

**PETROSMITH**

**BUSINESS  
RESPONSIBILITY  
REPORT**

**2023**



**INNOVATIVE & RELIABLE ENERGY SOLUTIONS**

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# BUSINESS RESPONSIBILITY AT PETROSMITH



## ABOUT THIS REPORT

Our 2023 Business Responsibility Report provides a comprehensive overview of Petrosmith's sustainability efforts and encompasses all divisions and business units within the company. The contents of this report reflect the latest data and metrics covering the fiscal year 2023 (January 1-December 31, 2023). Unless otherwise noted, the narrative disclosures presented in this report are current as of December 31, 2023.

The 2023 Business Responsibility Report was prepared in accordance with the Global Reporting Initiative (GRI), as detailed in the appendix. GRI publishes reporting standards to help businesses identify and communicate sustainability issues that are the most important and most relevant to their industry. We believe the disclosure of statistics and metrics provides an adequate review of the sustainability performance of our business for the 2023 calendar year and covers the topics most pertinent to our business and industry. All metrics were measured and calculated to the best of our ability and have not been audited by an independent third party.

## CEO LETTER

After wrapping up a successful 2022, it became apparent that in order to maintain the momentum of our achievements into 2023, Petrosmith would need to shift its focus and devise strategies to navigate the volatility that had been re-introduced into the market due to operator consolidation, domestic environmental policy, and international geopolitical events.

Focusing on workforce engagement and employee development to enhance our company would be a critical key to navigating an ever-changing upstream oil and gas landscape, where providing stability, scale, and sustainable, customer-focused, quality-oriented solutions can be the difference between failure and success. As such, Petrosmith worked on several initiatives related to employee development, health and safety, and engagement. These initiatives include a revamp of our welding training program to help further develop our own qualified workforce, growing our project management department from within our own organization to better assist our sales team and our customer's needs, as well as restructuring portions of our organization to bring greater accountability within our equipment manufacturing operations. This was accomplished with internal promotions of employees who had demonstrated potential to grow professionally and further benefit our organization. Additionally, as part of our continued focus on employee engagement, we were able to formalize a commitment to long-term growth in our local community with a multi-year investment program focused on job creation and skills development.

Fostering a culture of ownership and accountability is another essential factor for continuing Petrosmith's sustainable operational and financial success. Restructuring our processes allows for greater and more broadly distributed accountability across our entire workforce, which in turn creates an environment for all team members to learn, grow, and share in our collective achievements. Accountability cultivates a sense of pride and ownership throughout our entire organization and helps drive continuous improvement, even when this means recognizing shortcomings both internally within our operations as well as externally in fulfilling customer needs. Working as a group to address those opportunities and making the commitment and necessary changes are crucial to further serving our valued customer base.

2023 saw the planning and eventual implementation of the Petrosmith Business Responsibility Council. Forming this council as part of our governance structure ensures that all voices of the various stakeholders, both internal and external, are represented in a way that allows Petrosmith to guide our operations and ensure we balance the needs of our employees, customers, and community while maintaining our commitment to safety, integrity, and transparency. We value and thank all our employees, our customers, and stakeholders who continue to contribute to Petrosmith's growth, improvement, and success as an organization. It is the critical input from these stakeholders, as well as our employees' continued efforts, that allows Petrosmith to move forward in our sustainability journey while continuing to provide customer-focused solutions in a safe, efficient, and profitable manner.

We are pleased to present Petrosmith's 2023 Business Responsibility Report, and we hope that you will find value in gaining a better understanding of what drives Petrosmith to better serve our customers, advance the careers of our employees, and help to advance the communities we live and operate in.



**Michael Duffy**  
Chief Executive Officer

# OUR SUSTAINABILITY STRATEGY

## BUSINESS RESPONSIBILITY COUNCIL

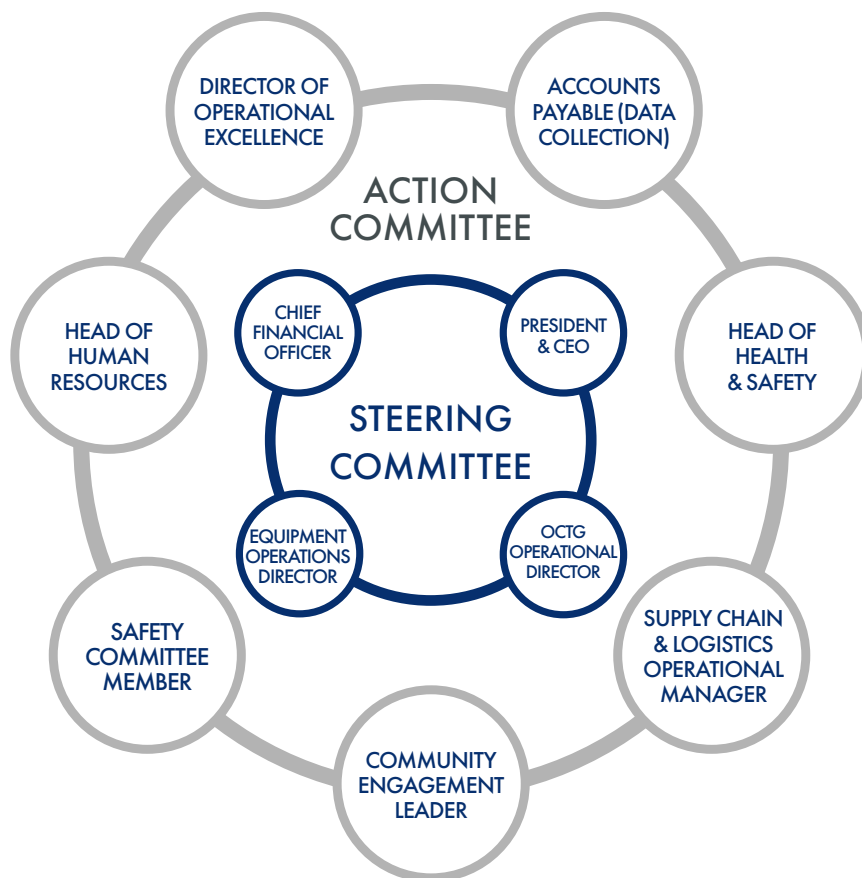
In 2023, as part of our commitment to bring transparency to our efforts, initiatives, and accomplishments, Petrosmith established the Business Responsibility Council ("Council"). The Council is a collaborative group of senior leadership and subject matter experts that was formed as part of our governance structure. The purpose of the Council is to support Petrosmith's ongoing commitment to responsible business practices, including health and safety, corporate social responsibility, corporate governance, and environmental stewardship. Through quarterly meetings, the Council provides a forum for discussing best practices and key sustainability issues. The Council aims to integrate stakeholder perspectives into a pragmatic and actionable sustainability strategy, guide data collection and analysis, and educate internal and external stakeholders on company-wide sustainability initiatives.

### STEERING COMMITTEE

The Business Responsibility Council Steering Committee plays a pivotal role in aligning the company's business responsibility strategy with its overall business goals and stakeholder expectations. It oversees the development, integration, and implementation of policies within the company's governance framework and ensures a coordinated and unified approach across different departments and business units. Additionally, the Steering Committee is responsible for monitoring progress toward sustainability objectives, as well as managing reporting and disclosures to stakeholders such as investors, customers, and regulatory bodies.

### ACTION COMMITTEE

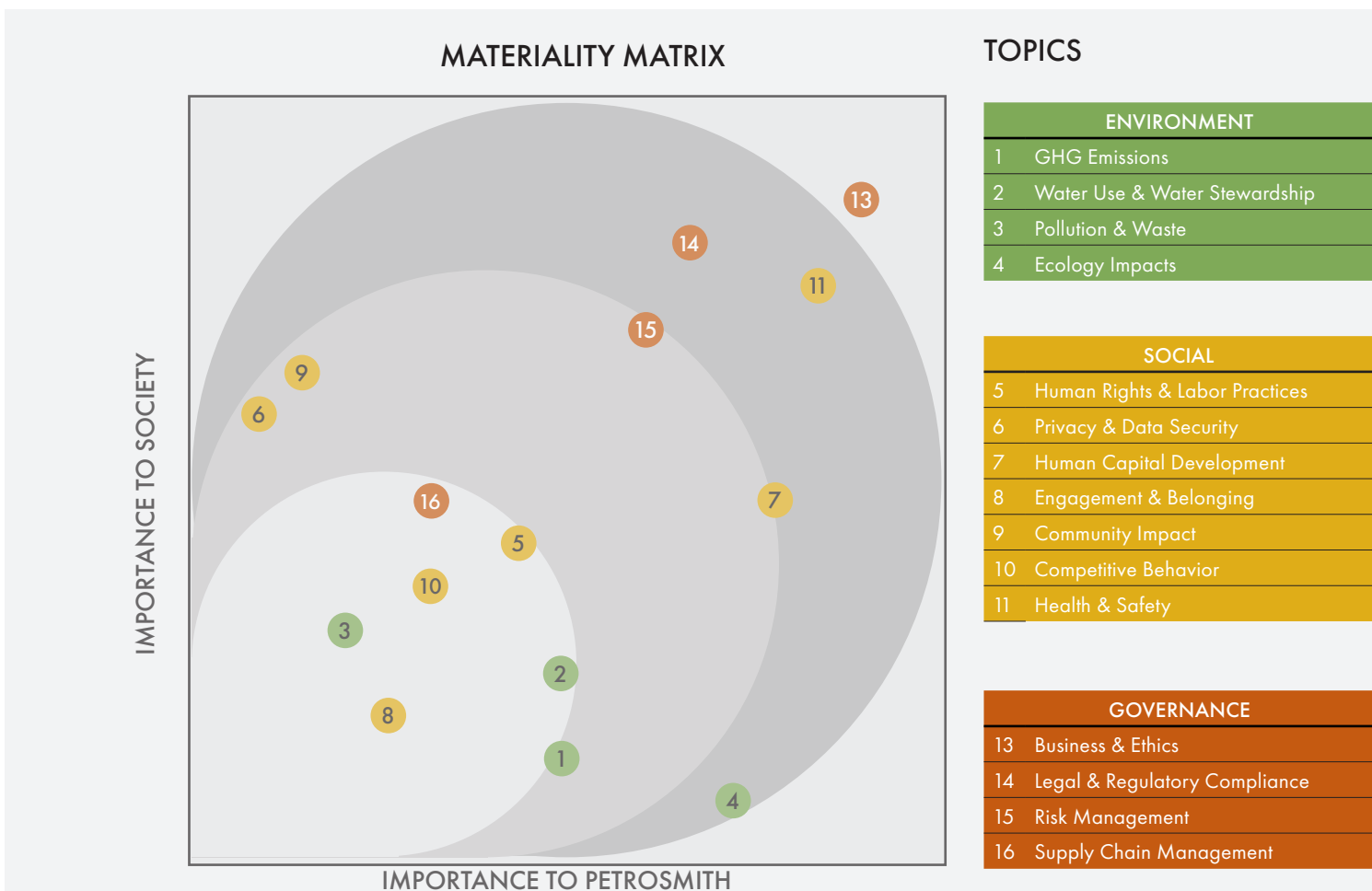
The Business Responsibility Council Action Committee guides Petrosmith's business responsibility initiatives by aligning them with overall company goals, developing relevant policies, and ensuring cohesive efforts across departments. It also oversees the progress towards sustainability objectives, including external reporting and compliance, evaluates risks and opportunities, and provides advice and recommendations to the BRC Steering Committee.



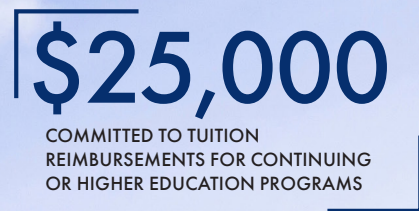
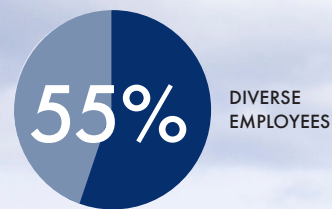
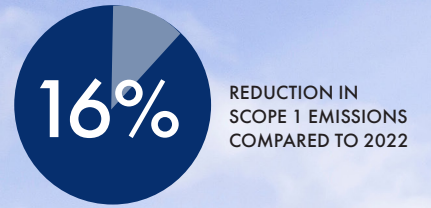
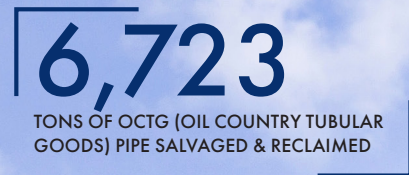
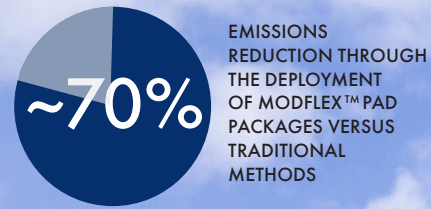
## MATERIALITY ASSESSMENT

At Petrosmith, we hold ourselves accountable for creating a safe workplace and believe that we have a responsibility to the communities and environments in which we operate. As part of our sustainability strategy, Petrosmith worked with a third-party advisor to conduct a materiality assessment. Petrosmith's Business Responsibility Council identified a list of 15 topics that were most relevant to the business. This process was informed by industry research (SASB, MSCI and S&P). A survey was distributed to stakeholders for input to better assess the internal and external perspectives of these sustainability topics on the business and the expectations of the surveyed stakeholders.

Our sustainability strategy is guided by the results of the materiality assessment, along with management considerations, and reflects a diverse range of perspectives from various stakeholders across multiple disciplines, including our employees, customers, communities, board of directors, and investors. The materiality assessment results are visually represented on the materiality matrix and depict the importance of sustainability issues across business and society. The X-axis references the importance ascribed to each issue by the business, and the Y-axis ascribes the importance of each issue to our external stakeholders.



# 2023 BUSINESS RESPONSIBILITY HIGHLIGHTS



**BUSINESS RESPONSIBILITY COUNCIL**  
ESTABLISHED IN 2023

# OUR BUSINESS

Headquartered in Abilene, Texas, Petrosmith has proudly served our valued customers in the oil and gas industry across central and west Texas since 1983. As a premier provider and manufacturer of surface production equipment and tubular goods and services, our company plays a crucial role in supporting the operations of the oil and gas sector. For over 40 years, Petrosmith has transformed the industry through its utilization of state-of-the-art fabrication and manufacturing techniques and equipment, as well as technologically advanced and uniquely designed high-quality and reliable products and services.

Our ongoing commitment to innovative solutions helps us better serve our customers, who produce the energy that powers our economy and our lives. Petrosmith's solution groups include production vessels and tanks, Modflex™ Modular equipment, pipe reclamation, coating, premium threading services, and plug and abandonment services.

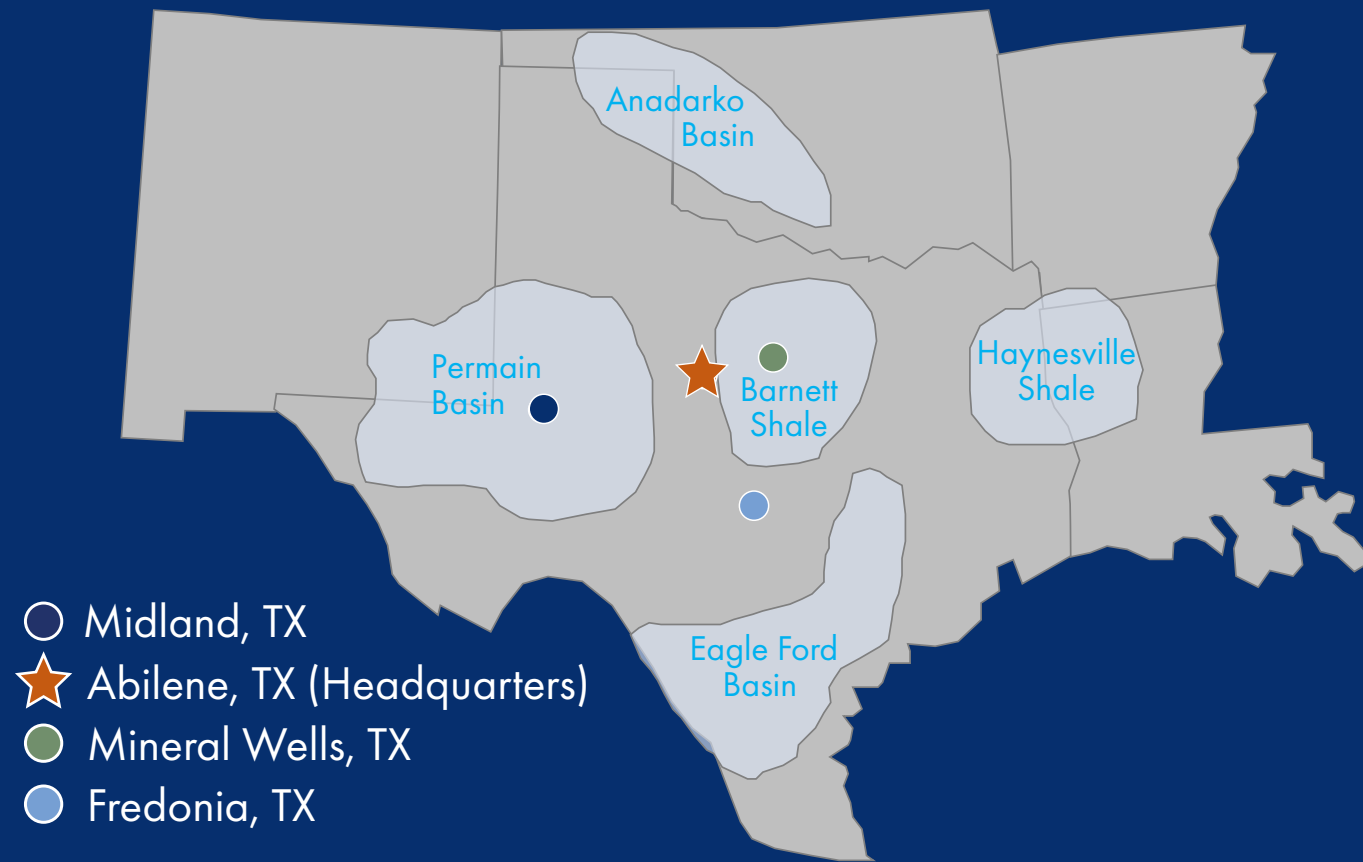
Customer satisfaction is a top priority for Petrosmith, and we are dedicated to providing a customer-centric experience designed to ensure accuracy, efficiency, and reliability when providing products and services.

# OUR VALUES

At Petrosmith, our values are a true embodiment of our company culture and represent the principles that drive our decisions and actions. These values, deeply ingrained in our daily operations, ensure that every team member is aligned towards achieving excellence, fostering innovation, and maintaining the highest standards of integrity and respect in all our endeavors

-  HONESTY, INTEGRITY, TRUSTWORTHINESS, ACCOUNTABILITY
-  HARD WORK AND DEDICATION
-  RESPONSIBILITY TO THE COMMUNITIES IN WHICH WE OPERATE
-  QUALITY, INNOVATION, AND SERVICE

# COMPANY FOOTPRINT



**434**  
EMPLOYEES

**334**  
CUSTOMERS USING  
PETROSMITH'S  
PRODUCTS AND  
SOLUTIONS

**299**  
LOCAL AND GLOBAL  
SUPPLIERS

**75%**  
RETENTION RATE AMONG  
LARGEST CUSTOMERS<sup>1</sup>

# PRODUCTS & SOLUTIONS



**TANKS**



**CASING & TUBING**



**VESSELS**



**PIPE RECLAMATION**



**PLUG & ABANDONMENT**



**INTERNAL PIPE COATING**



**PIPING SYSTEMS**



**STEEL WALL CONTAINMENT**



**MODFLEX MODULAR EQUIPMENT PACKAGES**



**PREMIUM THREADING SERVICES**



**SWD SOLUTIONS**

Petrosmith is committed to maintaining its long-standing reputation for producing equipment that prioritizes safety and reliability and adheres to industry best practices and standards. Advanced engineering, extensive expertise, and a comprehensive quality assurance process are integrated into the design, fabrication, and refurbishing of all our oil and gas production equipment.

Our Quality Management System incorporates multiple checkpoints throughout the manufacturing process and ensures that all components are in accordance with engineering regulations and meet safety protocols. Our internal quality standards are supported by our certification and compliance with the American Society of Mechanical Engineers (ASME) and American Petroleum Institute (API), which provide external regulations covering the design, manufacture, installation, inspection, and care of boilers and pressure vessels. Certification and compliance with ASME and API ensure that our products and equipment align with industry-wide expectations and that our equipment meets rigorous engineering and safety criteria throughout the entire life cycle.

As part of our commitment to quality and safety, we employ qualified technicians and inspectors in every operational area of our facilities, including certified NACE inspectors, for both our tank and vessel coating operations and our internal pipe coating operations. NACE is the global leader in developing corrosion prevention and control standards, certification, and education, and we are proud to have trained certified personnel as a part of our organization.

# ENVIRONMENTAL STEWARDSHIP

At Petrosmith, we are conscientious of the impact that our work has on the environment and are dedicated to integrating environmental stewardship across our own operations and those of our customers. Innovation plays a key role in sustainability, and through acquisition and internal initiatives, we are innovating new technologies and processes that can help us reduce our environmental impact. We are committed to continuous improvement and regularly evaluate and adjust our strategies, processes, and practices to enhance our sustainability performance over time.

## 2023 KEY STATS

**~70%**

AVOIDANCE OF GHG EMISSIONS FROM MODFLEX™ PAD PACKAGES VERSUS TRADITIONAL METHODS

**216**

OIL & GAS WELLS PLUGGED MITIGATING ENVIRONMENTAL RISKS FOR CUSTOMERS

**6,723**

TONS OF OCTG PIPE SALVAGED AND RECLAIMED

**16%**

REDUCTION IN SCOPE 1 EMISSIONS IN 2023 COMPARED TO 2022



# ENVIRONMENTAL POLICY

Petrosmith is committed to operating all facilities in accordance with our environmental policy and all applicable compliance and legal requirements. We seek to incorporate sustainability into the core of our operations and minimize our impact on the environment by mitigating environmental risks, enhancing resource efficiency, and developing sustainable products and services.



# MINIMIZING ENVIRONMENTAL IMPACTS

The oil and gas industry is at a critical juncture where balancing the immediate global energy demands with the need to reduce carbon emissions is essential. Limiting the effects of climate change, minimizing emissions, and mitigating our ecological impact remain top priorities for our company. Petrosmith's approach to minimizing emissions and enhancing the sustainability of oil and gas operations in the United States is dependent on our innovative culture and the ability to create sustainable products and services. Our products and services optimize processes and offer customizable and flexible solutions that can be adapted across various operational needs to minimize environmental impacts by reducing waste and emissions.

**~70%** Emissions Reduction through Deployment of ModFlex™ Pad Packages Compared to Traditional Methods<sup>2</sup>

**15-25%** Cost Reduction Compared to Traditional Methods



## REDUCING OUR EMISSIONS FOOTPRINT

Petrosmith seeks to employ energy-efficient technologies and reduce energy usage throughout all of our facilities. We are committed to improving energy efficiency and reducing the carbon emissions of our operations, the products we manufacture, and the services we deliver. We hold ourselves accountable for reducing our own emissions footprint and acknowledge the importance of measuring and disclosing our emissions to stakeholders.

2023 was our second year to measure and disclose our Scope 1 and 2 GHG emission footprint and complete a baseline emission assessment. With the help of a third party, we aggregated our operational data, fuel usage, and utility data and converted those operating statistics into tons of carbon dioxide equivalent (mtCO<sub>2</sub>e). We will continue to measure our emissions and energy consumption each year to identify opportunities for operational improvements and adopt industry best practices to ensure we are doing our part to minimize our emissions footprint.

Petrosmith is proud to announce an absolute reduction in both Scope 1 and Scope 2 emissions in 2023 by 16% and 8%, respectively. Our success in GHG emissions reduction can be attributed to improved vehicle and fleet management, resulting in more efficient transportation practices and reduced fuel consumption, and reduced natural gas and electricity consumption through facility awareness, utility monitoring, and select equipment upgrades.

### SCOPE 1 EMISSIONS:

Scope 1 emissions originate from sources that are owned and controlled by our Company. Across our operations, Scope 1 emissions are primarily generated from the mobile combustion of our fleet of light-duty and heavy-duty vehicles, which consume gasoline and diesel fuels. In 2023, we estimate that our scope 1 emissions were 4,216 mtCO<sub>2</sub>e.

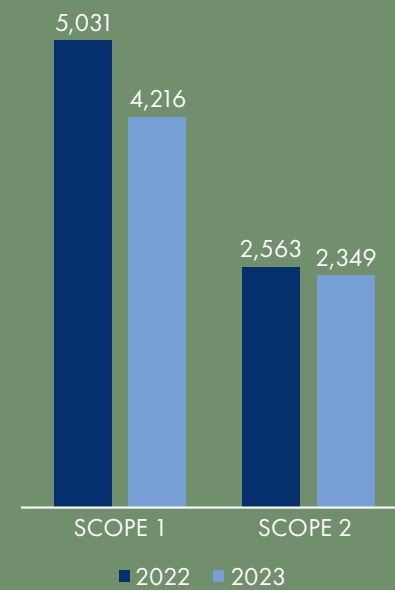
### SCOPE 2 EMISSIONS:

Scope 2 emissions originate primarily from the indirect generation of purchased electricity. Across our operations, the usage of grid electricity to power our facilities is accounted for under Scope 2.

Under the location-based method, which reflects the average emissions intensity of local grids on which our energy consumption occurs, our 2022 electricity consumption produced an estimated 2,349 mtCO<sub>2</sub>e.

### PETROSMITH GHG EMISSIONS

(in mtCO<sub>2</sub>e)



2023 SAW A **16% REDUCTION** IN SCOPE 1 EMISSIONS AND A **8% REDUCTION** IN SCOPE 2 EMISSIONS COMPARED TO 2022<sup>3</sup>



## MULTI-WELL PAD DRILLING

The advancement in technology and processes over the past two decades has revolutionized the oil and gas industry, particularly in the extraction of hydrocarbons from unconventional shale reservoirs. The innovation of multi-well pad drilling has drastically minimized the environmental footprint by reducing the amount of land needed for drilling operations and the installation of necessary infrastructure, such as pipelines and utilities.

The consolidation of drilling operations into fewer sites leads to substantial cost savings due to the reduction in field crew requirements and fleet mobilizations. It also enhances safety and mitigates the risk of accidents and injuries by reducing the movement of heavy equipment and personnel required to set up new drill sites.

Multi-pad wells also enable faster production yields with enhanced planning and facility infrastructure, as well as improved well production schedules and maintenance as operators shift wells online or offline without affecting the economics or cycle times.

The shift towards multi-well pad drilling has necessitated the development of innovative production equipment solutions tailored to the unique requirements of these operations. Petrosmith's ModFlex™ is designed specifically for multi-pad wells, offering modular and flexible equipment solutions that cater to the operational efficiency and safety needs of these complex drilling environments. ModFlex™ represents a leap forward in adapting to the changing landscape of the oilfield, providing operators with the tools necessary to maximize the benefits of multi-well pad drilling while enhancing safety, minimizing environmental impact, and maintaining cost-effectiveness.

## PLUGGING AND ABANDONMENT SERVICES

Proper plugging and abandonment of wells are essential for reducing emissions and other environmental risks associated with old and unused wells. The U.S. Environmental Protection Agency (EPA) estimates that over 2 million inactive, unplugged wells produce between 7 and 20 million metric tons of carbon dioxide emissions equivalent per year.<sup>4</sup>

Petrosmith's plugging and abandonment ("P&A") service division provides specialized rigs to pull casing and tubing from oil and gas wells when they reach the end of their operating life. Our P&A services deploy permanent plugs and seal unused wells from leaking harmful emissions and other hydrocarbons into the atmosphere while also protecting freshwater aquifers from potential contamination. By providing these services, Petrosmith plays a vital role in ensuring that the end-of-life stage of wells is managed responsibly, further reducing the environmental footprint of the oil and gas industry.

IN 2023, PETROSMITH PLUGGED **216** WELLS ACROSS TEXAS,  
AN INCREASE OF **15%** FROM 2022.

## MINIMIZING THE FUGITIVE EMISSIONS FROM END OF LIFE WELLS

The US Environmental Protection Agency (EPA) reported that in 2022, methane emissions from abandoned oil and gas (AOG) wells amounted to 303 kilotons, which is roughly equivalent to the carbon dioxide emissions of 8.5 million tons or over 1.1 million homes energy use for one year. It's estimated that there are about 3.7 million AOG wells across the US. Given that the top 10% of these wells, in terms of emission rates, are believed to contribute to 91% of total methane emissions, it is essential to prioritize mitigation efforts that reduce the methane emissions associated with these wells.

The challenge in accurately assessing methane emissions from both sealed and unsealed AOG wells lies in the wide range of estimates available. Estimates of the precise quantity of methane emissions from AOG wells (plugged and unplugged) vary widely. Without direct measurement or monitoring, claims of avoided emissions must be made with caution. Factors impacting emission rates include the age of the well, geographical location, well use (e.g., just gas or oil & gas), seasonal changes, and legacy infrastructure. Additionally, to determine the impact of plugging these oil and gas wells, it is necessary to understand a baseline of emissions released from wells that are plugged.

With the support of a third-party partner, Petrosmith has developed a methodology for qualifying the environmental impact of its plugging and abandonment programs. By analyzing Petrosmith's plugging performance against two hypothetical scenarios, we estimate potential emissions avoidance ranges from 0.419<sup>a</sup> to 3.7<sup>b</sup> mtCO<sub>2</sub>e per plugged well. Based on these two methodologies and Petrosmith's plugging of 216 wells in 2023, the total avoided emissions are estimated per year to be between 90 and 799 mtCO<sub>2</sub>e for the previous year.<sup>5</sup>

IT IS ESSENTIAL TO PRIORITIZE  
MITIGATION EFFORTS THAT  
REDUCE THE METHANE  
EMISSIONS ASSOCIATED  
WITH THESE WELLS.

<sup>a</sup> Hypothetical scenario 1 using factors from Townsend-Small et al (2016) based on reasonable assumptions of avoided tonnes of methane emissions from a plugged Western US well in a year

<sup>b</sup> Hypothetical scenario 2 using factors from Williams et al (2021) based on reasonable assumptions of avoided tonnes of methane emissions from a plugged Western US well in a year



# RESOURCE EFFICIENCY

Petrosmith aims to integrate resource-efficient practices into the core operations of the business to achieve greater sustainability performance across the company. We actively monitor and manage water, waste, and energy use and are continually looking for ways to increase efficiency and reduce our resources.

## WASTE MANAGEMENT PROGRAM

An important aspect of conserving natural resources is actively managing waste. If managed improperly, hazardous materials and waste can pose a threat to employees, customers, and the environment. To minimize the possibility of such threats, Petrosmith implemented a Hazard Materials and Waste Management Program to establish appropriate practices and procedures to reduce our environmental impact and protect the safety of our employees and community.

## PIPE RECLAMATION & RE-MANUFACTURING

Petrosmith has over three decades of experience in the inspection, reclamation, recycling, threading, and distribution of oil and gas tubing and casing. Our full-service pipe center includes a reclamation process that consists of new and used tubing straightening, cleaning, thread inspection, paraffin removal, water jetting, sandblasting, bucking collars, CNC threading, coupling modification, hydrostatic testing, burning out of the internal coating, and more.

The utilization of Petrosmith's P&A service division to source used tubing and casing through plugging and abandonment ensures a steady supply of materials for reclamation while also addressing the issue of abandoned or underutilized assets in the field. We purchase used piping from third-party operators and service companies, which is brought back to our facility, where it runs through our complete reclamation process.

By incorporating a full-service pipe center with an extensive reclamation process, Petrosmith extends the lifecycle of valuable resources while providing a cost-effective solution that reduces waste and maximizes resource efficiency, which results in a more resilient and sustainable oil and gas industry.

Our tubing and casing business is a core element of our sustainability program, and we are pleased to report that we reclaimed over 6,700 tons of casing in 2023. We estimate that 70% of our reclaimed and refurbished casing is reused in the oilfield, with the remaining 30% reused across construction and fencing.



# SUSTAINABLE PRODUCTS & SERVICES

We are committed to minimizing our environmental footprint without compromising the ability to provide quality products and services for our customers. Our new products and solutions are engineered with advanced technology and are more sustainable than the previous generation.



## MODFLEX™ MODULAR SOLUTIONS

Introduced in 2014, Petrosmith's ModFlex™ modular solutions represent a significant innovation in the oil and gas industry. Designed to enhance operational efficiency and optimize production processes, ModFlex™ is an engineered solution that offers our customers a cost-effective and repeatable method to efficiently construct their facility from modularized equipment packages. Our ModFlex™ solutions contrast sharply with the traditional "stick-building" approach and offer a series of innovative, modularized equipment packages designed to streamline the construction of oilfield production facilities.

Our cost-efficient solution significantly reduces crew sizes and installation equipment while reducing the time and expenses associated with the engineering, fabrication, and construction of oilfield production facilities. Petrosmith's modular solutions provide a much quicker field construction that enables wells to come online faster than traditional methods, resulting in an easy expansion of production pad sites as more wells become operational. Additionally, our modular components can be relocated and reused in new facilities as production decreases in the initial sites, further reducing capital expenditures and streamlining fabrication and construction timelines.

ModFlex™ solutions vastly lower labor demands and material usage, resulting in enhanced production yields, lower costs, safer assembly procedures, and a substantial reduction in emissions compared to conventional stick-built well pads. According to customer feedback and project evaluations, ModFlex™ solutions can offer substantial cost savings—ranging from 15% to 25% on facility equipment, including surface equipment and associated operational construction costs. This cost efficiency is achieved through a LEAN approach to facility design, emphasizing waste reduction and material optimization, along with minimized field operations and optimized logistics. The environmental impact is also notably reduced, with an estimated 70% reduction in emissions compared to traditional methods.



IN 2023, AS PART OF OUR COMMITMENT TO DEVELOPING SUSTAINABLE PRODUCTS AND SERVICES, PETROSMITH LAUNCHED **SWD MODFLEX™ SOLUTIONS** TO HELP OPERATORS DESIGN LOW-COST DISPOSAL FACILITIES THAT ARE QUICK TO INSTALL.

## TESSEL™ TECHNOLOGY

The tightening of regulations on emissions from well sites, particularly those associated with oil and gas production, reflects the growing emphasis on environmental protection and the reduction of greenhouse gas emissions. Oil storage tanks at production sites have historically been a notable source of greenhouse gas (GHG) emissions through thief hatches, also known as gauge hatches, which provide physical tank access and support pressuring control.

While the EPA's NSPS OOOO regulations have required increased monitoring and reporting of well-site tank battery emissions, thief hatch emissions continue to persist across the industry despite the installation of thief hatch gaskets to minimize emissions and the use of high-performance flares or combustors.

In 2022, Petrosmith introduced the Tessel™ technology to address this problem and enable enhanced emission reduction for operators utilizing a vapor recovery system. This innovative tank technology combines a storage tank with a production vessel, eliminating the thief hatch and reducing the risk of emissions venting unintentionally into the atmosphere.

In 2023, as part of our commitment to developing sustainable products, we completed the building of a 25,000-square-foot shop that serves as a facility to innovate and expand our Tessel™ product. Our expansion of the Tessel™ product was completed in 2023 and now includes pressure ratings and sizes to assist our customers' application needs. Our future growth includes expanding the facility as our product gains greater adoption from the industry.



# SOCIAL RESPONSIBILITY

Over the past few years, the role of sustainability in business culture has evolved with regard to what it means and how it can affect a business. Traditional sustainability has historically been defined by a company's strategy and the actions it takes to reduce adverse environmental impact. While this definition still holds, many businesses are redefining sustainability and shifting their focus to reflect a broader, more integrated approach that extends beyond traditional environmental concerns to encompass social and organizational well-being.

Developing a strong organizational culture and investing in your largest asset, your employees, is critical to ensuring the sustainability and growth of a business, for without talent, it can be difficult to provide value. Investment in people and culture can bring about long-term change as the organization grows and matures, and the employees recognize how their own individual actions are not only a representation of themselves but of the entire organization and the role and impact that organization has in their personal life, their family, and the larger community.

## 2023 KEY STATS

100%

IN-HOUSE PROMOTIONS

55%

DIVERSE EMPLOYEES

13,500+

HOURS OF COMMUNITY SERVICE ALLOTTED TO EMPLOYEES

\$25M

INVESTMENT PARTNERSHIP PROGRAM IN CONJUNCTION WITH THE DEVELOPMENT CORPORATION OF ABILENE

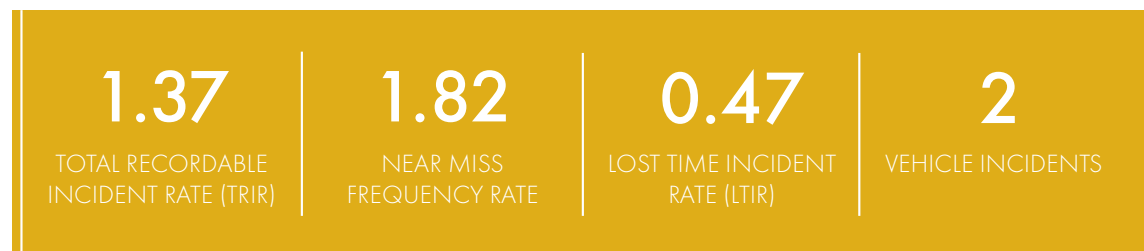


# HEALTH & SAFETY

Ensuring the safety and well-being of our employees and visitors stands as a foundational principle in our business operations, and Petrosmith is dedicated to safeguarding the health and safety of our workforce while concurrently preserving the environment in which we live and work. Our employees are accountable and work together to establish safe work practices and provide an incident-free environment for everyone.

Our business practices adhere rigorously to the highest applicable legal and ethical standards, and we persistently strive for enhancement in every facet of our operations. We regularly review and engage a third party to audit our health and safety performance across all divisions of our business. Recommendations are shared among all operational teams and Health, Safety and Environment (HSE) professionals and implemented in our best practices. The integration of Environmental, Health and Safety (EH&S) considerations into pivotal business decisions, spanning the design, production, distribution, and transportation of our products and services, reflects our ongoing commitment to fostering a secure and responsible work environment.

Petrosmith is proud to report the efforts of our EH&S team, safety committee, as well as all our employees have allowed us to achieve 16 consecutive quarters of first-quartile performance with regard to TRIR and LTIR metrics. In 2023, our Total Recordable Incident Rate was 1.37, with a Near Miss Frequency Rate of 1.82. There were no fatalities among employees or contractors in 2022 and 2023<sup>6</sup>. In 2023, our employees worked a total of 877,756 hours.



## SAFETY TRAINING

The Petrosmith EH&S Department comprises trained and certified professionals with diverse expertise in environmental compliance, safety, first aid, and medical emergency response. Our managers and supervisors are committed to the safety of our employees and are also responsible for providing appropriate training, secure working equipment, and necessary personal protection equipment (PPE). All new employees receive orientation and training prior to being introduced into the work areas, and ongoing refresher training for all employees is conducted on an annual basis.

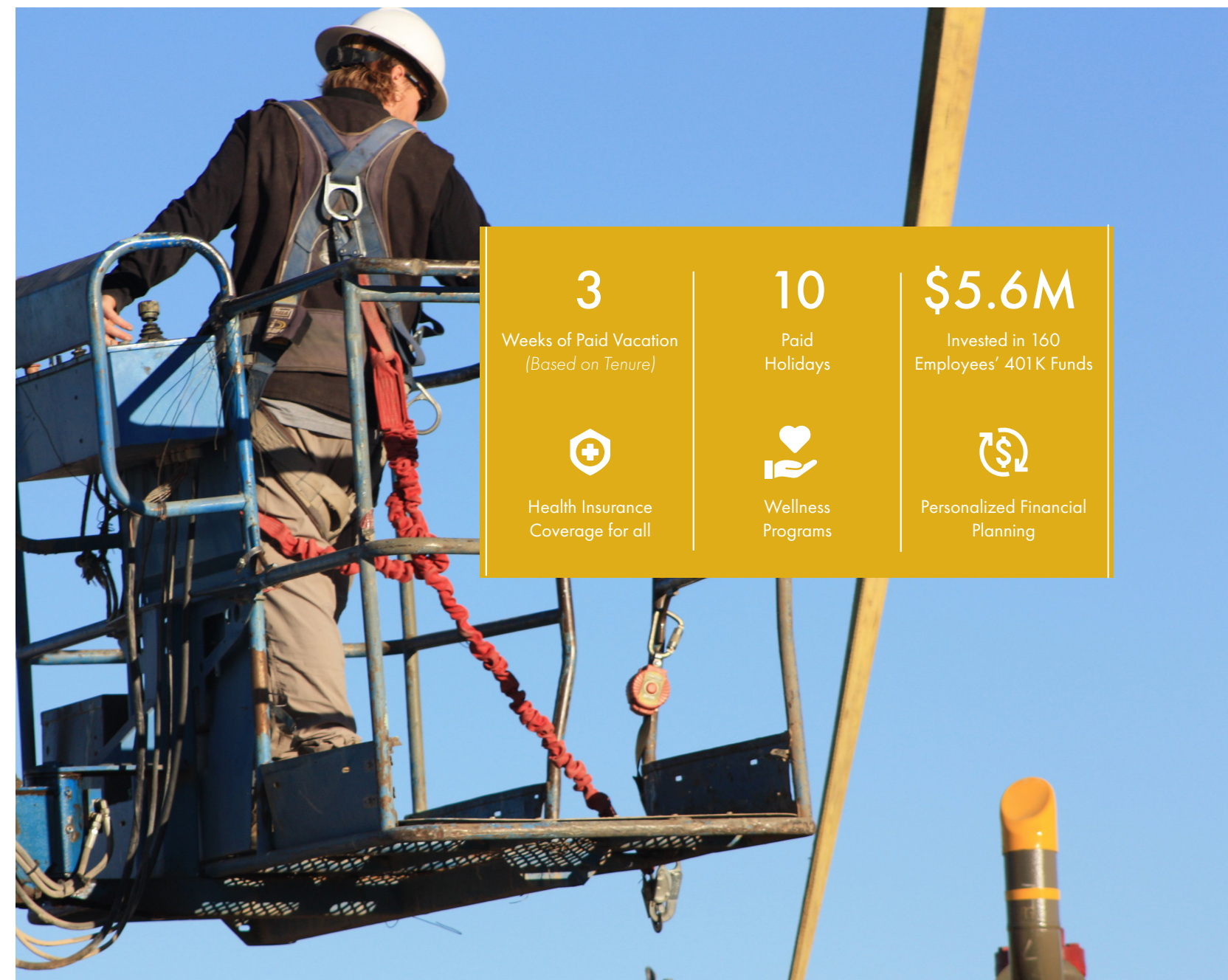
## STOP WORK AUTHORITY

Petrosmith is committed to ensuring the safety of not only Petrosmith employees but also our suppliers, contractors, customers, and visitors. Petrosmith has adopted a Stop Work Authority policy to communicate the responsibility to stop work if any person onsite at a Petrosmith location believes that a situation exists that could result in a risky or dangerous environment or could adversely affect the safety of an operation or cause damage to the facility, job site or property. It is Petrosmith's policy that no work will resume until all stop-work issues and concerns have been adequately evaluated and addressed.

# EMPLOYEE ENGAGEMENT

Our employees are the heart of our business and ensuring our employees and their families have the support they need is essential. At Petrosmith, we are actively seeking ways to adapt our policies to better support our team members.

Petrosmith offers competitive health insurance benefits, including dental and vision, as well as paid holidays and time off. Additionally, Petrosmith pays for a majority of our health care premiums to ensure that our insurance is affordable to all employees, regardless of role or location. We have a 401K match program and, in 2023, invested over \$5.6 million in 160 employees' 401K funds.





## WELDING PROGRAM

A unique opportunity we offer is the chance to participate in a welding program designed to equip new hires with the essential technical skills and training required for entry-level positions as welders within Petrosmith's workforce. All students who complete the program will gain knowledge in fundamental competencies crucial for understanding welding requirements, including weld geometry, math for fabrication, blueprint reading, weld symbols and procedures, and equipment maintenance.

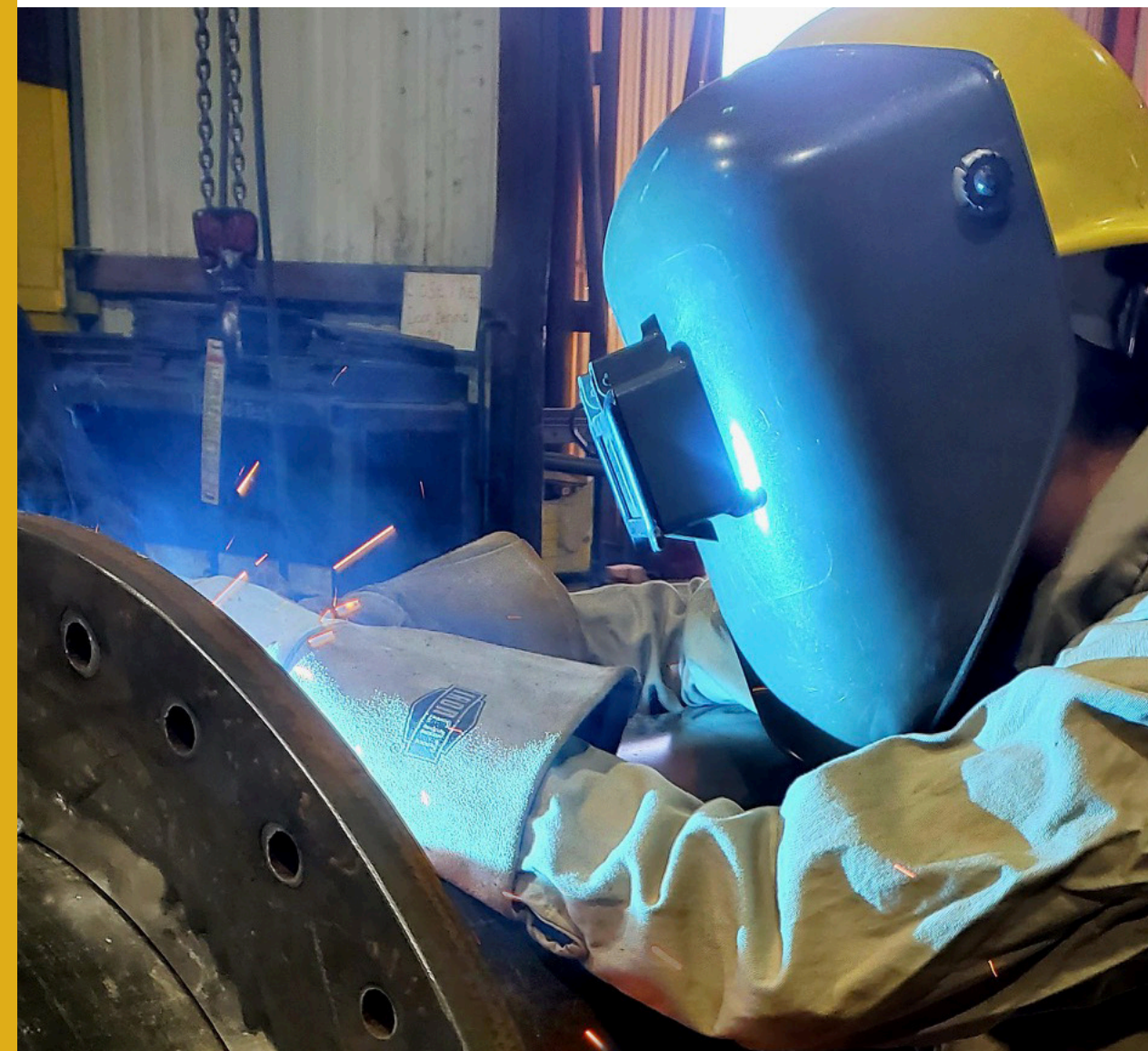
In 2023, Petrosmith enhanced the welding program by bringing in a new instructor and curriculum that will be completed over a 10-week and 400-hour training schedule. Upon completion of this course, students will be given a comprehensive weld exam to earn 1-4G internal certifications (performance qualifications) in both FCAW and GMAW processes. This certification not only offers hands-on welding experience but also opens the door to pursue additional welding and other positions across the company. In 2023, 48 students completed the course and received a certification.

## TRAINING & DEVELOPMENT

At Petrosmith, we deeply value our team members and are committed to fostering an environment that encourages professional growth and career advancement. In the year 2023, we are proud to report that 100% of our promotional opportunities were awarded to our existing staff rather than seeking talent externally.

We are dedicated to offering a comprehensive suite of training programs designed to enhance the skills and expertise of our employees. In addition to statutory and regulatory required training, Petrosmith provides job specific training including Environmental Awareness, Decision Driving and other training programs based on our industry and work environment. We also provide certifications for job specific needs, including First Responder (FA/CPR/AED), Confined Space, NFPA Electrical Safety, Mobile Crain Operator, Respiratory Protection and Powered Industrial Vehicles & Trucks. Our P&A and field services team members receive job-specific orientation and annual training, including Hydrogen Sulfide (H<sub>2</sub>S), Vehicle Safety as well as field related hazards and risks, emphasizing the importance of safety in our operations.

**2700+** HOURS OF HSE TRAINING IN 2023



## TUITION REIMBURSEMENT

At Petrosmith, we offer tuition reimbursement for employees seeking higher education or credits for continuing education. In 2023, over \$25,000 was committed to tuition reimbursements for continuing or higher education programs.

## EMPLOYEE APPRECIATION

In 2023, Petrosmith invested \$50,000 in the launch of our first employee appreciation, "Swag Shop," an online store via Cintas. Each manager is given credits to transfer to each employee as a sign of recognition when they go above and beyond. Employees who receive store credit can use those credits at the Petrosmith Cintas store to "purchase" Petrosmith branded items such as t-shirts, sweatshirts, coolers, polos, tumblers, and hats. Petrosmith's Swag Store is part of our initiative to increase employee engagement and elevate our brand awareness among our employees, community, and beyond.

**\$50,000** INVESTED IN EMPLOYEE APPRECIATION INITIATIVES



## CARING FOR OUR EMPLOYEES

### MOBILE BOOT PROGRAM

We understand that approximately 70% of workers experience discomfort in their feet, knees, or back during their shifts. Worker discomfort is most often associated with the wrong shoe size. The amount of lost time and work productivity due to discomfort is nearly double the amount of lost time for an employee due to injury. To address this issue, Petrosmith has implemented the Mobile Boot Truck Footwear Program that provides each employee with a custom-fitted brand-new pair of work boots each year. Employees have the option to choose from over 15 brands and styles of work boots and insoles that provide the best comfort and safety during the workday.



**\$100,000** INVESTED IN THE MOBILE BOOT TRUCK FOOTWEAR PROGRAM IN 2023

### PRESCRIPTION GLASSES

In addition to our employee uniforms, we provide each employee with a complimentary pair of prescription safety glasses to ensure they can perform to the best of their ability and in the safest manner possible.

### UNIFORM SERVICES

Through a third-party partner, Petrosmith covers the cost of employee uniforms which means that our employees aren't burdened with work-related laundry or uniform purchases. This provides water and electricity savings while maintaining a consistent, professional image for our workforce.

### FINANCIAL WELLNESS AND EDUCATION

Petrosmith promotes financial wellness and has partnered with Fidelity Investments to provide our team members with access to a company matching 401k program, as well as education, products and services to improve their financial well-being and retirement savings.



# INCLUSIVE WORKFORCE

At Petrosmith, we are committed to fostering a diverse workforce and strive to promote an inclusive environment that reflects the many dimensions of diversity in the communities in which we operate. We believe that supporting a diverse and inclusive workplace brings together a range of experiences, perspectives, and backgrounds that can unlock the full potential of our teams and foster innovation, resilience, and competitiveness.



## RESPECTING HUMAN RIGHTS

Petrosmith believes human rights are a core principle embedded in our culture, across our operations, and in the communities we serve. We are dedicated to protecting human rights and abide by all fair labor practices. Our Human Rights Policy details our commitment to protecting the rights and well-being of our employees, clients, and communities. We are opposed to all forms of discrimination, slavery, human trafficking, forced or compulsory labor, and child labor.

## EQUAL OPPORTUNITY EMPLOYER

Petrosmith provides equal employment opportunities to all employees and applicants without regard to race, color, ancestry, national origin, gender, sexual orientation, marital status, religion, age, disability, gender identity, genetic testing results, or service in the military. Equal employment opportunity applies to all terms and conditions of employment, including hiring, placement, promotion, termination, layoff, leave of absence, compensation, and training.

## HARASSMENT POLICY

Petrosmith's harassment policy and complaint procedures prohibit harassment of our employees by management, supervisors, coworkers, or non-employees in the workplace. We will take all steps necessary to prevent and eliminate unlawful harassment and any retaliation against an individual who has reported any or other harassment complaints.

## COMMITMENT TO DIVERSITY

Petrosmith's diversity policy guides the way we do business and the way we work together and with others. Our employees are essential to our business, and we are committed to creating and maintaining a workplace in which all employees have an opportunity to participate and contribute to the success of the business and are valued for their skills, experience, and unique perspectives.

## COMMITMENT TO PAY EQUALITY

Petrosmith believes our employees should be paid equitably for their work and performance, regardless of their gender, race, religion, or other personal characteristics. We understand the importance of consistency across compensation and regularly review our compensation practices, both for our overall workforce and individual employees, to ensure our pay is fair and equitable. In alignment with our dedication to ensuring fair compensation, Petrosmith conducts annual performance evaluations, along with corresponding merit-based salary adjustments for all employees each year.



# INVESTING IN OUR COMMUNITIES

## SECOND CHANCE PROGRAM

Petrosmith understands the importance of making a positive impact and giving back to the communities. In 2023, the Abilene Community Youth Development Program awarded Petrosmith for being one of the top second-chance employers in West Texas and recognized Petrosmith for its partnership with the Big Country Reentry Coalition, a non-profit that serves 19 county areas with events and job fairs to overcome the barriers that returning citizens face, such as employment after incarceration.



Since 2019, Petrosmith has been a second-chance employer and partnered with Abilene's Substance Abuse Treatment Facility to offer participants opportunities to merge back into the community with a paid job. As part of the individual's recovery and rehabilitation, residents must have gainful employment in the last three months of their stay. Petrosmith works with the Substance Abuse Treatment Facility to match residents in fields based on their skill sets to our job openings, including our Welders' Apprenticeship Program. Through this arrangement, we have employed several hundred employees over the last four years.

## PARTNERSHIP WITH DEVELOPMENT CORPORATION OF ABILENE

In 2023, Petrosmith announced its partnership with the Development Corporation of Abilene to expand its operations with a \$25 million capital investment that is expected to maintain 415 existing jobs, as well as create an additional 250 skilled jobs with market-leading competitive wages over the next seven years. The expansion project taps into Abilene's skilled labor force in the advanced manufacturing industry and will facilitate continued investment in workforce development initiatives across the entire organization, further enabling Petrosmith to expand both its existing production and operations, as well as produce new products utilized by upstream oil and gas companies.

"PETROSMITH IS PLEASED TO PARTNER WITH THE DCOA ON THIS INVESTMENT INITIATIVE. THIS VENTURE REITERATES OUR COMMITMENT TO ABILENE, OUR CUSTOMERS, AND OUR EXISTING WORKFORCE TO INVEST, GROW, AND CONTINUE TO BE A MARKET-LEADING SUPPLIER FOR PREMIUM OILFIELD PRODUCTION EQUIPMENT AND SOLUTIONS."

MICHAEL DUFFY, PRESIDENT AND CEO OF PETROSMITH.

## CHARITABLE INVOLVEMENT



At Petrosmith, we actively engage and contribute to our communities while also encouraging our employees to establish meaningful community relationships and to make positive impacts in the schools, neighborhoods, churches, and communities in which we live, work, and participate. Over the past several years, Petrosmith has supported a wide variety of charitable and non-profit organizations in our communities through our time, expertise, and financial support, including over \$7,500 in charitable donations in 2023. We value our commitments to local non-profit organizations such as the Abilene Food Bank, Toys for Tots, and United Way and will continue our contributions with the goal of bringing positive, lasting impact to our communities.

In 2023, Petrosmith launched a new community service program that allows employees to donate community involvement time to eligible charity groups. Petrosmith will pay employees their normal wage for up to 32 hours of community service each year.

## ASSOCIATION MEMBERSHIP

Petrosmith participates in trade associations such as the American Petroleum Institute (API), the American Society of Mechanical Engineers (ASME), the Pressure Vessel Manufacturers Association (PVMA), ISNetwork, Society for Human Resource Management (SHRM), and Permian Basin Petroleum Association (PBPA). These associations provide Petrosmith with the opportunity for continued education, collaboration on issues that affect the industry, networking with industry peers, and the development of best practices and standards.



PERMIAN BASIN  
PETROLEUM ASSOCIATION

# GOVERNANCE

Strong corporate governance practices, policies, and leadership are integral in maintaining and building upon our sustainability progress. With a culture of integrity and focusing on creating an increasingly better-performing and sustainable business, we will achieve long-term value for all of our stakeholders.



## 2023 KEY STATS

<p><b>6</b></p> <p>Independent Directors</p>	<p><b>600</b></p> <p>Total Hours of Cybersecurity Training</p>	<p><b>Business Responsibility Council</b></p> <p>Established in 2023</p>	<p><b>6</b></p> <p>Years Average Board Tenure</p>
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# BOARD OF DIRECTORS

The Petrosmith Board of Directors are the highest governing body of our organization. It oversees our policy frameworks, risk management processes, and sustainability priorities. Our Board consists of our CEO, former management members, and Directors from our investor group.

A part of our governance structure, Petrosmith has several committees that operate as part of our governance structure. Among these include the Audit Committee, Safety Committee, Compensation Committee, and the newly formed Business Responsibility Council.



# BUSINESS ETHICS

Our management evaluates risk in our business and our company to ensure that plans and policies are in place to minimize and manage risks to our employees, our customers, and the communities we serve. We expect all directors, leadership, and team members to exercise the highest degree of professional business ethics in all actions they undertake on behalf of Petrosmith and in accordance with our governing policies. These policies include, but are not limited to:

-  ANTI-CORRUPTION & BRIBERY
-  ETHICAL & LEGAL CONDUCT POLICY
-  CODE OF BUSINESS CONDUCT
-  HAZARDOUS MATERIALS SECURITY PLAN
-  CONFLICTS OF INTEREST
-  HUMAN RIGHTS POLICIES
-  COMPREHENSIVE SAFETY HANDBOOK
-  JOURNEY MANAGEMENT, DOT REGULATION
-  CYBER SECURITY TRAINING
-  STOP WORK AUTHORITY
-  DATA SECURITY POLICY
-  SUBSTANCE ABUSE PREVENTION POLICY

# SUPPLY CHAIN MANAGEMENT

Our commitment to sustainability is embedded in our strategic planning and across all operations, including our supply chain management and its impact on the environment. Petrosmith is dedicated to integrating sustainability practices into its supply chain management and is continuously improving internal processes, performing risk assessments, and working collaboratively with our diverse mix of suppliers to promote a resilient and sustainable supply chain. In 2023, Petrosmith partnered with 299 local and global suppliers and had a purchase history of \$65 million. Purchase volume was significantly lower in 2023 compared to 2022 due to aggressive inventory reduction initiatives in order to improve working capital



# APPENDIX

## Global Reporting Initiative Index

The Global Reporting Initiative (“GRI”) is an international standards organization that helps businesses communicate and disclose their sustainability impact across a common reporting framework.

GRI	Metric / Discussion Item	Disclosure
<b>Organizational Profile</b>		
102-1	Organizational Details	Petrosmith Equipment, LP Abilene, Texas, USA
102-3	Reporting period, frequency and contact point: Specify the reporting period for its financial reporting, if it does not align with the period explain reason and add a point of contact	Annually This Sustainability Report reflects the latest data and metrics covering the fiscal year 2023 (January 1-December 31, 2023).
102-4	Restatements of information: Reason and effect of restatements, restatement of information when it has learned that the previously reported information needs to be revised.	Restatements are noted as footnotes in the Appendix.
102-6	Markets Served	Page 10.
102-7	Scale of the Organization	434 employees as of December 31, 2023; See page 10.
102-8	Information on Employees and Other Workers	415 male / 16 female employees as of December 31, 2023. The majority of Petrosmith's organizational activities are performed by full-time employees rather than contractors.
102-9	Supply Chain	Petrosmith maintained a diverse vendor network of ~299 unique suppliers in 2023, predominantly U.S.-based organizations.
<b>Strategy</b>		
102-14	Statement from Senior Decision Maker	Page 5.
<b>Ethics &amp; Integrity</b>		
102-16	Values, Principles, Standards, and Norms of Behavior	Page 9.
102-17	Mechanisms for Advice and Concerns about Ethics	Pages 9, 38.
<b>Governance</b>		
102-18	Governance Structure	Pages 36-37.
102-20	Executive-level Responsibility for Economic, Environmental and Social Topics	Page 5.
102-26	Role of Highest Governance Body in Setting Purpose, Values, and Strategy	Pages 36-37.
102-28	Identifying and Managing Economic, Environmental, and Social Impacts	Petrosmith is committed to providing products and services for our clients and communities that create a positive environmental and social impact. Our strategy focuses on integrating stakeholder priorities to establish a pragmatic, transparent, and actionable Sustainability strategy.
<b>Reporting Practice</b>		
102-46	Defining Report Content and Topic Boundaries	Reported data throughout this report is in accordance with the guidelines of the Global Reporting Initiative (GRI).
102-47	List of Material Topics	Petrosmith conducted a Materiality Assessment to guide our sustainability strategy and better understand the diverse range of perspectives across multiple stakeholders on several ESG topics. The most material issues to both internal and external stakeholders are Business Ethics, Legal and Regulatory Requirements, Health and Safety, Risk Management, and Human Capital Development.
102-51	Date of Most Recent Report	Sustainability Report published in April 2024.
<b>Emissions</b>		
305-1	Direct (Scope 1) GHG Emissions	4,216 mtCO <sub>2</sub> e
305-2	Indirect (Scope 2) GHG Emissions	2,349 mtCO <sub>2</sub> e (location-based method)
305-4	GHG Emissions Intensity	15.13 mtCO <sub>2</sub> e (Scope 1 & Scope 2) emissions per employee

GRI	Metric / Discussion Item	Disclosure
<b>Occupational Health &amp; Safety</b>		
403-1	Occupational Health and Safety Management System	Pages 26, 27, 28, 29.
403-2	Hazard Identification, Risk Assessment, and Incident Investigation	Pages 26, 33, 38.
403-4	Worker Participation, Consultation, and Communication on Occupational Health & Safety	Pages 26-29, 31-33, 37, 38
403-5	Worker Training on Occupational Health and Safety	In 2023, all employees were regularly trained on the occupational health and safety, with an average of 15 hours of training per employee (~7,000 total hours of cumulative health and safety training).
403-9	Work Related Injuries	Fatalities: 0 Recordable Incidents: 6 Total Hours Worked: 877,756 Total Recordable Incident Rate (TRIR): 1.37 Lost Time Incident Rate (LTIR): 0.47

## FOOTNOTES AND ASSUMPTIONS

Footnote		Disclosure
1	Customer Retention Rate	Customer retention rate is defined as the number of material customers (\$500,000 or more in annual revenue) that repurchased Petrosmith's products or services in a subsequent calendar year period.
2	Emissions Avoidance	Management assumptions are based on the total installation time and operational requirements of a 12-well production facility. The assumptions compare crew sizes, equipment requirements, project duration, welding requirements, light-duty and heavy-duty truck trips, and diesel consumption across stick-built facilities versus the ModFlex™ modular solution.
3	2022 Scope 1 and 2 Emissions	In Petrosmith's 2022 footprint, consumption from both sets of bills was included, resulting in a stationary combustion figure higher than it should have been. This figure has now been revised downward, from 7,268 mtCO <sub>2</sub> e (2022 Abilene stationary combustion including Atmos) to 3,768 mtCO <sub>2</sub> e (2022 actual Abilene stationary combustion, excluding Atmos). Resulting in a revised 2022 total Scope 1 and Scope emissions of 7,594 mtCO <sub>2</sub> e across Petrosmith's operational footprint.
4	Emissions From Inactive, Unplugged Wells	Environmental Defense Fund and the United States Environmental Protection Agency. <a href="https://www.edf.org/orphanwellmap">https://www.edf.org/orphanwellmap</a>
5	Fugitive Emissions	Estimates of methane emissions from abandoned oil and gas wells can vary significantly. Petrosmith, with the support of a third-party partner, estimated the potential range of emissions from single-unit abandoned wells by utilizing the EPA's fugitive emissions leak rates. These rates range between 1.710 and 15.000 grams of methane per hour for unplugged wells and between 0.002 and 2.800 grams of methane per hour for plugged wells. The research of emissions factors by Townsend-Small et al. (2016) and Williams et al. (2021) was then applied to the net methane leak rates, resulting in an average estimated range of emissions per abandoned oil and gas well of 0.419 to 3.720 mtCO <sub>2</sub> e per year. By employing these methodologies and considering Petrosmith's plugging of 216 wells in 2023, the total avoided emissions are estimated to range between 90 and 799 mtCO <sub>2</sub> e.
6	Total Recordable Incident Rate (TRIR) and Lost Time Incident Rate (LTIR) Industry Average	Our safety performance benchmark compares Petrosmith's TRIR and LTIR to our NACIS industry code's first quartile performance.

## Disclaimer

The contents of this Sustainability Report are the property of Petrosmith. The information contained herein is confidential and is being provided to you at your request for informational purposes only and is not and may not be relied on in any manner as, legal, tax or investment advice or as an offer to sell or a solicitation of an offer to buy an interest in the Company.



# PETROSMITH

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FOR MORE INFORMATION

