dril-quip.com/resources/pdfs/esg/dril-quip_sasb_index.pdf

Disclosure
Environmental
<p>More information about our GHG emissions and our strategy to manage our footprint can be found here: https://www.dril-quip.com/esg/ghg-emissions.html</p> <p>Total Scope 1 and Scope 2 Energy consumed was equal to 130,833 gigajoules (GJ) which includes Stationary Fuel (26%), Mobile Vehicle Fuel (9%), and Acquired Electricity (65%).</p> <p>Renewable electricity represented 5% of the Total Energy Consumed (5% of 130,833 GJ). Mobile Vehicle Fuel represented 9% of the Total Energy Consumed (9% of 130,833 GJ), where 4% was On-Road use and 5% was Off-Road use. (Note: as Dril-Quip does not perform services for drilling and pressure pumping, these references are only related to forklift movement and loading product.) Tier 4 Engines do not apply to Dril-Quip as the company has none in use.</p> <p>Dril-Quip believes clean air is needed for a healthy population, environment, and economy. We annually review our equipment, processes, and operations and track our air emissions from NO_x, SO_x, Volatile Organic Compounds (VOCs), and Particulate Matter (PM₁₀). We believe maintaining compliance with regulations and local legislation helps us on our environmental journey to continuously improve and reduce our impacts to the environment.</p> <p>(1) 2021: 130,833 gigajoules (GJ) or 36,371 megawatt hours (MWh), (2) 2021: 61% grid electricity, (3) 2021: 5% of total energy</p> <p>(1) 33,564 cubic meters (m³), (2) 13,957 cubic meters (m³), These totals are for our main manufacturing facilities (Houston, Aberdeen, Brazil, and Singapore) only. More information regarding our water management and efficiency can be found here: https://www.dril-quip.com/esg/protecting-the-environment.html</p> <p>(1) 6,990 metric tonnes (mt), (2) 8%, (3) 70%</p> <p>Dril-Quip's Environmental Management System (EMS), centered around the ISO 14001 principles, is the foundation for how we operate, and it includes sound environmental practices designed for protecting our planet. Environmental risks are mitigated from our activities by incorporating best practices and procedures designed to enhance our global performance.</p> <p>By design, our policies, procedures, and engineering controls act to reasonably control our impact on the environment caused by our processes, people, contractors, and suppliers at our worksites.</p> <p>Our EMS, coupled with our skillful people, has allowed us to successfully record ZERO industry-recognized spills of 55 gallons or more over the last five years. This achievement includes our engineered products used offshore such as our VXTe™ Vertical Subsea Tree System, which effectively helps our customers mitigate potential fluid loss by eliminating the need to remove the BOP stack after drilling is completed. This technology reduces the potential for environmental release in deepwater applications.</p> <p>We are committed to sustaining the balance in alignment with the United Nations (UN) Convention on Biological Diversity, and we will demonstrate this in our business execution.</p> <p>We regularly perform Environmental Site Assessments of our operational practices as part of our environmental management. We include assessments and perform due diligence of potential and current sites for impacts to land, natural resources, ecosystems, and biodiversity. In addition, our management system is audited annually by external accredited organizations such as DNV in order to maintain ISO 14001-certification status.</p> <p>More information regarding our biodiversity practices and efficiency can be found here: https://www.dril-quip.com/esg/protecting-the-environment.html</p>

SASB Topic	Accounting Metric	Code
Social		
Workforce Health & Safety	"(1) Total recordable incident rate (TRIR); (2) fatality rate; (3) near-miss frequency rate (NMFR); (4) total vehicle incident rate (TVIR); and (5) average hours of health, safety and emergency response training for: (a) full-time employees, (b) contract employees, and (c) short-service employees. Description of management systems used to integrate a culture of safety throughout the value chain and project life cycle"	EM-SV-320a.1 EM-SV-320a.2
Workforce Diversity & Inclusion	Percentage of gender and racial/ethnic group representation for (1) management and (2) all other employees.	CG-MR-330a.1
Human Rights and Rights of Indigenous People	Discussion of engagement processes and due diligence practices with respect to human rights, indigenous rights, and operation in areas of conflict.	EM-EP-210a.3
Corporate Governance		
Business Ethics and Payments Transparency	Amount of net revenue in countries that have the 20 lowest rankings in Transparency International's Corruption Perception Index. Description of the management system for prevention of corruption and bribery throughout the value chain.	EM-SV-510a.1 EM-SV-510a.2
Management of the Legal & Regulatory Environment	Discussion of corporate positions related to government regulations and/or policy proposals that address environmental and social factors affecting the industry.	EM-SV-530a.1
Critical Incident Risk Management	Description of management systems used to identify and mitigate catastrophic and tail-end risks.	EM-SV-540a.1

Disclosure
Social
<p>1) TRIR: .35, 2) Fatality rate: 0, 3) NMFR: .6, 4) TVIR: 2.96, 5) Average hours of health, safety, and emergency response training: 20,836.</p> <p>Dril-Quip's success is built on the health and well-being of our employees, stakeholders, and global community, which is driven by our Goal ZERO initiative. The Goal ZERO initiative spans across our organization and our suppliers and supply chain. We require that our employees, stakeholders, and supply chain partners meet the highest health and safety standards in our direct operations and supply chain.</p> <p>Each employee is responsible for maintaining a safe and healthy workplace by following safety and health rules and practices and reporting all incidents and unsafe acts, behaviors, and conditions. Our principal manufacturing facilities are compliant with ISO 45001:2018 for occupational health and safety.</p> <p>From 2015 to 2021, we have had a year-over-year reduction in key KPIs with a zero fatality rate and a more than 70% reduction in TRIR and NMFR. More information regarding our management of HSE is available here: https://www.dril-quip.com/esg/health-safety-environment.html</p>
<p>(1) Global gender breakdown for management: 12% Female, 88% Male. Racial/ethnic group breakdown for management (U.S.): White - 71.55%, Asian - 9.48%, Black - 4.31%, Hispanic - 13.79%, Other - 0.86%. (2) Global gender breakdown for non-management: 13% Female, 87% Male. Racial/ethnic group breakdown for non-management (U.S.): White - 32.84%, Asian - 10.52%, Black - 9.41%, Hispanic - 40.04%, Other - 7.20%</p>
<p>Dril-Quip supports universal human rights as described in the United Nations Universal Declaration of Human Rights. We recognize our responsibility to respect human rights and are committed to preserving these rights across the Company's operations. We respect the rights of people in the communities where Dril-Quip operates (including those of indigenous people). Our engagement with suppliers and business partners includes communicating our opposition to any human rights violations.</p> <p>This is reflected in our Code of Business Conduct and Ethical Practices and our Supplier Code of Conduct, and is further supported by our status as an active participant of the UN Global Compact. Core to our corporate social responsibility commitment, we support the local communities across our operations and review any potential impact our operations could have locally.</p>
Corporate Governance
<p>We have zero revenues from the countries with the 20 lowest rankings in the 2021 Transparency International's Corruption Perceptions Index.</p> <p>Dril-Quip maintains a Anti-Corruption Policy and conducts training for all of our employees under that Policy. We also conducts anti-corruption and bribery due diligence on certain third parties under that Policy. Dril-Quip is committed to upholding high ethical standards across business practices. Our Code of Business Conduct and Ethical Practices articulates our corporate values and explains how they should guide ethical decision-making for all of our employees, officers, directors, and subsidiaries.</p> <p>Dril-Quip does not tolerate bribery or corruption in any form. We prohibit all forms of bribery, including the payment of money, offers, gifts, promises to give, or authorizations giving anything of value to any foreign officials (including employees of foreign national oil companies) for the purpose of securing a business advantage. We require compliance from the top down and extend this to our supply chain. More information regarding how Dril-Quip manages our anti-bribery commitments can be found here: https://www.dril-quip.com/esg/anti-bribery.html</p>
<p>Dril-Quip has an in-house legal department, human resources department, and QHSE department that monitor compliance with governmental regulations and address environmental and social factors affecting our industry. We have also enlisted a director to lead the identification, definition, and development of the pathway toward an energy transition.</p> <p>This individual is responsible for developing market strategies, creating new technology road maps, and building critical collaborations and partnerships.</p>
<p>Dril-Quip engages an international accounting firm as our in-house internal audit function, and that same firm conducts regular enterprise risk assessments in conjunction with Dril-Quip management.</p>


SASB Index continued


SASB Topic	Accounting Metric	Code	Disclosure
Activity Metric			
Number of active rig sites	Quantitative	Number	Dril-Quip does not own, lease or operate any rig sites.
Number of active well sites	Quantitative	Number	Dril-Quip does not own, lease or operate any rig sites.
Total amount of drilling performed	Quantitative	Meters (m)	Dril-Quip does not perform drilling operations
Total number of hours worked by all employees	Quantitative	Hours	N/A



B. Framework Indexes: TCFD Framework

Dril-Quip complies with the TCFD. As such, we report our climate-related risks and opportunities.

 TCFD Framework		
Topic	Description	Disclosure
Governance	Disclose the organization's governance around climate-related risks and opportunities.	a) Describe the Board's oversight of climate-related risks and opportunities.
		b) Describe management's role in assessing and managing climate-related risks and opportunities.
Strategy	Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy and financial planning where information is material.	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term.
		b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.
		c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.
Risk Management	Disclose how the organization identifies, assesses, and manages climate-related risks.	a) Describe the organization's processes for identifying and assessing climate-related risks.
		b) Describe the organization's processes for managing climate-related risks.
		c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.

 TCFD Framework	
	Disclosure
	Evaluating climate risks and opportunities is the responsibility of all Board members, with climate updates scheduled at some Board meetings to review and guide strategy and major plans of actions (including setting long-term targets), monitor progress toward goals as well as any changes in the regulatory environment, and review and guide risk management.
	All C-suite positions are responsible for assessing the overall strategy, and reviewing and guiding major action plans, including setting targets and risk management policies, while identifying climate-related opportunities and establishing annual budgets for climate resilience and carbon reduction. Management meets regularly to discuss climate change-related topics. Main near- to mid-term target is a focus on emissions reduction. Climate-based incentive programs will be considered for implementation during the next 2 to 5 years.
	Transition risks considered material to Dril-Quip include Policy and Legal, Technology, Market, and Reputational. These include energy regulation, carbon pricing, loss of business, higher costs, technology transition, lower demand, product oversupply, loss of customers and suppliers, and difficulties accessing funding. Physical Risks considered material to Dril-Quip include acute physical risks such as extreme weather, hurricanes, and flooding. Opportunities considered material to Dril-Quip are resource efficiency, energy sourcing, new product development, and access to new markets. These opportunities include recycling, waste management, energy efficiency, renewable sourcing, distributed energy sourcing, diversification of the business, aligning with customers, suppliers, and markets, and increased resilience of operations from acute physical risk or value chain disruption. From an energy transition standpoint over the long term, we view carbon storage and geothermal as our greatest opportunities. We are committed to investing in low-carbon solutions and more efficient manufacturing to drive a lower footprint. In addition to investing in carbon-conscious R&D, we are also engaged in market-leading collaborations.
	Climate change has already influenced the strategy, operations, and financial planning Dril-Quip's e-Series products.) Planned/ongoing emissions abatement actions will further influence the value chain, capital allocation, and financing.
	We have conducted a comprehensive scenario analysis around the business as usual (>3°C by the year 2100), middle of the road (>2°C), and green transition (1.5°C) scenarios across revenue, earnings, cash, and market value at risk for the business. In 2022, we will continue to evaluate various approaches towards incorporating the climate scenario analysis into our existing risk management and opportunity assessment processes.
	The corporate executive team is responsible for identifying and escalating climate-related risks prioritized based upon revenue, earnings, and benchmarking versus peers. The Board oversees the risk management process.
	Dril-Quip management will focus on regulatory compliance, financial optimization, and budget to achieve decarbonization, resilience, and emissions reduction goals.
	Climate risks are integrated into a multi-disciplinary company-wide management process. Dril-Quip deploys this process as part of the Health, Safety, and Environment ("HSE") Strategy to support the carbon reduction execution plan across operations and improve overall environmental performance.

Topic	Description	Disclosure	Disclosure
Metrics and Targets	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	All public climate-related metrics, goals, and targets, as well as Scope 1, 2, and 3 emissions data, can be found here. 2021 Greenhouse Gas Emissions, carbon dioxide equivalent (CO ₂ e) metric tonnes: Scope 1: 3,724 Scope 2: 8,161 (market -based) Scope 3: 220,552
		b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.	
		c) Describe the targets used by the organization to manage climate-related risks, and opportunities and performance against targets.	

Appendix 3

Boundaries and Recalculations

Proforma Calculations

Calculation methodologies are consistent across the base year (2015) and the subsequent reporting years (to 2021) using the emissions factors relevant for the period recorded. Dril-Quip operates with a recalculation policy; therefore, the base year (2015)* has been re-calculated to provide proforma GHG emissions, excluding the now outsourced 'Forging Business' to provide consistent tracking and meaningful comparison.**

Organizational Boundaries

Equity reporting was chosen to best align the GHG emissions inventory with our business's commercial reality and provide the most relevant information for decision-making needs. Consolidated GHG emissions are allocated based on the equity ownership (economic interest) of all operations. Most of our global manufacturing, servicing, and sales operations are based across four locations - Houston, Brazil, Aberdeen, and Singapore, which are all under 100% equity control.

Operational Boundaries

Consolidated data is reported, consistent with our financial revenue reporting: Western Hemisphere (Americas and Latin America), Eastern Hemisphere (Europe, Middle East, and Africa), and Asia Pacific.

We lease 20 satellite locations for sales offices, service centers, and storage. Emissions were estimated for satellite locations based on average emission factors¹. Per the GHGp standard, the associated emissions from stationary fuel combustion and electricity are included in Scope 3 (upstream leased assets). These leased emissions account for less than 5% of combined Scope 1 and Scope 2 emissions.

*2015 excludes the now outsourced 'Forging Business.' Scope 2 emissions reduction between 2015 and 2020/2021 is primarily due to less overall business activity.

** The 'Forging Business' was outsourced in the year 2019 and as such is no longer part of Dril-Quip Group's direct operations. The 'Forging Business' consumed 465,081 mmBTU of natural gas and acquired 9,331 thousand kWh (MWh) of electricity in 2015. The associated emissions of these activities totaled 29,556 metric tonnes of CO₂e emissions in 2015. The use of forging equipment in Dril-Quip Group's value chain is now included in the Scope 3 calculations (Category 1). The total location-based Scope 1 + 2 GHG emissions for Dril-Quip in the base year 2015, including the forging business, totaled 52,520 metric tonnes compared to 22,964 metric tonnes proforma (excluding the forging business).

¹ Data Omissions and Estimates: Activity data from 6 of the 20 leased satellite locations have been recorded for 2021 and used to estimate emissions for all satellite locations based on average emissions factors according to the building size (fuel/energy use per square foot). The combined emissions from these leased assets are estimated at less than 3% of our Scope 1 and Scope 2 GHG emissions, which is below the materiality boundary (5%). We are working to ensure data capture for all leased assets going forward.

Endnotes

1 Scope 1 – Direct Emissions (Total Control)

Stationary Fuel Consumption Predominantly led by the use of natural gas for heating, with minor contributions from liquid propane heating and the diesel fuel used for onsite electricity generation. Mobile Fuel Consumption Includes the use of gasoline, diesel, and LPG fuel that powers our light goods and heavy-duty vehicles. Process Emissions Includes GHG emissions from the operation of our aerobic wastewater treatment facilities. Fugitive Emissions Includes the release of refrigerants from air-conditioning systems and industrial equipment.

2 Scope 2 – Indirect Emissions (Significant Control)

Acquired Electricity The emissions associated with the generation and provision of electricity acquired and used in our industrial manufacturing facilities.

3 The universal unit of measurement to indicate the global warming potential (GWP) of each of the six greenhouse gases, expressed in terms of the GWP of one unit of carbon dioxide. It is used to evaluate releasing (or avoiding releasing) different greenhouse gases against a common basis.

4 Scope 3 – Indirect Emissions (Limited Control)

• Category 1 Products and Services:

Emissions from acquired goods used to manufacture Dril-Quip products. Goods include steel pipe, forged steel products, steel valves, elastomers, thermoplastics, and mixed intermediate materials.

• Category 2 Capital Goods:

Embedded emissions from acquired capital goods, including equipment and vehicles.

• Category 3 Fuel and Energy-Related Activities:

Emissions released from the extraction, processing, and distribution of the natural gas, gasoline, diesel, propane, and electricity used in Scopes 1 and 2.

• Category 4 Upstream Transport and Distribution:

Emissions released from outsourced goods transportation services, including air, ocean, and road transport, paid for by Dril-Quip.

• Category 5 Waste Generated in Operations:

Emissions from outsourced waste treatment. Treatment processes include combustion, recycling, landfill, and aerobic and anaerobic water discharge.

• Category 6 Business Travel:

Emissions from employee business travel, including air, rail, leased cars, and taxis.

• Category 7 Employee Commuting:

Emissions from employee personal vehicles and public transport use while commuting to and from work.

• Category 8 Upstream Leased Assets:

Emissions related to stationary combustion and electricity purchases for leased locations, including satellite sales offices, storage warehouses, and service centers.

• Category 9 Downstream Transportation and Distribution:

Emissions from outsourced goods transportation services, including air, ocean, and road transport, paid for by the customer.

• Category 11 Use of Sold Products:

Includes emissions associated with the installation of Dril-Quip products by customers and the emissions from the combusted fuel used to keep offshore rig operations running during product installation.

• Category 12 End-of-Life Treatment of Sold Products:

Emissions from the disposal and recycling of Dril-Quip products.

• Category 13 Downstream Leased Assets:

Includes emissions associated with the installation and removal of Dril-Quip equipment rented by customers. The emissions from the combusted fuel used to keep offshore rig operations running during product installation and removal.

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