

Due to the nature and complexity of the Oil and Gas business and to the breadth and variety of its Products and Services portfolio, Drillmec steadily engages in a wide range of activities which give rise to some level of Enterprise risk, defined as the chance that an uncertain event, trend or course of action will affect Company's ability to achieve its strategic objectives.

Strategic objectives

settled by Drillmec BOARD in accordance with its general aims, Business Plan and strategy for growth and valid for the period 2022-2024, are resumed as follows:

- to act always according to Drillmec Fundamental Values of
Legality,
Honesty and Fairness,
Development and Respect for Human Resources,
Responsibility towards the Community
Transparency
- to implement a new Business Model to support a sustainable growth in the next three years
- to improve Customer care and satisfaction through ever-better quality and on-time delivery
- to create value and returns to Stakeholders
- to develop and implement an ESG sustainability program

Risk Policy

Drillmec believes that an organized, systematic and documented Enterprise Risk Management (ERM) could allow a more conscious decision taking and reduce volatility of results, therefore it commits to:

- Embed a consistent approach to ERM into the culture and operations of the Company that supports decision making
- Integrate ERM into strategic planning, operational planning, performance management and resource allocation decisions
- Manage risks (and leverage opportunities) in accordance with best practices to remain within the levels of risk exposure that Management is willing to take (Risk Appetite)
- Assess and regularly update Company's risk profile and the effectiveness of risk management actions
- Anticipate and respond to changing social, environmental and legislative requirements

Risk Model:

In order to better approach and manage all principal risks, they have been aggregated by categories as follows

STRATEGIC	OPERATIONAL	FINANCIAL	LEGAL & COMPLIANCE
Macroeconomic, Demand trends and Competitive environments	Budgeting and Tendering	Financial instruments availability	Intellectual Property rights
Stakeholders expectations and Corporate Social Responsibility	Production Capacity /Efficiency	Capital availability/ cost	Compliance to law and regulations
Key customer & Business partners	Supply Chain Capacity /Efficiency	Liquidity risk /Working capital Risk	Compliance to Code of Ethic, Policies and Procedure
Emerging Country Risk	Outsourcing	Credit risk	Compliance to ESG sustainability
Law and regulation evolution	Business Continuity / Catastrophic events	Exchange rate volatility	
R&D	Contract Execution (liabilities)	Interest rate volatility	
M&A / JV and integration process	Product quality (liabilities)	Raw material price volatility	
Organizational Framework & Governance	HSE	Financial reporting	
	Information Technology		
	Human Resources		

Risk Appetite

Drillmec vision and strategic objectives will necessitate conscious acceptance of those risks that accompany growth, transformation, innovation and are commensurate with the potential reward. Overall, Drillmec has a balanced approach to its risk appetite aligned to its strategic objectives.

The key challenges in achieving this balance are to ensure:

- ethical and effective governance practices
- realization of opportunities and allowing growth, transformation, innovation while avoiding unnecessary negative impacts
- avoidance of a risk adverse culture which opposes to growth instead of support it through the correct assessment and management of risks

Risk Statements

The BOARD approach and appetite for risk is summarized below:

STRATEGIC RISK: In the pursuit of its objectives, Drillmec has a **medium-high risk appetite** and is willing to accept, in some circumstances, strategic risks that may result in some financial loss or exposure. It will not pursue new strategic initiatives unless returns are probable and expected.

FINANCIAL RISK: Drillmec needs to be a competitive, efficient and financially sustainable organization. It is in the process of re-building its long-term financial viability and its overall financial strength. In this phase, it has a generally **low risk appetite** to Credit risks, Liquidity risks, Capital availability/cost risks and a **medium risk appetite** to financial risks arising from volatility of exchange rates, interest rates raw material prices.

OPERATIONAL RISK:

Budgeting and Tendering: willing to enter new markets with new products a certain degree of uncertainty has to be accepted, therefore Drillmec has a **medium risk appetite** for risks arising in these processes

Production and Supply Chain capacity / efficiency: Company's Production and SC are being re-designed after the acquisition by Meil. In this phase, Drillmec accepts a **medium risk appetite**

Contract Execution liabilities and Product Quality liabilities: One of Drillmec strategic objectives is Customer care and satisfaction. Drillmec has **low risk appetite** for these risks

HSE: Zero Risk Appetite. No tolerance

IT: Zero risk Appetite

Human Resources: In this phase of Company renovations, Drillmec understands that it must take some risks related with people (resignation of Key people, people not skilled enough, etc) therefore has a **medium risk appetite**

LEGAL & COMPLIANCE RISK: Drillmec has **zero appetite** for L&C risks arising from compliance to applicable external Laws and Regulations, and will pursue full compliance to obey the spirit and the letter of them.

Considering the particular situation of change and renovation of the company, Drillmec has a **medium appetite** to L&C risks arising from compliance to internal Policies and Procedures

(Risk appetite scale: zero, low, medium, high)

