

# ANNUAL REPORT ON FORCED AND CHILD LABOUR IN SUPPLY CHAINS

JANUARY 1, 2023 – DECEMBER 31, 2023



## BACKGROUND

Canada's new supply chain transparency law (the **Fighting Against Forced Labour and Child Labour in Supply Chains Act** (the "Act")) came into effect on January 1, 2024. The Act aims at preventing and reducing the risk of forced labour and child labour in supply chains. The Act requires that certain entities submit an annual report (the "Report") to the Minister of Public Safety by May 31 of each year detailing the steps taken during the previous financial year to prevent and reduce the risk of forced labour or child labour used by the entity or in their supply chain. The Report must also be provided to the reporting entity's shareholders and available on the entity's website.

This Report is made by Lifting Solutions Energy Services Inc. ("LSESI") and its wholly owned Canadian subsidiary, Lifting Solutions Inc. ("LSI" and collectively "Lifting Solutions"), pursuant to the Act. This Report constitutes Lifting Solutions' forced labour and child labour reporting statement for the financial year ending December 31, 2023. Where the Report refers to "we", "us" or "our", it is a reference to Lifting Solutions.

## STEPS TAKEN TO PREVENT AND REDUCE RISKS OF FORCED LABOUR AND CHILD LABOUR

We took the following steps during 2023 to respond to the Act:

- Reviewed the reporting guidance published by the Government of Canada.
- Attended information sessions and received presentations concerning the pending implementation of the Act and the scope of its requirements from various external bodies.
- Reviewed our supply chain to understand suppliers in countries of higher risk of having forced labour and/or child labour. This resulted in identifying suppliers in China as our high-risk suppliers and we confirmed with them that they do not have forced labour and/or child labour.
- Reviewed our existing supplier onboarding process and identified opportunities for improvement.
- Confirmed that all new employees are required to sign our Ethics and Standards of Business Conduct Policy.

## STRUCTURE, ACTIVITIES AND SUPPLY CHAINS

### STRUCTURE

LSESI is a Canadian controlled private company incorporated in April 2014 under the laws of the Province of Alberta, with its head office in Edmonton, Alberta. LSESI's majority shareholder is ARC Energy Fund 7, a private equity fund advised by ARC Financial Corp ("ARC"). LSESI's subsidiaries are as follows:

- LSI (100% owned by LSESI) is the primary operating entity in Canada.
- Lifting Solutions Energy Services USA (100% owned by LSESI) is the parent company of Lifting Solutions USA ("LSUSA"). LSUSA is the operating entity for LSESI in the United States.
- Pack Energy Services Ltd. (54% owned by LSESI) is an entity that sells software as a service in Canada and does not manufacture, distribute, or sell any products. Pack Energy Services Ltd. is the parent company of IronSight USA which sells software as a service in the United States.
- Lifting Solutions LLC ("LS Oman") (70% owned by LSESI) is a joint venture in Oman where they manufacture product and provide welding and inspection services.

The Board of Directors of LSESI (the “Board”) is comprised of five members, the Chairman of the Board is an employee of ARC, three are independent members and one is the President and Chief Executive (the “CEO”) of Lifting Solutions.

The Board has an Audit Committee with three members, the Chairman of the Audit Committee is an independent Board member with the other two members being the Chairman of the Board and the CEO.

We also have a Compliance Committee that the CEO is the chair, and the other three seats are held by senior management individuals.

## ACTIVITIES

We manufacture, distribute, and service artificial lift products used in the energy industry with a strategic focus on progressing cavity pumps (“PCP”), endless sucker rod (“ER”) and related surface and sub-surface production equipment. We have three subsidiaries that produce, sell, distribute, or import goods:

- LSI - Our clients in Canada are primarily in Alberta and Saskatchewan and we have 11 locations in Canada including a facility in Edmonton, Alberta where we manufacture PCP and ER that are sold within Canada and exported to the United States and other countries around the world. We have 274 employees in Canada.
- LSUSA – We have two locations in the United States and sell ER products and provide service to our clients primarily located in Texas and North Dakota. This entity has 28 employees in the United States.
- LS Oman – We have two locations in Oman, one where we manufacture ER product and the other where we distribute product and provide welding and inspection services to our end-user client. We have 37 employees in Oman.

### PCP

We manufacture a high-quality PCP designed, engineered, serviced, and manufactured under ISO 9001:2015 control in Canada by experienced professionals. PCP is made up of a rotor and a stator and we make 185 different models of pumps. Our manufacturing facility has the capacity to make approximately 375 pumps per month that we distribute to our bases in Canada for sales to end-user clients or sold to distributors in the United States, South America, Europe, and Asia.

### ER

We design, engineer, manufacture ER under ISO 9001:2015 specifications and provide services related to installation, removal, and repair of ER in Canada. Our manufacturing capacity in Canada is approximately 165,000 meters per month. We sell our product to end-users within Canada, sell to our wholly owned subsidiary in the United States for sale to clients in the United States and sell to clients in South America. We operate 62 pieces of service equipment in LSI and 14 in LSUSA with ~100 field service employees in LSI and ~16 in LSUSA. We also manufacture ER in LS Oman under ISO 9001:2015 specifications where the capacity is approximately 165,000 meters per month.

## SUPPLY CHAINS

We have approximately 1,150 active suppliers. These suppliers provide raw materials, components, finished goods, fixed assets, repairs & maintenance, logistics, professional services, and other services.

Our average yearly spend with third parties is \$69 million with 62% of our spend with Canadian suppliers, 31% with suppliers in the United States and 7% with international suppliers. Our largest international suppliers are from:

- Oman – 6.6% of our spend occurs with suppliers in Oman with nearly all spend for service-related activities.
- China – nearly all spend relates to products used in our service offering and is with one supplier. We confirmed with this supplier that they are not engaged in forced labour or child labour.
- Colombia – all spend is related to commission to our distributor in Colombia. All distributors are vetted thru antibribery & corruption and comply with our compliance policies and approved by our Compliance Committee. Additionally, in our signed agreement the distributor is required to certify that they are firmly committed to conducting business ethically and in compliance with all applicable laws and regulations.
- India – nearly all spend in India is related to a technical consultant that was a former employee in Canada that relocated to India and consults for us now.
- Thailand – all spend is related to materials used as part of our manufacturing process.

## POLICIES AND DUE DILIGENCE PROCESSES

Lifting Solutions' values include "Expect a lot from each other" and "Earn the trust". Our values are part of our everyday language and show up at all levels of the organization. These values align with our goal to ensure that our employees, distributors, and suppliers observe a high standard of ethics in the conduct of their duties and responsibilities, practice honesty and integrity in fulfilling their responsibilities, and comply with all applicable laws and regulations. Our values and governance are posted on our website.

### POLICIES

We implemented our *Ethics and Standards of Business Conduct Policy* to emphasize our commitment to conducting ourselves in accordance with our core values, vision and purpose, and the highest ethical standards in every aspect of our business and affairs. We will not tolerate any wrongdoing, unethical behaviour or impropriety and will immediately take appropriate disciplinary action to correct the problem. This policy guides our behaviours to maintain an ethical and accountable workplace. This applies to all directors, officers, employees, and consultants/contractors (the "Representatives"). The areas of the policy that most notably apply to forced labour and child labour are:

- Avoiding unethical or illegal conduct – all Representatives must comply with government law, rules, and regulations that are applicable to the business dealings in the jurisdiction in which we operate. Additionally, even though some actions are not illegal, they may be unethical; therefore, we must always choose the highest course of integrity.
- Workplace harassment – Lifting Solutions is committed to a harassment-free workplace where all Representatives are treated with respect and dignity. Harassment includes unwanted conduct, bullying or communication that is intimidating, humiliating, hostile or offensive in the work environment.
- Workplace health, safety, and environment – it is the responsibility of all Representatives to promote a healthy and safe workplace.

Representatives with information on potential violations of our Ethics and Standards of Business Conduct Policy or with any concerns regarding questionable actions are encouraged to report in accordance with our *Whistleblower Policy*. The Whistleblower Policy applies to all employees and our Board of Directors as well as any third parties who perform services or act on behalf of Lifting Solutions including, but not limited to, agents, consultants, business/joint venture partners, intermediaries, service providers, suppliers, distributors, and vendors. The Whistleblower Policy sets out the process available for all parties it applies to, as noted prior, to report any known or suspected violations of our policies, applicable laws, rules and/or regulations, as well as any alleged acts of fraud, wrongdoing, and/or unethical behaviour.

## **DILIGENCE PROCESS**

Lifting Solutions assessed the risk in our supply chain by looking at the jurisdiction of the supplier. Approximately 7% of our suppliers are located outside of Canada and the United States. We then looked at what we procure from those suppliers and our investigation narrowed it to one supplier in China that was our primary risk. We confirmed via email communication that this supplier does not engage in forced labour and/or child labour.

We recognize that there is opportunity to improve our policies and diligence process. We are addressing this by developing a formal supplier onboarding process as well as an annual questionnaire for certain suppliers to confirm ongoing compliance with lawful and ethical behaviour.

## **FORCED LABOUR AND CHILD LABOUR RISKS**

Our workforce is composed of professional and non-professional office employees, skilled manufacturing workers and skilled energy service providers. All the individuals employed by us are in Canada, the United States and Oman and as such we consider there to be low risk of forced labour or child labour in our operations.

We recognize that there is inherent risk with a global supply chain, including forced labour and child labor. Approximately 93% of our spend is with suppliers located in Canada and the United States. Given this, we have assessed our risk to forced labour and child labour in our supply chain to be low.

While our spend with suppliers outside of Canada and the United States is relatively small, we realize that there is risk related to forced labour and child labor with these suppliers. In reviewing our international suppliers, a significant portion of our spend is with suppliers that provide services inside of that country and narrowed down China as a country with higher risk to forced labour and child labour and made inquiries from the supplier in China that provides products to us. We received confirmation from this supplier that they did not participate in forced labour or child labour.

We also recognize that our Canadian and/or US suppliers could have materials or goods that originate from countries that pose a higher risk to forced labour and child labour. We have not performed any inquiries or audits of our Canadian or US suppliers for this risk but are investigating the need to do so.

Lifting Solutions recognizes that there are opportunities for improvement in assessing our exposure to forced labour and child labour. We are investing in additional activities to understand, identify and assess our risk further down in our Canadian and US supply chain as well as more thorough assessment of our international suppliers. Such activities include a formal supplier onboarding process and questionnaire, supplier code of conduct and annual review/confirmation related to compliance with lawful and ethical behaviour including forced labour and child labour from higher risk suppliers.

## **REMEDATION MEASURES**

In 2023, we did not identify any instances of forced labour or child labour in our activities or supply chain. Therefore, we did not undertake any measures to remediate any forced or child labour.

Our Whistle Blower Policy is an anonymous way for our employees and stakeholders to share their concerns about how we conduct our operations, including any concerns that Lifting Solutions, our employees or suppliers are not complying with applicable law or our policies.

## **REMEDATION OF LOSS OF INCOME**

In 2023, we did not identify any instances of forced labour or child labour in our activities or supply chain. Therefore, we did not undertake any measures to remediate any loss of income to vulnerable families because of any measures taken to eliminate the use of forced labour or child labour in our activities or supply chain.

## TRAINING

Currently, Lifting Solutions has not implemented formal training related to forced labour and child labour. The procurement team is familiar with the Act and our Supply Chain Director has attended several third-party information sessions related to the Act. We will continue to identify opportunities to provide awareness and training to the appropriate people within our organization related to forced labour and child labour.

## ASSESSING EFFECTIVENESS

Currently, Lifting Solutions has not implemented any formal program for assessing the effectiveness of its policies or practices. We are committed to enhancing our existing policies and further developing our policies and procedures to address forced labour and child labour. Lifting Solutions will identify where there are opportunities to create diligence processes within our supply chain.

Lifting Solutions' values include "Expect a lot from each other" and "Earn the trust". Both statements speak to our commitment for our entire organization, from our employees to our leadership team to our Board to act ethically and with integrity. We strive to select suppliers and clients that align with our values.

## APPROVAL AND ATTESTATION

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. I attest that the report has been approved by the board of directors of Lifting Solutions Energy Services Inc. and that based on my knowledge, and having exercised reasonable diligence, the information in the report is true, accurate and complete in all material responses for the purposes of the Act, for the reporting year listed above.

I have the ability to bind Lifting Solutions.

Per:  \_\_\_\_\_  
David Labonte  
President and Chief Executive Officer  
May 24, 2024