



PASON SYSTEMS INC.

MODERN SLAVERY REPORT 2023
Published May 27, 2024

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INTRODUCTION

Pason Systems Inc. and its subsidiaries (the “Pason Entities”) are committed to preventing the occurrence of forced labour and child labour in our operations and supply chains. We do not tolerate child labour, forced labour or any other form of slavery and we expect that our suppliers share in our commitment to ethical and responsible business practices.

This report (this “Report”) has been prepared pursuant to Section 11 of the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (Canada) (the “Act”) as a joint report by Pason Systems Inc., on its own behalf, and on behalf of the wholly owned and controlled entities (as such term is defined in the Act) identified below:

ENTITY LEGAL NAME	STRUCTURE	LOCATION OF REGISTERED OFFICE	NUMBER OF EMPLOYEES
Pason Systems Inc.	Public Holding Corporation	Alberta, Canada	0
Pason Systems Corp.	Private Operating Corporation	Alberta, Canada	342
Pason Canada Holdings Corp.	Private Holding Corporation	Alberta, Canada	0

OUR STRUCTURE AND BUSINESS

The Pason Entities provide end-to-end specialized data management systems for oil and gas drilling and completions operations globally. The Pason Entities’ solutions, which include data acquisition, wellsite reporting, automation, remote communications, web-based information management, and data analytics, enable customers to securely access critical well construction and operations information for real-time decision making. Through Energy Toolbase Software, Inc., we also provide products and services for the solar power and energy storage industry.

The financial reporting year to which this report relates commenced on January 1, 2023 and ended on December 31, 2023.

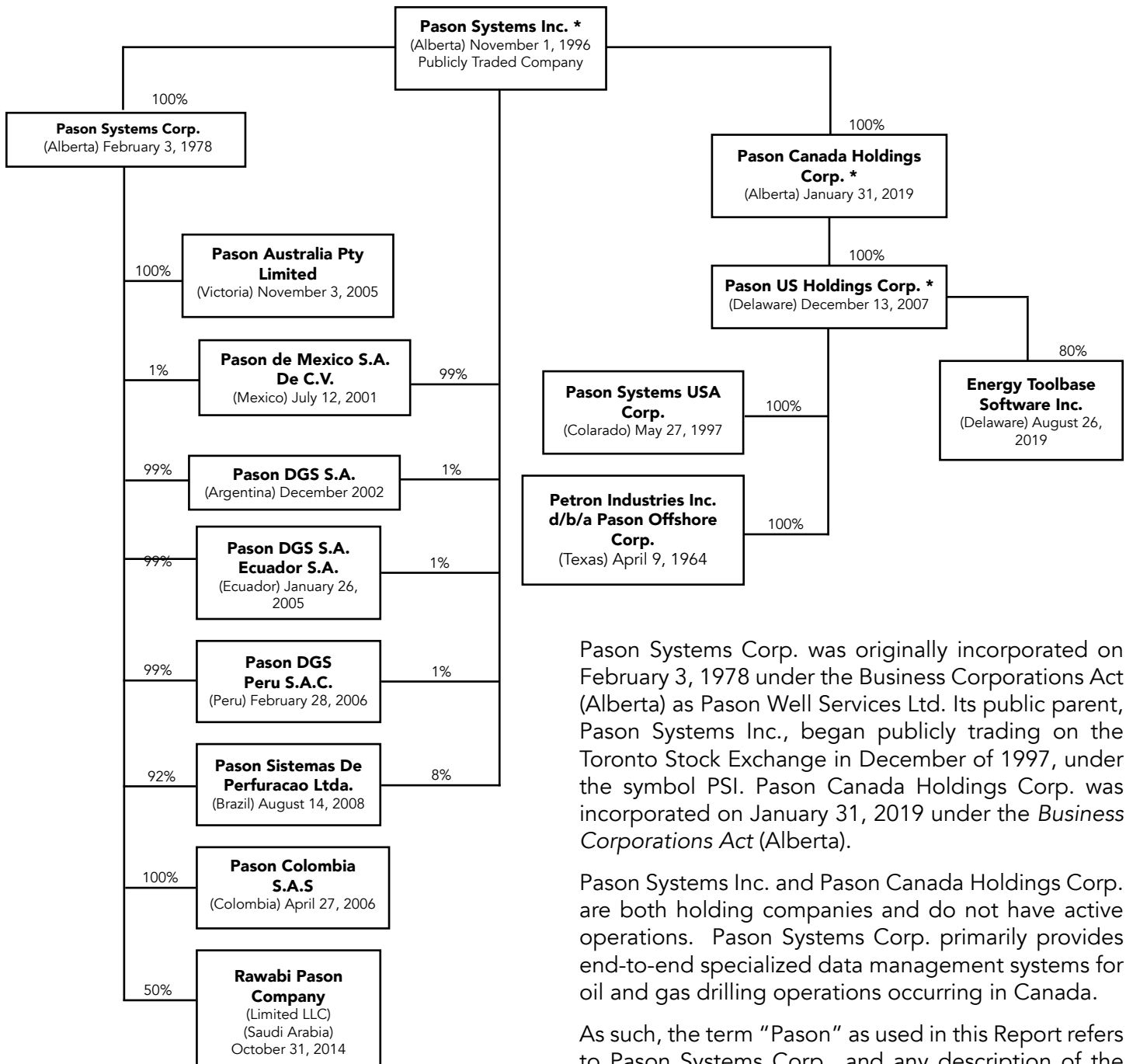


The Pason Entities’ products and services are primarily comprised of hardware and software provided on a rental basis to drilling rigs operating across the globe. The Pason Entities’ system of computers, instrumentation, and monitoring equipment is networked around a drilling rig to provide data at the wellsite and to customer offices. The software installed on the Pason Entities’ hardware provides a variety of monitoring, guidance and data storage tools.

PASON SYSTEMS INC. GLOBAL ORGANIZATIONAL CHART

(Majority owned entities and Joint Venture)

The following chart shows Pason Systems Inc.'s organizational structure and material subsidiaries and partnerships as at December 31, 2023, including the jurisdiction where each entity was incorporated, formed or continued.



Pason Systems Corp. was originally incorporated on February 3, 1978 under the Business Corporations Act (Alberta) as Pason Well Services Ltd. Its public parent, Pason Systems Inc., began publicly trading on the Toronto Stock Exchange in December of 1997, under the symbol PSI. Pason Canada Holdings Corp. was incorporated on January 31, 2019 under the *Business Corporations Act* (Alberta).

Pason Systems Inc. and Pason Canada Holdings Corp. are both holding companies and do not have active operations. Pason Systems Corp. primarily provides end-to-end specialized data management systems for oil and gas drilling operations occurring in Canada.

As such, the term “Pason” as used in this Report refers to Pason Systems Corp., and any description of the activities and supply chain of Pason refers to those of Pason Systems Corp., unless otherwise noted.

OUR SUPPLY CHAIN

The Pason Entities' global operations leverage a centralized supply chain function located in Canada and Pason is tasked with overseeing supplier management processes and procedures across all the Pason Entities. These goods and services are sourced for the Pason Entities' use within our operations.

Pason utilizes local and global vendors to supply different categories of goods and services including, but not limited to:

- **Rental products.** Pason outsources the manufacturing of our rental products to a limited number of contract manufacturers ("CMs") with which we have longstanding relationships. The products are manufactured and assembled by the CMs in their facilities according to Pason's specifications and then sold to Pason. While Pason generally dictates the technical specifications of such products, all parts are ultimately sourced and purchased directly by the CMs. The majority of these CMs operate out of production facilities located in Canada and the United States, with a small presence in Mexico.

- **Electrical, electronic and computer components.** These parts are required in connection with the maintenance, repair, and operation of Pason's rental products. Pason sources these parts from a small number of suppliers primarily located in Canada and the United States.
- **Truck fleet.** Pason sources our truck fleet from fleet suppliers located in Canada. Pason also uses local companies to outfit the trucks with custom service bodies.
- **Services.** Pason uses third party service providers for data hosting, software and corporate/facility services (such as cleaning services and security services). The majority of these service providers are located in Canada and the United States.

In 2023, the majority of goods and services procured by Pason were sourced in Canada and the United States.

OUR POLICIES AND DUE DILIGENCE PROCESSES

Workforce Risk Management

Pason is committed to maintaining transparent and morally sound workforce management practices, with a focus on ensuring a safe working environment and the welfare of all our employees. Pason's Human Resources ("HR") department is dedicated to overseeing and addressing the risk of modern slavery within our workforce. Pason sets standards for legal and ethical conduct in recruitment, employment, and management of both employees and contractors, and our HR team ensures compliance in our operations.

Pason's Code of Conduct and Ethics (the "Code") sets out our commitment to universal human rights and prohibits the use of any form of modern slavery by Pason, including forced labour or child labour. The

Code also sets out Pason's commitment to provide a workplace free of discrimination and harassment, to promote diversity in the workplace, and to ensure a safe and healthy work environment for all employees.

The Code offers multiple reporting channels for disclosing violations or expressing concerns regarding potential breaches, including a confidential whistleblower hotline. Pason actively encourages employees to report any potential breaches of the Code, including suspected instances of modern slavery involving a supplier, without fear of retaliation. Pason's Code is available on our website at: www.pason.com/investors.

To mitigate the risk of modern slavery, Pason has implemented various controls including:

- Following documented recruitment policies and procedures that align with local regulations.
- Ensuring candidates meet the legal working age criteria as per local standards.
- Providing written employment contracts in a language comprehensible to workers, outlining wages, working hours, and employment conditions.
- Not retaining worker identity documents or enforcing penalties that restrict workers from leaving their employment.
- Adhering to local taxation and worker entitlements legislation regarding wages and internal fees.
- Regularly reviewing and benchmarking wages based on industry standards and ensuring compliance with local minimum wage laws.
- Establishing channels for workers to raise grievances with their managers, the Legal department, HR, or anonymously through our confidential whistleblower hotline.
- Taking appropriate action, including disciplinary measures or reporting to authorities where necessary, if legislative standards are not met.
- Enforcing a binding standard of behaviour outlined in our Code, applicable to all individuals within the organization, including directors, officers, managers, employees, and internal contractors.

Supply Chain Risk Management

Modern slavery risk in Pason's supply chain is overseen at an executive level by our Vice President, Operations, and is managed by our centralized supply chain team based out of Canada. Supplier risks are identified during our on-boarding process and managed on a continuous basis by the supply chain team. All risk management, including modern slavery risk, is overseen by our Audit Committee. Pason's Vice President, Legal and Corporate Secretary reviews compliance matters quarterly with the Audit Committee.

Pason's Supplier Code of Conduct and Ethics (the "Supplier Code") prohibits the use of all forms of slavery in our suppliers' business operations, including child labour and forced labour, and requires that the supplier and its supply chain conduct appropriate due diligence to ensure that these forms of labour are not employed. Similar to the Code, the Supplier Code imposes analogous obligations on Pason's suppliers regarding discrimination, harassment, diversity and the safety and well-being of their workers. The Supplier Code is available on Pason's website at: www.pason.com/investors.

Pason has also introduced a risk assessment process regarding forced labour and child labour within our supply chain. Under this initiative, Pason:

- Has updated our supplier onboarding due diligence process to incorporate an assessment of modern slavery risk.
- Has requested that key suppliers complete a Supplier Questionnaire and Compliance Certification (the "Questionnaire") in which they agree to comply with Pason's Supplier Code and certify that they do not use child or forced labour.
- Conducts regular site visits and inspections of select suppliers, at Pason's discretion.

Through these targeted initiatives, Pason is demonstrating our firm dedication to ethical sourcing practices and ensuring that our supply chain operates in alignment with these principles. Each of these initiatives are discussed in more detail below.

Supplier Onboarding Due Diligence Process

Pason has enhanced our supplier onboarding due diligence procedures to specifically consider modern slavery indicators, including forced labour and child labour risks. When onboarding a new supplier, Pason will review the supplier's modern slavery report, if available. In cases where such a report is not available, Pason will examine the supplier's other publicly



accessible disclosures to determine whether the supplier has made a public commitment to comply with applicable laws regarding forced labour and child labour, and to identify and mitigate risks related to forced labour and child labour. If such documentation is not readily available, Pason will send the supplier a Questionnaire for further assessment and verification. Pason has also drafted new contractual terms related to modern slavery which are included in new contracts executed with our key suppliers.

Supplier Questionnaire and Compliance Certification

Pason has conducted an assessment of our primary supplier network, categorizing each supplier as either high, medium, or low risk depending on the nature of their business operations and the product or service supplied. As noted previously, Pason has introduced a specialized Questionnaire designed to address concerns around forced labour and child labour. This Questionnaire is distributed to select suppliers who have not yet made public commitments to address and mitigate the risks associated with forced labour and child labour.

The Questionnaire comprises targeted inquiries aimed at the following:

- Verifying the supplier's adherence to the Act;
- Requiring the supplier to disclose any violations of the Act within the preceding 12 months;
- Confirming the supplier's commitment to identifying and mitigating human rights risks,

particularly pertaining to forced or child labour, through established policies and procedures; and

- Requesting that the supplier provide a declaration confirming, to the best of their knowledge, the absence of forced labour or child labour within its supply chain.

Through this inquiry process, Pason has gained a more thorough understanding of our key suppliers' operations, their dedication to ethical labour practices, and the potential risks associated with forced or child labour in their supply chains. Pason will continue to collaborate with suppliers to ensure that modern slavery risks are addressed.

Site Visits and Inspections

Pason has begun to engage with key partners in our supply chain on the issue of addressing forced labour and child labour. As part of our supply chain due diligence, we conduct regular site visits of certain vendors, including CM facilities, to confirm suppliers' compliance with contractual requirements and the Supplier Code. These audits may include any of the following activities:

- Conducting planned or unannounced visits.
- Conducting interviews with the supplier's management and employees.
- Inspecting the supplier's workplace to identify any signs of forced or child labour, such as poor working conditions, restricted freedom of movement, or inadequate safety measures.



RISKS AND MEASURES

RISKS OF FORCED LABOUR AND CHILD LABOUR IN OUR BUSINESS AND SUPPLY CHAINS

As a leading provider of specialized data management systems, the likelihood of modern slavery within our direct business operations is minimal due to the predominantly skilled nature of our workforce. Our workforce is mainly comprised of skilled workers such as engineers, software developers, field technicians, sales professionals, and information technology experts. Additionally, as Pason exclusively operates in Canada, the risk of involvement in, contribution to, or association with modern slavery practices is relatively low. Nonetheless, Pason remains committed to maintaining compliance and integrity in our workforce management practices.

While we believe that Pason and our direct suppliers are unlikely to engage in forced labour or child labour for the reasons identified in this report, there is the potential for such risks to exist further along the supply chain, particularly with the procurement of certain consumables and parts in the contract manufacturing process outside of Pason's direct control. Although the majority of inputs into Pason's supply chain originate from the United States and

Canada where the risks of forced labour and child labour are minimal, there is a possibility we could be exposed to these risks if sourcing components from countries with a higher prevalence of modern slavery.

Factors contributing to the risk of forced labour or child labour in Pason's supply chain include the sector or industry in which Pason operates (e.g., oil and gas extraction), the types of products sourced (e.g. electrical, electronic and computer components), and suppliers situated further down the supply chain.

While we have initiated efforts to identify and mitigate these risks, there are still gaps in our assessment. As of the date of this Report, Pason has not encountered any instances of forced labour or child labour within our operations or supply chain, and we will continue to make determined efforts to ensure that this does not change.

MEASURES TAKEN TO REMEDIATE FORCED OR CHILD LABOUR

Pason has not identified any forced labour or child labour in our activities and supply chains.

MEASURES TAKEN TO REMEDIATE THE LOSS OF INCOME TO THE MOST VULNERABLE FAMILIES THAT RESULT FROM ANY MEASURES TAKEN TO ELIMINATE THE USE OF FORCED OR CHILD LABOUR IN OUR ACTIVITIES OR SUPPLY CHAINS

Pason has not identified any loss of income to vulnerable families resulting from measures taken to eliminate the use of forced labour or child labour in our activities and supply chains.



EMPLOYEE TRAINING

Members of our supply chain team have undergone mandatory training on modern slavery, encompassing forced labour and child labour practices and risks, to ensure heightened awareness and understanding. Additionally, all employees and independent contractors engaged in providing services to Pason are obligated to complete training on Pason's Code at the commencement of their employment and periodically thereafter.

The Code training is designed to familiarize personnel with Pason's standards of ethical business practice and expectations of ethical conduct. This includes the need to foster a safe and respectful work environment, where every individual is treated with dignity and respect. Training sessions are facilitated online through a portal containing content developed by Pason. In 2024, Pason will begin to integrate training on forced labour and child labour practices and risks into our existing compliance training for all Pason employees.



MEASURING OUR EFFECTIVENESS

Pason recognizes that effectively addressing risks such as modern slavery requires robust internal control systems capable of identifying and adequately mitigating relevant risks. We consistently assess the suitability of our existing risk controls and regularly update our processes and procedures. For instance, we are currently reviewing our due diligence processes to enhance the visibility and management of potential modern slavery risks during supplier evaluation.

Moreover, we will monitor the overall effectiveness of our response to modern slavery through oversight provided by our Audit Committee. This oversight is complemented by targeted audits of specific suppliers to evaluate their adherence to our supplier requirements. Notably, our confidential whistleblower hotline serves as a valuable tool for receiving feedback from employees regarding potential labour rights issues. This feedback helps us gauge the effectiveness of our controls and identify areas for further improvement.

BOARD APPROVAL

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 entity or entities listed above. 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 the purposes of the Act, for the reporting year listed above.

May 27, 2024



Marcel Kessler

Chair of the Board

I have authority to bind Pason Systems Inc.



Jon Faber

President & CEO

I have authority to bind Pason Systems Inc.



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