



*Canada's Fighting Against Forced Labour and Child Labour  
in Supply Chains Act*

**ChampionX Holdings 1 ULC**

**Report**

**30 May 2024**

ChampionX Holdings 1 ULC

## **GOALZERO** **YOU LEAD**

The safety of our employees, customers, shareholders, and communities is vitally important. From the way we operate and develop products, to how we partner with customers, our goal is zero: zero accidents, zero incidents, and zero environmental releases. Our commitment is integrated into our business activities, sustained by establishing plans and achieving goals for continuous improvement, verified through standardized management systems, and openly communicated to interested parties.

# The Purpose of this Report

ChampionX Corporation ("ChampionX" or the "Company") is committed to operating with integrity. Our culture makes ethical supply and services a priority. The purpose of this report is to provide clear and transparent information to the public regarding our respect for fundamental human rights in all that we do, whether that be the manufacture and supply of goods, or the provision of expert services to the oil & gas sector in Canada.

Furthermore, this report aims to provide information on the processes implemented to identify and address forced and child labour risks in alignment with the requirements of *Canada's Fighting Against Forced Labour and Child Labour in Supply Chains Act*. This report describes the steps taken to prevent and reduce the risk that forced labour or child labour is used at any step of the production of goods in Canada or of goods imported into Canada, presented in two main sections.

**Section A** - A general description of ChampionX and its Canadian entities' structure, activities, and supply chain, as well as the policies and training implemented in relation to forced labour and child labour.

**Section B** - Information regarding due diligence processes implemented to identify and assess forced labour and child labour in the Canadian entities' operations, supply chain, and business.

This is a joint report covering ChampionX Holdings 1 ULC and the four (4) entities that belong to the same corporate group (see **Local Canadian Entities** section below).

# Section A

A general description of ChampionX and its Canadian entities' structure, activities, and supply chain, as well as policies and training in relation to forced labour and child labour

## Corporate Structure

### Corporate Entity

ChampionX is a global leader in chemistry solutions and highly engineered equipment and technologies that help companies drill for and produce oil and gas safely, efficiently, and sustainably around the world. Our products provide efficient and safe operations throughout the lifecycle of a well with a focus on the production phase of wells.

ChampionX is organized into four (4) reportable business segments:

- (1) Production Chemical Technologies (PCT);
- (2) Production & Automation Technologies (PAT);
- (3) Drilling Technologies (DT); and
- (4) Reservoir Chemical Technologies (RCT).

We refer to the PCT and RCT segments together as the Chemical Technologies (CT) business.

### Local Canadian Entities

ChampionX Holdings 1 ULC (British Columbia) is a holding company, under which the following entities roll into: (1) Oil Lift Technology Inc. (British Columbia); (2) Apergy Canada ULC (and Pro-Rod Inc.); and (3) ChampionX Canada ULC (collectively referred to as "Canadian entities").

The PAT division of ChampionX consists of the following entities:

- **Oil Lift Technology Inc.** is a leading manufacturer and provider of PCP solutions, including surface driveheads, downhole pumps, and the patented Rod-Lock™ blowout preventer operating in both Alberta and Saskatchewan. It employs 70 employees, with its main manufacturing plant in Calgary.
- **Apergy Canada ULC** (operating as Alberta Oil Tools) is a manufacturer of sucker rods, pony rods, and sucker rod accessories. It employs 159 employees, operates in Alberta, and has its main manufacturing plant and office located in Edmonton.
- **Pro-Rod Inc.** is a manufacturer of high-quality coiled rod, employing 21 employees and operating in Alberta and Saskatchewan, with its main manufacturing plant in Edmonton.

ChampionX Canada ULC is part of the PCT division of ChampionX and primarily supplies automated hydrogen sulfide removal technology, specialty chemistry, technology, engineering support, and onsite expertise to improve outcomes for upstream oil and gas operations. ChampionX Canada ULC operates primarily in British Columbia, Alberta, Saskatchewan, Newfoundland, and Manitoba, with its headquarters in Calgary. The entity employs 406 employees primarily in sales, supply chain, logistics, research & development, and general/administrative roles.

## Supply Chain

Within the PAT division of ChampionX, the supply chain consists of over 700 unique suppliers, with a combined spend of ~\$80M USD in 2023. Around 40% of total spend is on steel products. Other key spend categories include: freight; machined parts (Canadian suppliers, ~4%); machined parts (Chinese suppliers, ~1%); maintenance, repair & operations; and intercompany spend.

Of the steel purchased, over 90% is mill direct from the United States, with the remainder of the steel spend coming from service centers. The PAT division includes three (3) operating companies, whose direct spend is summarized below:

1. **Pro-Rod:** 100% of the steel purchased to manufacture Pro-Rod's finished products is purchased from the United States.
2. **Oil Lift:** purchases 56-58% of its material from suppliers in China, 3-5% from suppliers in India; and the remainder is purchased from the United States or Canada.
3. **Alberta Oil Tool (AOT):** has 95% of its direct spend in material from either the United States or Canada, with the remainder coming from countries such as China, Taiwan, India, Argentina, Japan, the UK, and Ireland. Indirect material is sourced from the same countries (primarily Canada and United States).

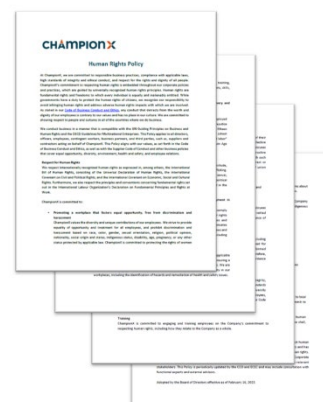
Within the PCT division of ChampionX, the supply chain consists of over 250 suppliers, with a combined spend of ~\$250M USD in 2023. Approximately 65% of total spend is on specialty and commodity chemicals, which are purchased from suppliers throughout the globe. The PCT division includes an operating entity, Ultrafab Industries Ltd., which primarily purchases metal, valves, and sensors from suppliers in North America.

## Governance

### Policies

ChampionX's governance framework (which applies to all corporate subsidiaries, including the Canadian entities), consisting of our Human Rights Policy, Code of Business Conduct & Ethics, and enabling policies and guidelines, such as the Supplier Code of Conduct, demonstrate our commitment to responsible business practices, compliance with applicable laws, high standards of integrity and ethical conduct, and respect for the rights and dignity of all people. The Chief Compliance Officer (CCO) serves as the executive sponsor on human rights. The Company's Ethics and Compliance Executive Committee (ECEC) provides oversight of Corporate Responsibility.

The [ChampionX Human Rights Policy](#) (effective February 16, 2023) is the foundation of our global human rights program and recognises human rights as fundamental rights and freedoms to which every individual is equally and inalienably entitled. The Policy reinforces ChampionX's prohibition of slavery, servitude, forced or compulsory labour, human trafficking, and child labour, and describes the Company's commitment to providing safe and healthy working conditions, including fair and equitable wages, benefits, and other conditions of employment in accordance with international covenants and local laws. The Policy aligns with the Company's values, as set forth in the Code of Business Conduct & Ethics, which establishes our commitment to conducting business in a legally compliant and ethical manner, including interacting ethically with stakeholders, such as fellow employees, customers, suppliers, competitors, governments, and communities. Additionally, ChampionX has implemented a Global Anti-Human Trafficking Policy which describes ChampionX's approach to combatting human trafficking.



ChampionX has implemented a [Supplier Code of Conduct](#) (updated in 2023), which emphasizes the Company's commitment to operating in a socially responsible way that respects fundamental human rights. The Supplier Code states that ChampionX seeks to work with suppliers, contractors, consortium partners, and consultants (collectively "Suppliers") who share our values and ethical business practices. ChampionX requires Suppliers to review,

acknowledge, and confirm receipt and compliance with the Supplier Code of Conduct upon onboarding. Alternatively, ChampionX will accept a Supplier's Code of Conduct only if, upon review, the Supplier's Code of Conduct aligns with ChampionX's Code.

## Training

ChampionX provides annual modern slavery awareness training to all employees, enabling them with the knowledge necessary to remain vigilant and promptly spot red flags. This is a mandatory course developed by a reputable and credible vendor. The course is assigned to all ChampionX employees and covers the following topics: (1) definition of modern slavery; (2) global laws to combat modern slavery; (3) employee responsibility to ensure that supply chain partners share ChampionX values and ethical business practices; (4) high-risk countries and industries; (5) identifying red flags, and (6) a certification that employees will adhere to Company policies around modern slavery and will report red flags. The course also includes a short quiz to test the trainee's understanding. This training is fundamental to combat forced labour and other forms of modern slavery.

In August 2023, the Procurement CSP Department provided mandatory one-hour training to ChampionX's Global Procurement function (67 employees total) on human rights and modern slavery. This course will be provided annually.

# Section B

Information regarding due diligence processes implemented to identify and assess forced labour and/or child labour in the Canadian entities' operations, supply chain, and business

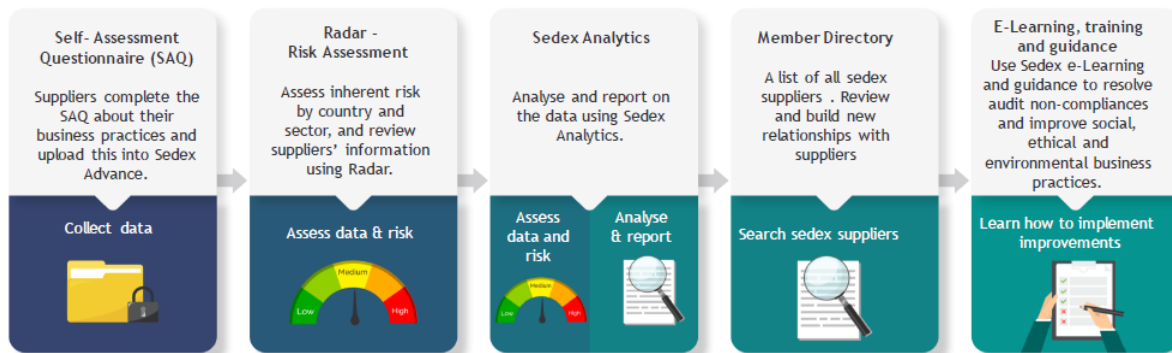
## Risk Mapping & Due Diligence

In 2023, ChampionX reviewed multiple software platforms to support its efforts to implement responsible business practices and build supply chain transparency. ChampionX purchased the Sedex platform in December 2023 and onboarded in early 2024. The Sedex platform provides the tools and insights needed to assess suppliers and manage supply chain risk. Sedex's risk mapping approach is aligned with the OECD Due Diligence Guidance for Responsible Conduct, as described below.



Sedex's collaborative platform begins with supplier completion of the Self-Assessment Questionnaire (SAQ). Sedex then uses its risk assessment tool, Radar, to produce risk scores. Radar combines inherent country and industry sector risk information with the data collected from supplier sites within the Sedex platform to allow ChampionX to identify its key labour, human rights, governance, and environmental risks across its business and supply chain.

Risk scores are categorized into high, medium, and low risk. Using this scoring framework, the Canadian entities can identify and prioritize risks in their supply chain and take proactive steps to address these risks, prevent potential human rights violations, and promote responsible business practices.



The Canadian entities can then work with the Procurement CSP Department to develop tailored corrective action plans, leveraging Sedex's E-Learning modules, as required, and implementing on-site supplier audits through Sedex's SMETA audit format when necessary (audits are conducted by an independent third-party auditor). Sedex Analytics allows the Canadian entities to track performance and progress in real time, identify trends, benchmark performance, and gain instant insights to make strategic business decisions.

### CT Division's Source-to-Pay Platform: GEP

In January 2024, the Procurement CSP Department implemented a new software platform for the CT division, GEP, to serve as a source-to-pay supplier onboarding system, where all new suppliers must acknowledge they will comply with ChampionX's Supplier Code of Conduct, as well as complete ChampionX's ESG/Human Rights Questionnaire, which consists of ten (10) questions and will be used to assess each supplier and assign a low,

medium, or high-risk rating. Based on their risk rating, the Procurement CSP Department will proceed with onboarding or work with the supplier to develop and implement targeted corrective action plans. Procurement CSP plans to integrate GEP with Sedex in the future. Note: The Ultrafab Industries Ltd. entity in Canada has not yet implemented GEP due to system limitations and is currently utilizing the My ChampionX Platform, which mimics the supplier onboarding process in GEP.

### **Additional Processes**

ChampionX conducts sanctions and embargo screening on suppliers and customers (in March 2023, the Bureau of Industry and Security added eleven (11) entities to its Entity List for human rights abuses). ChampionX is exploring expanding its screening to include human rights-related issues for relevant suppliers on a risk basis. ChampionX maintains all supplier intermediaries (suppliers who interact with government authorities on the Company's behalf), as well as commercial intermediaries and joint ventures, in a single database, which allows the Company to track the renewal of due diligence.

Additionally, ChampionX has initiated the development of an Ethical Sourcing Program in an effort to embed the Company's environmental, social, and governance principles into its supply chain. In 2021, the Procurement team piloted an Anti-Human Trafficking Survey to collect human trafficking policies of select suppliers (those rated as Tier 2 and Tier 3 in the U.S. Department of State's Trafficking in Persons Report). In 2022, the Company expanded its selected suppliers (using a spend threshold) to complete a Modern Slavery and Trafficking Supplier Questionnaire, which included questions to evaluate the suppliers' policies and practices to identify, assess, and mitigate modern slavery risks in their supply chains and operations. The Company is evaluating supplier responses and will follow up with suppliers, where necessary.

## **Identifying Risks**

Based on a preliminary assessment, ChampionX has identified risk related to the locations it supplies from, the industry/sector it operates in, and the types of products it supplies. In 2024, ChampionX will utilize the process described in the risk mapping and due diligence section above to further identify forced labour and/or child labour risks in its supply chain.

## **Measures and Mitigations**

### **Remediation and Improvement**

The Canadian entities have not identified any forced labour or child labour in its activities and supply chains—remediation measures are not applicable. Additionally, measures taken to remediate the loss of income to the most vulnerable families that result from any steps taken to eliminate the use of forced labour or child labour in the Canadian entities' activities and supply chains is not applicable.

The Canadian entities' strategy to implement corrective action plans tailored to each high-risk supplier's specific risk areas will improve the suppliers' ability to identify and address human rights impacts within their own business and supply chain. For instance, medium-risk suppliers are required to enhance their program with the goal of moving from a medium-risk rating to a low-risk rating. The enhancement program for medium-risk suppliers requires ChampionX to have a direct discussion with the supplier to discuss potential program improvements. Additional follow-up is required at six-month and twelve-month intervals. At the end of one-year, a medium-risk supplier is re-evaluated to determine whether their rating has improved.

High-risk suppliers require the following steps:

- (1) ChampionX determines whether the supplier is mission critical.
  - a. If not, ChampionX may elect to reject the supplier.



- b. If the supplier is mission critical, the supplier must prepare a formal corrective action plan which must be approved by the Procurement CSP Department.
- (2) Upon approval of the corrective action plan, Procurement CSP will conduct quarterly status reviews with the supplier.
- (3) Procurement CSP will re-evaluate the high-risk supplier after one-year, with the option of conducting a third-party audit of the supplier.

## Assessing Effectiveness

The Canadian entities will work closely with suppliers to measure the completion and effectiveness of assigned corrective action plans. Additionally, ChampionX regularly reviews its policies and procedures related to forced labour and child labour to ensure effectiveness.

## Approval

This report was approved by one member of the Board of Directors for each of the four (4) reporting entities, as described below.

In accordance with the Requirements of the Act, and in particular section 11 thereof, I attest that I have reviewed the information contained in the report for the entities listed below. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in the report is true, accurate, and complete in all material respects for purposes of the Act, for the 2023 reporting year.



Name: Denis Blaquiere  
Title: Managing Director  
Date: May 23, 2024



Name: Justin Moss  
Title: General Manager, Energy Services  
Date: May 27, 2024

, I have the authority to bind Oil Lift Technology Inc., Apergy Canada ULC, Pro Rod Inc.

I have the authority to bind ChampionX Canada ULC