



2023 Modern Salvery Report



Phoenix Technology Services, a division of PHX Energy Services Corp. (“**PHX**” or the “**Company**”), provides horizontal and directional drilling service providers to the oil and gas sector. Since the company’s inception in 1995, PHX has expanded to become a multinational service provider that trades on the TSX (TSX:PHX). Phoenix delivers progressive drilling solutions to unconventional markets around the world. Headquartered in Calgary, Alberta, we operate in Canada, US, Albania and the Middle East.

PHX is committed to preventing the occurrence of forced labour and child labour in our operations and supply chains. We expect that our suppliers share our commitment to ethical and responsible business practices and support our values. A Supplier Code of Conduct has been formalized to outline these expectations.

This report (the “**Report**”) has been prepared pursuant to Section 11 of the *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the “**Act**”) and outlines the actions we have taken during the year ended December 31, 2023 (the “**Period**”) to prevent and reduce the risk of forced labour or child labour occurring in our business. This Report has been prepared as a joint report and applies to PHX Energy Services Corp., Phoenix Technology Services Inc., and Phoenix Technology Services LP (“**PHX**”, the “**Reporting Entities**”). The use of the words “we”, “us” and “our” refers to PHX Energy Services Corp. and these Reporting Entities.

PHX is committed to maintaining integrity with all aspects of business operations. As part of this commitment, PHX has implemented measures to reduce the risk of modern slavery through established controls. Details of our program have been outlined in Schedule A for reference. PHX understands this is a journey as we continually improve our program by working with all stakeholders affected in our supply chain.

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 listed above. Based on my knowledge, and having exercised responsible 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.

John Hooks
Chief Executive Officer, Chairman of the Board
May 30, 2024



I have the authority to bind PHX Energy Services Corp. and its subsidiaries.

Schedule A

Annual Report - Reporting for entities

1. What steps has the entity taken in the previous financial year 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 elsewhere by the entity or of goods imported into Canada by the entity?

- *Mapping activities*
- *Mapping supply chains*
- *Conducting an internal assessment of risks of forced labour and/or child labour in the organization's activities and supply chains*
- *Developing and implementing an action plan for addressing forced labour and/or child labour*
- *Addressing practices in the organization's activities and supply chains that increase the risk of forced labour and/or child labour*
- *Developing and implementing due diligence policies and processes for identifying, addressing and prohibiting the use of forced labour and/or child labour in the organization's activities and supply chains*
- *Carrying out a prioritization exercise to focus due diligence efforts on the most severe risks of forced and child labour*
- *Developing and implementing child protection policies and processes*
- *Developing and implementing anti-forced labour and/or -child labour standards, codes of conduct and/or compliance checklists*
- *Auditing suppliers*
- *Monitoring suppliers*
- *Enacting measures to provide for, or cooperate in, remediation of forced labour and/or child labour*
- *Developing and implementing grievance mechanisms*
- *Developing and implementing training and awareness materials on forced labour and/or child labour*
- *Developing and implementing procedures to track performance in addressing forced labour and/or child labour*
- *Engaging with supply chain partners on the issue of addressing forced labour and/or child labour*

2. Please provide additional information describing the steps taken.

- *Compliance working closely with Supply Chain and Accounts Payable to ensure vendors are selected, evaluated and monitored based on established criteria.*
- *Conducting risk assessments to ensure any significant exposure has been mitigated.*
- *Ensuring suitable communication with all personnel responsible for purchasing in the organization and its subsidiaries.*
- *Developing training curriculum through our learning management system to increase awareness throughout the organization.*
- *Implementing our Supplier Questionnaire to ensure policies are consistent with our Code and forced labour and child labour legislation.*
- *Auditing suppliers that have been identified high risk in accordance with our policies and procedures.*

3. Which of the following accurately describes the entity's structure?

- *Corporation*

4. Which of the following accurately describes the entity's activities?

- *Controlling an entity engaged in producing goods in Canada or outside Canada, or importing into Canada goods produced outside Canada*

5. Please provide additional information on the entity's structure, activities and supply chains.

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Phoenix delivers progressive drilling solutions to unconventional markets around the world. Headquartered in Calgary, Alberta, we operate in Canada, US, Albania and the Middle East.

Supply chain activities are managed through our Canadian entities, Phoenix Technology Services Inc. and Phoenix Technology Services LP. US supply chain activities are managed through Phoenix Technology Services USA Inc.

6. Does the entity currently have policies and due diligence processes in place related to forced labour and/or child labour?

Yes

6.1 If yes, which of the following elements of the due diligence process has the entity implemented in relation to forced labour and/or child labour?

- *Embedding responsible business conduct into policies and management systems*
- *Identifying and assessing adverse impacts in operations, supply chains and business relationships*
- *Ceasing, preventing or mitigating adverse impacts*
- *Tracking implementation and results*

7. Please provide additional information on the entity's policies and due diligence processes in relation to forced labour and child labour.

Policies have been documented for Code of Conduct and Modern Slavery. These policies are communicated to stakeholders and training is provided as a form of control. These policies are reviewed for suitability and effectiveness annually as a minimum.

8. Has the entity identified parts of its activities and supply chains that carry a risk of forced labour or child labour being used?

- *Yes, we have started the process of identifying risks, but there are still gaps in our assessments.*

8.1 If yes, has the entity identified forced labour or child labour risks related to any of the following aspects of its activities and supply chains?

- *The sector or industry it operates in*
- *The types of products it produces, purchases or distributes*
- *The locations of its activities, operations or factories*
- *The types of products it sources*
- *Tier one (direct) suppliers*
- *Tier two suppliers*
- *The use of outsourced, contracted or subcontracted labour*
- *The use of forced labour*
- *The use of child labour*

9. Has the entity identified forced labour or child labour risks in its activities and supply chains related to any of the following sectors and industries? Select all that apply.

- *Mining, quarrying, and oil and gas extraction*
- *Manufacturing*

10. Please provide additional information on the parts of the entity's activities and supply chains that carry a risk of forced labour or child labour being used, as well as the steps that the entity has taken to assess and manage that risk.

PHX's Supply Chain and Compliance Departments have assessed the risk for forced labour and child labour through an established risk assessment process. The risk assessment considered the types of goods sourced and the location or region that would apply.

Meetings with people involved in the purchasing function have been made aware of the requirements and formal training through our learning management system is currently being formalized.

Supply chain is also communicating expectations through our Supplier Code of Conduct, questionnaires and audits to ensure compliance with PHX policies.

11. Has the entity taken any measures to remediate any forced labour or child labour in its activities and supply chains?

Not applicable, we have not identified any forced labour or child labour in our activities and supply chains.

11.1 If yes, which remediation measures has the entity taken? Select all that apply.

- *Not applicable*

12. Please provide additional information on any measures the entity has taken to remediate any forced labour or child labour.

- *Not applicable*

13. Has the entity taken any measures to remediate the loss of income to the most vulnerable families that results from any measure taken to eliminate the use of forced labour or child labour in its activities and supply chains?

- *Not applicable*

14. Please provide additional information on any measures the entity has taken to remediate the loss of income to the most vulnerable families that results from any measure taken to eliminate the use of forced labour or child labour in its activities and supply chains.

- *Not applicable*

15. Does the entity currently provide training to employees on forced labour and/or child labour?

- *Yes*

15.1 If yes, is the training mandatory?

Yes, the training is mandatory for employees making contracting or purchasing decisions.

16. Please provide additional information on the training the entity provides to employees on forced labour and child labour.

Meetings are conducted to review requirements around forced labour and child labour. These discussions also include items to look for and what steps should be taken if there are any significant risks. Tools that have been developed internally at PHX are reviewed with people in the purchasing function.

17. Does the entity currently have policies and procedures in place to assess its effectiveness in ensuring that forced labour and child labour are not being used in its activities and supply chains?

Yes

17.1 If yes, what method does the entity use to assess its effectiveness? Select all that apply.

- *Setting up a regular review or audit of the organization's policies and procedures related to forced labour and child labour*
- *Tracking relevant performance indicators, such as levels of employee awareness, numbers of cases reported and solved through grievance mechanisms and numbers of contracts with anti-forced labour and -child labour clauses*

18. Please provide additional information on how the entity assesses its effectiveness in ensuring that forced labour and child labour are not being used in its activities and supply chains.

PHX evaluates the level of compliance and effectiveness of its Modern Slavery policy through the following:

- *Included as an item during the Management Review meeting.*
- *Communication with suppliers that have been identified as moderate to high risk and seek assurances.*
- *Distribution and acknowledgement of questionnaires and code of conduct.*
- *Formal reporting mechanisms available for non-compliance to the Modern Slavery Policy, including the Whistleblower line.*