

TRANSPARENCY ACT ANNUAL REPORT



2022

 ISLAND DRILLING

1. IDC REPORT

1.1 Introduction

Island Drilling Company (IDC) shall annually carry out due diligence in accordance with Transparency Act and publish a report documenting the assessment process and conclusions.

The purpose of the Transparency Act, Section 1:

“The Act shall promote enterprises’ respect for fundamental human rights and decent working conditions in connection with the production of goods and the provision of services and ensure the general public access to information regarding how enterprises address adverse impact on fundamental human rights and decent working conditions.”

This report includes IDCs’ duty to outline the due diligence assessments performed for 2022, and actions implemented to reduce the risk of negative consequences of the companies’ activities and business connections might have regarding fundamental human rights and decent working conditions.

1.2 Contact information

Enquiries regarding this report can be addressed to:

Island Drilling Company AS
Marianne L. Ulriksen, QHSES Manager
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1.3 Duty to report

IDC is headquartered at Sandslimarka 61, Bergen and is domiciled in Bergen, Norway. For 2022 the company had sales income of 48 MUSD. For fiscal year 2022, the average number of employees / FTE was 170. According to the Accounting Act, §1-5 and 1-6, , IDC is considered a larger company and has a duty to report according to Transparency Act requirements.

2. ABOUT THE COMPANY'S BUSINESS

2.1 The organization and area of operation

The company is organized with headquarters in Bergen and is engaged in the oil industry. The company owns and operates the semi-submersible rig Island Innovator. In 2022 the rig has been operating on UK continental shelf, South Africa and Mauritania. The company has the following services:

- Drilling
- Well Intervention (Plug and Abandon, coil tubing)

The company employs crew members globally, and currently the employees represents around 15 nationalities.

2.2 Internal guidelines

IDC focus on human rights, ethics and working conditions through policy documents in our Company Management System (CMS):

L1-COM-INTR-001 Corporate Governance Policy
L2-POL-006 Ethics and Corporate culture policy
L1-COM-INTR-007 Code of Conduct
L1-COM-INTR-008 Supplier Code of Conduct
L1-POL-013 Communication Policy
L3-HSE-PR-050 Whistleblowing

The policies and connected procedures meet the requirements set out in international laws and regulations and Transparency Act protecting human rights and working conditions. The policy documents and procedures are available to all employees through the electronic CMS system. Policy documents are also posted on the rig.

The policies and procedures in CMS describe how the company conducts its due diligence and assessment of measures. A gap analysis between the Transparency Act and CMS has been performed and one non-conformance has been identified, and actions have been taken and implemented.

The procedures also contain information about the company's whistleblowing channels and grievance mechanisms intended to help uncover negative consequences for fundamental human rights and decent working conditions related to the company's activities, and how such information is followed up.

In CMS there is a direct link to the whistleblowing system, where anonymous reports are registered. The Designated Person Ashore (DPA) (QHSES Manager) processes the reports and reports back in the system which actions have been taken.

For 2022 there were no reports registered.

2.3 Objectives and progress

2.3.1 General

We work continuously to assess risks associated with the company's activities and use of our business partners (suppliers and business partners). Furthermore, the company works continuously to implement measures to achieve the goals set by the company. Ref. "Status report 2022. Island Drilling QHSE program, Island Innovator QHSE Action plan" for details regarding objectives and progress.

See sections 3 and 4 of the report for further guidance on the work done in 2022.

2.3.2 Objectives for 2023

In Q4 each year we complete the "Management Review" according to ISO 9001 requirements and document our Strategy process and objectives for the next year. Review of compliance to our policies and review of suppliers is part of these processes.

Objectives covering Transparency Act:

- Continue plan for auditing critical/main suppliers nationally / internationally with focus on how they meet the requirements regarding Human Rights.
- Document risk assessment of suppliers used internationally (Equatorial Guinea), ref. IOGP requirements and MAGNET JQS (Approved Suppliers register)
- Request and evaluate supplier's due diligence reports.
- Further develop our due diligence process based on experiences.

3. DUE DILIGENCE

3.1 Overall focus on due diligence – methodology

IDC continuously assesses the risk of negative consequences for fundamental human rights and decent working conditions related to the company's activities and business conditions. The company continuously identifies human rights violations and violations of decent working conditions related to the company's activities.

In the initial mapping work, IDC uses questionnaire templates in CMS to address Human Rights compliance for critical/main suppliers. The suppliers are also signing a declaration following the questionnaire template:

L2-PM-PR-020-01 Supplier qualification questionnaire

L1-COM-INTR-008-01 Supplier code of conduct acknowledgement

Approved suppliers are registered in our maintenance system in categories A, B and C according to procedure L2-PM-PR-020 Supply Chain Management. For pre-qualification of suppliers, a questionnaire is sent to the supplier's category A (critical suppliers) and B (non-critical suppliers if evaluated as required), as part of our approval process. The questionnaire includes:

- Company data and information
- Financial statement
- Quality Management
- Health, Safety, Environment, Sustainability and Corporate Social Responsibility (Transparency Act with focus on Human Rights also for their sub suppliers)
- Supply Chain Management
- Human Resources
- Process Management
- Operational Results

Financial data, website and CMS information is part of the evaluation. If needed technical disciplines are included in the final evaluation and QHSES is included in final quality verifications and total score and risk level registered. All suppliers must comply to company's policies, law, and ethics.

For remote locations as South Africa and Mauritania, IDC has used our already approved main suppliers with main offices in Norway / Europe, as well as local agents and companies with references from operator (customer) or competitor, which has used their products and services.

IDC is monitoring the performance of suppliers during contract periods.

L3-TEMP-025 Stakeholder-customer-supplier criticality risk assessment gives an overview of critical suppliers with risk evaluation. An improvement for 2023 is to include risk assessment against Transparency Act as listed in section 2.3.2.

Relevant due diligence matters related to the company's activities and business relationships include:

- The company's operational context
- The company's business model
- Position in the supply chain
- Type of product and services

In the following, we will disclose material risks of negative consequences for human rights and decent working conditions identified through the company's due diligence assessments. The report also covers any established violations of human rights and decent working conditions.

3.2 The company`s supply chain

The company has commercial relationships with 738 suppliers, where 129 are international suppliers in the reporting year. The Company's suppliers are located in the following:

Country/geographical area	Number of suppliers
Norway	609
Great Britain	71
USA	11
South Africa	7
Denmark	5
The Netherlands	5
Dubai	4
Germany	4
Finland	3
Canary Islands	3
Sweden	2
France	2
Switzerland	2
China	1
Mauritania	1
Belgium	1
Gabon	1
Romania	1

Based on L3-TEMP-025 Stakeholder-customer-supplier criticality risk assessment and evaluation of main suppliers, the risk is rated as follows:

Risk level	Number of suppliers
Low	549
Medium	178
High	11

3.3 Due diligence of the company`s products/ services

3.3.1 Drilling and well intervention

Main products delivered are:

- **BOP (Blow Out Preventer) from Cameron – Critical supplier**

The production locations in Houston, France and Norway are of high quality. The production requires high, technical competence and investments in facilities which reduces the risk for breach of Human Rights. Their Sustainability report for 2022 refers to UN Sustainable Development Goals, UN Guiding Principles on Business and Human Rights and OECD Guidelines for Multinational Enterprises. Cameron has completed and returned our L2-PM-PR-020-01 Supplier qualification questionnaire and L1-COM-INTR-008-01 Supplier code of conduct acknowledgement.

- **Drilling equipment (roughneck etc) from NOV (National Oilwell Varco) – Critical supplier**

The production and service locations in Kristiansand and Stavanger are of high, quality. The production and service require high, technical competence and investments in facilities which reduces the risk of breach of Human Rights. Their Sustainability report for 2022 describes their approach to ensuring compliance to Human Rights. NOV has completed and returned our L2-PM-PR-020-01 Supplier qualification questionnaire and L1-COM-INTR-008-01 Supplier code of conduct acknowledgement.

- **Drillpipe from Toolserv, Stavanger – Supplier category B**

- **Consumables (chemicals, cementing etc. to run the operations and rig) from a wide range of suppliers**

- **Fuel (diesel) to run the rig (engines, electricity, heating/cooling)**

Our suppliers guarantee compliance with local laws and regulations, international human rights and impose requirements on their subcontractors that concern:

- be compliant with laws, rules and regulations
- that operations and business practices are compliant with the ILO Core Convention

- that all activities are compliant with Human Rights and consistent with the UN Guiding Principles on Business and Human Rights.

Risk has been assessed on the basis of industry and geography. IDC has been in dialogue with our product suppliers and received information regarding the Transparency Act. IDC conduct audit of suppliers according to plans, and Supply Chain Manager and other may visit suppliers for updates of facilities and product development.

3.3.2 Services - warehouse, transport and distribution

IDC has a warehouse at Coast Center Base, Aagotnes, Norway, with main spares/assemblies.

Goods receipt is done at logistics partner Pentagon's 's locations in Norway and internationally. Pentagon is operating under Norwegian laws and regulations, as well as local governing regulations. Their main office is in London, which supports the Pentagon Norway branch with assessments of approved sub suppliers according to Transparency Act, UN Sustainable Development Goals, UN Guiding Principles on Business and Human Rights and OECD Guidelines for Multinational Enterprises. They have suspended 1 supplier in Mauritania for unethical operations.

Agency / logistics company Afrishore was used by IDC for South Africa operations, and company Maurilog for Mauritania operations. Both companies have been evaluated according to our policies and Supply Chain procedures, facilities visited, and service performance evaluated.

3.4 Due diligence results

The due diligence assessment has not revealed findings that IDC has identified and prioritized for 2022.

If findings are revealed, assessed violations of Human Rights, geography and how any findings have been uncovered is reported.

In the event of a significant risk of Human Rights violations, it shall be reported which product/service this applies to and in which geographical area.

4. ACTIONS TO STOP, PREVENT OR LIMIT NEGATIVE CONSEQUENCES

In the event of findings of violations and/or significant risk of human rights violations, IDC will provide an account of the measures the company have taken to prevent, limit or stop the subsequent consequences and risks.

The statement will contain assessed violations/risk of breaches, measures taken, goals in the reporting year and status.

5. SURVEY OF ACTIONS – EXECUTION AND RESULTS

5.1 General

We work continuously to monitor the implementation of the actions identified and the results these entail.

5.2 Monitoring routines

QHSES Manager in Island Drilling Company has overall responsibility for monitoring the implementation and results of identified actions. IDC has the following procedures for monitoring implementation:

- We seek or receive feedback from our suppliers to confirm that risk mitigation measures are being followed, and/or to confirm that damage has indeed been prevented or reduced.
- We seek or receive regular feedback from our Main Safety Delegate and unions regarding service companies they interact with
- We incorporate experience and feedback gained from the company into our due diligence assessments. This is to improve the process and results in the future

Based on these efforts, we have a progress plan for our recovery efforts that we are keeping up to date. The progress plan follows the system described in section 2.3.2 and section 3.

6. COMMUNICATION WITH AFFECTED STAKEHOLDERS AND LICENCEES

IDC has not uncovered Human Rights violations or decent working conditions in the reporting year. Nor has the company disclosed a significant risk of breach/negative consequences as mentioned.

7. RECOVERY AND REPLACEMENT

IDC has not uncovered cases requiring action in the reporting year. We follow the applicable international standards and are in continuous dialogue with stakeholders to identify recovery needs.

8. REFERENCES

- LOV-2021-06-18-99 Act relating to enterprises' transparency and work on fundamental human rights and decent working conditions (Transparency Act)
- ESG Report 2022
- Report Equality and Discrimination Act 2022
- Supplier List (Internal)

Bergen, 30.06.2023

Roger Simmenes, CEO

Espen Teigland, Finance Manager