



Pason Systems Inc.

# 2016 INFORMATION CIRCULAR

For the year ended December 31, 2016

Dated March 17, 2017





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# Notice of Annual Meeting of Shareholders

## Meeting Information

You are invited to the Pason Systems Inc. Annual Meeting of Shareholders on May 3, 2017 at 3:30 p.m. (Mountain Standard Time) at Pason's offices located at 6120 Third Street SE, Calgary, Alberta.

## Voting

If you are a Shareholder of record of Pason Systems Inc. common Shares at the close of business on March 17, 2017 you are entitled to receive notice of, attend, and vote your common Shares at this Meeting or any adjournment of it. Please remember to vote your common Shares.

## Items of Business

The following six items of business will be addressed at the Meeting:

1. Receive the audited consolidated financial statements and the report of the auditors for the year ended December 31, 2016.
2. Fix the number of directors to be elected at the Meeting at five.
3. Elect the five directors of Pason for the ensuing year.
4. Reappoint Deloitte LLP as auditors for 2017 and authorize Pason's Board of Directors to fix their remuneration.
5. Participate in the advisory vote on our approach to executive compensation ("Say on Pay").
6. Consider such matters as may properly be brought before the Meeting or any adjournment of the Meeting.

The Board of Directors has approved the contents of this Information Circular and has authorized us to send it to you.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS,



Marcel Kessler, President & Chief Executive Officer  
March 17, 2017 in Calgary, Alberta

# Annual Meeting of Shareholders Information Circular

March 17, 2017

## FAQs: Meeting and Voting

### When and where is the Meeting?

The Annual General Meeting is on Wednesday, May 3, 2017 at 3:30 pm (MST) at Pason's offices located at 6120 Third Street SE, Calgary, Alberta.

### What is the purpose of this mailing?

This Information Circular and the accompanying Notice of Meeting (the "Notice of Meeting") and form of voting proxy are being mailed by the management of Pason Systems Inc. (the "Corporation" or "Pason") in connection with the Annual Meeting (the "Meeting") of holders ("Shareholders") of common Shares of Pason (the "Shares") to be held on the date and time and at the location noted above.

This Information Circular describes the business of the Meeting, including details about the particular matters to be voted on and the voting process itself. It also provides information about Pason's director nominees and about Pason's executive compensation and corporate governance practices.

Shareholders are invited to attend the Meeting and are encouraged to vote in advance using the proxy form provided. Shareholders may vote in advance using the form of proxy even if they plan to attend the Meeting. See the headings *I am a beneficial (non-registered) Shareholder. How do I vote?* on page 4 and *I am a registered Shareholder. How do I vote?* on page 4 for more details about voting.

We are not using what is referred to as "Notice-and-Access" to send this Information Circular and the related materials to our Shareholders for this Meeting, nor are we sending these materials directly to non-objecting beneficial owners.

Unless otherwise stated, information in this Information Circular is given as at March 17, 2017, and amounts are expressed in Canadian dollars.

### What are we voting on at the Meeting?

At the Meeting, Pason's 2016 consolidated audited financial statements and the auditor's report on those statements will be presented. No vote will occur. Shareholders will then be asked to vote on the following business:

1. Fix the number of directors to be elected at the Meeting at five.
2. Elect the five directors of Pason for the ensuing year.
3. Reappoint Deloitte LLP as auditors for 2017 and authorize Pason's Board of Directors to fix their remuneration.
4. Advisory ("Say on Pay") vote on Pason's approach to executive compensation.

A simple majority of more than 50% of the votes cast at the Meeting, in person or by proxy, are required to approve each of the above matters to be considered at the Meeting. For more information about these agenda items, go to *Business of the Meeting* on page 7.

### Who can attend and vote at the Meeting?

Only Shareholders of record at the close of business on the record date are entitled to attend the Meeting and vote their Shares. Shareholders are entitled to one vote for each Share held. The Shares are the only type of outstanding securities of the Corporation that allows the holders to vote at the Meeting.

If a Shareholder acquires Shares after the close of business on the record date, that Shareholder may still attend and vote such Shares at the Meeting if, at least ten days before the Meeting, that holder of new Shares requests that their name be included in the list of Shareholders entitled to vote at the Meeting and

a properly endorsed certificate is shown to Pason's Corporate Secretary or ComputerShare Trust Company of Canada (the "transfer agent"), evidencing such Shares or otherwise establishing ownership of such Shares.

### **How do I determine if I am a registered or a beneficial (non-registered) Shareholder?**

You are a registered Shareholder if your Shares are registered in your name and you have a Share certificate or a form called a 'direct registration advice' evidencing ownership. You are a beneficial Shareholder if your broker, investment dealer, bank, trust company, nominee or intermediary (an "intermediary") holds your Shares for you. Registered Shareholders would have received by mail an envelope containing this Information Circular directly from the transfer agent, whereas beneficial Shareholders would have received the mailing from their intermediary. If you are unsure whether you are a registered or beneficial Shareholder, contact the transfer agent by phone at 1-800-564-6253 or by email at [service@computershare.com](mailto:service@computershare.com).

Registered and beneficial Shareholders both have the right to vote, but each has a different voting process, as explained below. Pason will be sending proxy-related materials directly to non-objecting beneficial Shareholders.

### **I am a beneficial (non-registered) Shareholder. How do I vote?**

A substantial number of Shareholders are beneficial Shareholders. If you are a beneficial Shareholder, you should note that Pason does not have access to your name in the transfer agent's Shareholder records. Only those voting proxies deposited by Shareholders whose names appear in Pason's records as registered Shareholders can be recognized and acted upon at the Meeting. You may provide voting instructions to your intermediary so that such Intermediary may submit a proxy on your behalf, containing your voting instructions. Without specific voting instructions, intermediaries are prohibited from voting for their clients.

Beneficial Shareholders should receive from their intermediary a voting instruction form. Each intermediary has its own form or set of voting instructions, which should be carefully followed to ensure the votes are counted. In addition to completing the voting instruction form and returning it by mail, beneficial Shareholders can call the number on the voting instructions form to vote by telephone, or lodge their voting instructions on the Internet at [www.proxyvote.com](http://www.proxyvote.com). Beneficial Shareholders will need the 12-digit control number found on the voting instruction form in order to vote by telephone or online. There may be additional methods of voting and additional instructions identified on the intermediary's voting form.

A beneficial Shareholder who receives from their intermediary a voting instruction form cannot use that voting instruction form to vote their Shares directly at the Meeting. The voting instruction form must be returned as directed by the intermediary in advance of the Meeting date and by the deadline specified on that voting instruction form in order to ensure the Shares are voted. Should a beneficial Shareholder desire to attend the Meeting and vote in person, he or she must be named as a proxy holder by the intermediary in a valid form of proxy. To do this, beneficial Shareholders should enter their name in the blank space on the applicable form of proxy and return the document to the intermediary (or the agent of such broker or other intermediary) well in advance of the Meeting.

### **I am a registered Shareholder. How do I vote?**

Names of registered Shareholders will be noted in the transfer agent's records and they are therefore entitled to be recognized at the Meeting and to vote in person without any additional documentation.

**A registered Shareholder has the right to appoint the person of their choice (who does not need to be a Shareholder) to attend and act on their behalf at the Meeting.** To exercise that right, the name of the company or person(s) to be designated must be written in the blank space on the form of voting proxy that accompanied this Information Circular, or by completing another proper instrument of proxy. Alternatively, registered Shareholders can transmit their voting instructions and appoint a proxy by Internet at [www.proxyvote.com](http://www.proxyvote.com). Registered Shareholders should have their control number in hand when they access the website, as they will be prompted to enter their control number located on the form of proxy delivered in the mailing package.

As noted above and encouraged by the Corporation to maintain an orderly and efficient Meeting, Shareholders may vote in advance of the Meeting by completing a proxy, even if they are planning to attend the Meeting in person. If other business is properly brought before the Meeting, Shares represented by proxy will be voted using the process described below, under the heading *How are Shares represented by proxy voted?*

### **How are Shares represented by proxy voted?**

The Shares that are represented at the Meeting by properly executed proxies will be voted or withheld from voting on the business matters identified in the Meeting agenda in accordance with the directions on the voting proxy. **In the absence of any specific directions, the Corporation's designees, if named as proxy, will vote FOR each of the matters on the agenda.** If a person other than the Corporation's designee is named as proxy, Shares represented by proxy will be voted in accordance with that designated person's instructions at the Meeting.

If any other business is properly brought before the Meeting or there are amendments or variations to the matters identified in the notice of Meeting, the person named in the voting proxy, whether that be the Corporation's designee or another other designee, will have the authority and discretion to vote the Shares represented by the proxy appointing him or her, unless specific contrary instructions are provided in the proxy. As of the date of this Information Circular, Pason is not aware of any amendments, variations or other matters that may come before the Meeting, other than those listed on the agenda in the notice of Meeting. In the event that other matters come before the Meeting, then the Corporation's designees will vote on those matters in their judgment.

All Shareholder proxies must be received by the transfer agent, at 100 University Avenue, Eighth Floor, Toronto, Ontario, M5J 2Y1, not later than 3:30 pm (MST) on May 1, 2017, or if the Meeting is postponed or adjourned, not less than 48 hours (excluding Saturdays, Sundays and statutory holidays) before the start time of the postponed or adjourned Meeting (the "voting deadline"). Registered Shareholders voting or appointing a proxy by Internet or phone must submit those instructions by that same voting deadline.

A representative from the transfer agent, who will act as scrutineer at the Meeting, will confidentially count and tabulate the votes. The transfer agent will refer forms of proxy to Pason if the Shareholder is clearly intending to communicate with management, or if there is a question as to whether the proxy is valid.

### **Can a proxy be revoked?**

A Shareholder who has submitted a proxy may revoke it at any time prior to it being exercised at the Meeting. At law, a proxy may be revoked in a variety of ways.

Registered Shareholders may revoke their respective voting proxies for the Meeting by providing a written instruction letter signed by the Shareholder or by the Shareholder's authorized attorney or, if the Shareholder is a corporation, under its corporate seal or executed by an officer or attorney of the corporation who is duly authorized. Such written revocation instructions must be deposited either at Pason's registered office before the day of the Meeting or before the day of any postponement or adjournment of the Meeting, or given to the chairman of the Meeting on the day of the Meeting prior to its start. If a registered Shareholder appoints a proxy holder and submits their voting instructions on the Internet through the transfer agent's website, and subsequently wishes to change their appointment, a Shareholder may resubmit their proxy and/or voting direction at any time before the voting deadline for the Meeting or any adjournment. When resubmitting a proxy, the most recently submitted proxy will be recognized as the sole valid proxy. All previous proxies submitted will be disregarded and considered as revoked.

Beneficial Shareholders who wish to revoke their proxy must arrange for their respective intermediaries to revoke the proxy on their behalf within the time specified by that intermediary, but in any event before the day of the Meeting or before the day of any postponement or adjournment of the Meeting.

### **What is the quorum for Meeting?**

A quorum will be constituted at the Meeting if at least two persons are present in person or by proxy, each of whom is entitled to vote at the Meeting and who hold, or represent by proxy, not less than 25% of the Shares entitled to vote.



If a quorum is not present at the start of the Meeting, the chairman of the Meeting may postpone or adjourn the Meeting to another time and place that will be announced at the original Meeting. If a quorum is present at the start of the Meeting, the Meeting may proceed with its business, even if a quorum is not present throughout the Meeting.

### **Are there any conflicts of interest in the matters to be acted upon at the Meeting?**

No current director, proposed nominee for election as a director or executive officer of Pason, nor any associate or affiliate of the foregoing have any material interests, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon other than the election of directors. James D. Hill, chairman of the board of directors and nominee for re-election is a principal holder of Shares, as noted below under the heading *Who are the principal holders of Pason's Shares?*

### **Who is soliciting proxies with this Information Circular?**

Management of Pason is soliciting proxies to be voted at the Meeting, or at any postponement or adjournment of the Meeting. Management and directors will solicit proxies by mail, in person or by telephone, facsimile or other electronic means at a nominal cost. As of the date of this Information Circular, no professional advisors have been retained to solicit proxies for the Meeting, though such arrangements may be made with brokerage houses and other intermediaries, clearing agencies, custodians, nominees and fiduciaries at management's discretion. If such advisors are retained, Pason will pay the cost of that solicitation, including the payment of fees and reimbursement of reasonable expenses.

### **Who are the principal holders of Pason's Shares?**

The following table sets forth the only persons or corporations who, to the knowledge of Pason's directors and executive officers, beneficially own, or exercise control or direction of, directly or indirectly, 10% or more of the voting rights attached to the outstanding Shares as of March 17, 2017.

<b>Name and Municipality</b>	<b>Nature of Ownership</b>	<b>Number of Shares</b>	<b>% of Class</b>
James D. Hill Calgary, Alberta	Indirect <sup>(1)</sup>	10,767,280	13%
Burgundy Asset Management Ltd. Toronto, Ontario	Indirect <sup>(2)</sup>	8,749,045	10%

<sup>(1)</sup> 10,666,480 Shares are held by J. D. Hill Investments Ltd. and its subsidiary, both private Alberta corporations which are wholly-owned by James D. Hill and his spouse. Another 100,800 Shares are held in their registered retirement savings plans.

<sup>(2)</sup> Burgundy Asset Management Ltd. holds Shares on behalf of funds and accounts it manages.

### **What are the non-IFRS financial measures?**

The following terms used in this Information Circular are not recognized measures under International Financial Reporting Standards ("IFRS"), and accordingly, may not be comparable to measures used by other companies:

- Adjusted EBITDA (defined on page 33);
- Normalized pre-tax profit (defined on page 23); and
- Return on invested capital (defined on page 23).

Those non-IFRS financial measures are included because they are used by management for a variety of internal measurements that must be disclosed in this Information Circular. In the case of adjusted EBITDA, management uses such metrics to evaluate, among other things, operating performance, leverage, and liquidity. In the case of normalized pre-tax profit and return on invested capital, those non-IFRS measures are used in calculating executives' short-term incentive payouts.



## Business of the Meeting

### Financial statements, auditors' report, and management report

The Board of Directors (the "Board") of the Corporation has approved all of the information in the 2016 Annual Report that accompanies this Information Circular, including the consolidated audited financial statements of the Corporation and the auditors' report thereon. A copy of the financial statements is also available at [www.sedar.com](http://www.sedar.com) and on the Corporation's website ([www.pason.com](http://www.pason.com)). No vote by the Shareholders will be taken with respect to this matter.

### Fixing the number of directors

The Articles of the Corporation provide that Pason may have between one and fifteen members on its Board. The Corporation currently has five directors, all of whom are standing for re-election. At the Meeting, Shareholders will be asked to approve an ordinary resolution to fix the number of directors to be elected at the Meeting at five. **If no choice is specified, the Shares represented by a proxy for the Meeting will be voted FOR fixing the number of directors at five.**

### Election of directors

Five proposed nominees for election as directors of Pason are standing for re-election. The voting results from last three year's Meetings for those five directors standing for re-election were as follows:

Director	James D. Hill	James B. Howe	Marcel Kessler	T. Jay Collins	Judi M. Hess
2016	67,735,426 (90.66%)	74,342,921 (99.50%)	73,572,608 (98.47%)	74,626,385 (99.88%)	74,627,701 (99.88%)
2015	72,363,315 (98.30%)	59,098,835 (80.28%)	73,536,456 (99.89%)	73,478,561 (99.82%)	73,607,820 (99.99%)
2014	72,257,601 (98.40%)	72,009,911 (98.07%)	73,408,737 (99.97%)	73,080,615 (99.52%)	-

All of the five nominees listed below have consented to their nomination. The current Board and management unanimously recommends that each of the nominees listed be elected to serve as directors of the Corporation, to hold office until the next annual Meeting of Shareholders or until such person's successor is elected or appointed. **If no choice is specified, the Shares represented by a proxy for the Meeting will be voted FOR the election of each of these nominees.**

It is the intention of the Corporation's designees, if named as proxy, to vote in favour of the election of the proposed five nominees to the Board. Management does not contemplate that any of the following nominees will be unable to serve as directors; however, if for any reason any of the proposed nominees do not stand for election at the Meeting or are unable to serve as such, proxies in favour of the Corporation's designees will be voted for another nominee at their discretion unless the Shareholder has specified in his or her proxy that his or her Shares are to be withheld from voting in the election of directors. The By-laws of the Corporation deem that all previously elected directors shall have retired from office upon the close of the annual Meeting following their election, unless they are re-elected.

The following information about each of the persons proposed to be nominated for election as a director is, unless otherwise stated, based on records available to the Corporation as of March 17, 2017, those being corporate records, public records, and information provided by each nominee.

## Director Biographies

### JAMES D. HILL

**James Hill** is Pason's Chairman of the Board, having previously served as Pason's President & Chief Executive Officer for 26 years. Jim Hill is considered an affiliated director because he was the CEO until 2011.



Chairman of the Board

Director since: 1996

Non-Independent

Age: 66

Calgary, Alberta, Canada

#### Pason Securities Held

Shares <sup>(1)(2)</sup>	DSUs <sup>(3)</sup>	Total Share Holdings <sup>(4)</sup>
10,767,280	36,539	\$191,983,862

Board and Committees	2016 Meetings	Total 2016 Attendance	Value of Total 2016 Compensation <sup>(5)</sup>
Board of Directors	5/5	100%	\$93,906

**Expertise:** Field Operations, Board & Governance, Human Resources, Executive Experience, Sales & Marketing and Strategic Planning and Leading Growth.

#### Other Public Company Board/Committee Memberships

Company	Listing	Positions
none	-	-

### JAMES B. HOWE

**James Howe** is a professional director and has been the President of Bragg Creek Financial Consultants Ltd., a private financial consulting company, since 1981.



Lead Director, Chair of the Audit Committee

Director since: 1996

Independent

Age: 67

Calgary, Alberta, Canada

#### Pason Securities Held

Shares <sup>(1)</sup>	DSUs <sup>(3)</sup>	Total Share Holdings <sup>(4)</sup>
347,000	3,191	\$6,222,904

Board and Committees	2016 Meetings	Total 2016 Attendance	Value of Total 2016 Compensation <sup>(5)</sup>
Board of Directors	5/5	100%	\$118,000
Corporate Governance & Nomination Committee	1/1		
HR and Compensation Committee	2/2		
Audit Committee	4/4		

**Expertise:** Financial Expertise, Oil & Gas Industry, Communications, International Business, Legal & Securities and Mergers & Acquisitions

#### Other Public Company Board/Committee Memberships

Company	Listing	Positions
Bengal Energy Ltd.	TSX: BNG	Board, Audit Committee Chair
Ensign Energy Services Inc.	TSX: ESI	Board, Audit Committee, Compensation Committee Chair

## MARCEL KESSLER

Marcel Kessler was appointed President & Chief Executive Officer of the Corporation in 2011.



President & Chief Executive Officer

Director since: 2012

Non-Independent

Age: 50

Calgary, Alberta, Canada

### Pason Securities Held

Shares <sup>(1)</sup>	DSUs <sup>(3) (6)</sup>	Total Share Holdings <sup>(4)</sup>
36,738	-	\$652,834

Board and Committees	2016 Meetings	Total 2016 Attendance	Value of Total 2016 Compensation <sup>(5)</sup>
Board of Directors	5/5	100%	-

**Expertise:** Executive Experience, Financial Literacy, Human Resources, International Business, Mergers & Acquisition and Strategic Planning & Leading Growth.

**Pason Subsidiary Directorships:** Pason Systems Corp., Pason US Holdings Corp, Pason Systems USA Corp., Pason Systems US Financial Corp., Petron Industries Inc. and Pason Systems Texas Inc.

### Other Public Company Board/Committee Memberships

Company	Listing	Positions
none	-	-

## T. JAY COLLINS

Jay Collins is a director of Oceaneering International, Inc., having previously served as Chief Executive Officer of Oceaneering International Inc. from 2006 to 2011.



Chair of HR & Compensation Committee

Director since: 2012

Independent

Age: 70

Houston, Texas, USA

### Pason Securities Held

Shares <sup>(1)</sup>	DSUs <sup>(3)</sup>	Total Share Holdings <sup>(4)</sup>
-	33,832	\$601,194

Board and Committees	2016 Meetings	Total 2016 Attendance	Value of Total 2016 Compensation <sup>(5)</sup>
Board of Directors	5/5	100%	\$122,965
Corporate Governance & Nominations Committee	1/1		
HR and Compensation Committee	2/2		
Audit Committee	4/4		

**Expertise:** Board & Governance, International Business, Field Operations, Executive Experience, Performance and Health & Safety.

### Other Public Company Board/Committee Memberships

Company	Listing	Positions
Oceaneering International Inc.	NYSE:OLL	Board
Murphy Oil Corporation	NYSE:MUR	Board; Executive Compensation Committee

## JUDI M. HESS

**Judi Hess** is the CEO of Copperleaf Technologies, Inc., a position she has held since 2009. Copperleaf Technologies is a privately-owned enterprise software startup. Previously, she was the President of Creo Inc., a publicly-traded printing technology and workflow company that was acquired by Kodak in 2005. After Kodak's acquisition, she was named Country Manager of Canadian operations and Corporate Vice President and General Manager of one of Kodak's global business units. Prior to joining Creo, Judi Hess was at MacDonald Dettwiler and Associates, an aerospace and defense company. She has been a member of the Premier's Technology Council of British Columbia since 2009.



Chair of Corporate Governance & Nomination Committee

Director since: 2015

Independent

Age: 58

Vancouver, B.C., Canada

### Pason Securities Held

Shares <sup>(1)</sup>	DSUs <sup>(3)</sup>	Total Share Holdings <sup>(4)</sup>
-	12,305	\$218,661

Board and Committees	2016 Meetings	Total 2016 Attendance	Value of Total 2016 Compensation <sup>(5)</sup>
Board of Directors	5/5	100%	\$103,899
Corporate Governance and Nomination Committee	1/1		
HR and Compensation Committee	2/2		
Audit Committee	4/4		

**Expertise:** Board and Governance, Executive Experience, International Business, Mergers & Acquisitions, Risk Management and Information Technology.

### Other Public Company Board/Committee Memberships

Company	Listing	Positions
none	-	-

- (1) The Shares indicated include those Shares beneficially owned and Shares controlled or directed by the nominee directors as the date of this Information Circular.
- (2) The number of Shares held by James D. Hill includes a combined total of 10,666,480 Shares held by J. D. Hill Investments Ltd. and its subsidiary, both private Alberta corporations which are wholly-owned by James D. Hill and his spouse. Another 100,800 Shares are held in their registered retirement savings plans.
- (3) Deferred Share Units ("DSUs") are not voting securities. See page 13 under the heading *Director Compensation* for a description of DSUs. The number referenced below the term DSUs in the nominee biographies above refers to the number of DSUs credited to the director's account as at March 17, 2017, the date of this Information Circular.
- (4) Total Share Holdings is the amount determined by multiplying the number of each nominee's Shares held and DSUs credited to their accounts as of March 17, 2017 by the closing price of the Shares on the Toronto Stock Exchange ("TSX") on March 17, 2017 (\$17.77).
- (5) The Value of Total 2016 Compensation includes the annual Board cash retainer fees; additional retainers paid to the Chairman of the Board, the Lead Director and to all Committee chairs; fees for meeting attendance; dividend equivalents and DSUs awarded to directors and credited to their accounts in 2016 (based on the value of the DSUs when credited to each director's account). For further information regarding the director's total compensation see Director Compensation on page 13.
- (6) Compensation provided to Marcel Kessler, who is a director and also a Named Executive Officer (as defined herein), is fully reflected in the Summary Compensation Table on page 34. As a member of management, Marcel Kessler did not receive compensation for his service as a director of the Corporation in 2016.

### Interlocking directorships

None of the proposed nominee directors sit together on the same board of other publicly traded companies and none of the proposed nominee directors sit together with any of Pason's executives on any other boards.

### Majority voting

The Board has adopted a policy of requiring any individual director nominee who receives less than a majority of the Shares voted and withheld at a Shareholders' Meeting to tender his or her resignation promptly following the Meeting. The Corporate Governance and Nomination Committee will review the

tendered resignation and make a recommendation to the Board to accept or reject the resignation and publicly disclose the decision and rationale within 90 days of the applicable Shareholder Meeting. Absent exceptional circumstances that would warrant the applicable nominee to continue to serve as a Board member, resignations will be accepted. The said nominee will not participate in any Board or Committee deliberations on the tendered resignation.

## Appointment of auditors

Unless such authority is withheld, the Corporation's designees, if named as proxy, intend to vote the Shares represented by any such proxy for the appointment of Deloitte LLP, Chartered Professional Accountants ("Deloitte LLP"), as auditors for the Corporation for the ensuing year and authorize the Board to fix their remuneration.

Deloitte LLP has been appointed, and has continuously been the auditors of the Corporation since 1996.

Below is a breakdown of fees paid to Deloitte LLP, by category, for the last three years:

Service	2016	2015	2014
<b>Audit fees</b>	\$175,000	\$247,000	\$266,000
<b>Audit-related fees</b> (for assurance services related to review of financial statements)	\$36,000	\$46,000	\$48,000
<b>Tax fees</b> (for tax compliance, advice, and planning)	\$55,000	\$54,000	\$34,000
<b>All other fees</b> (for services that do not fall under the previous categories)	-	\$15,000	\$33,000
<b>Total</b>	<b>\$266,000</b>	<b>\$362,000</b>	<b>\$381,000</b>

## Advisory ("Say on Pay") vote on Pason's approach to executive compensation

Voting results from the last two years are set out in the table below:

Say on pay vote	2016	2015
Vote in favour	99.49%	99.85%

At the Meeting, Shareholders will be asked to cast an advisory vote on Pason's approach to executive compensation. Pason's approach to executive compensation and the values paid to Pason's NEOs (as defined herein) is described in detail under the heading *Compensation Discussion and Analysis (CD&A)*. The results of the "Say on Pay" vote will be non-binding on the Board; however, the vote is an important part of engagement with Shareholders about executive compensation.

In addition to the minimum information prescribed by regulations, the Board believes that Shareholders should have sufficient information to fully understand the Corporation's approach to executive compensation, including the process to set and review compensation levels, general long-term objectives, tools used to align interests with Shareholders, criteria used to measure at-risk compensation, and the extent of the upside and downside of variable rewards linked to corporate and individual performance. Shareholders are encouraged to review the discussion about Pason's executive compensation under the heading *Compensation Discussion and Analysis (CD&A)* to cast an informed vote.

The Board has resolved to hold an advisory ("Say on Pay") vote on the Corporation's approach to executive compensation at every annual Meeting of Shareholders. The Board believes that this advisory vote will serve as a catalyst for dialogue with Shareholders about governance and other matters relating to executive compensation.

### Proposed "Say on Pay" resolution

At the Meeting, Shareholders will be asked to vote for or against the following non-binding, advisory resolution concerning Pason's approach to executive compensation:

"BE IT RESOLVED, on an advisory basis and not to diminish the role and responsibilities of the Board of Pason Systems Inc. ("Pason") or its committees that the Shareholders of Pason accept the approach to executive compensation disclosed in Pason's Information Circular dated March 17, 2017 and delivered in advance of the 2017 Annual Meeting of Shareholders."

The Board will take the voting results and other Shareholder feedback into consideration when evaluating the Corporation's approach to executive compensation, including discretionary awards. The Board and the Human Resources and Compensation Committee actively monitor trends relating to compensation and governance of compensation to ensure executive management is aligned with Shareholder interests and incentivized to act in the best interests of Pason.

### **Other matters**

The Board and executive officers of the Corporation know of no amendment, variation or other matter to come before the Meeting other than the matters referred to in the Notice of Meeting. If any other matter properly comes before the Meeting, however, the proxies will be voted on such matters in accordance with the best judgement of the person or persons voting the proxies.

# Director Compensation

## Prior to May 11, 2016

The Corporation provides its directors with a compensation package comprised of only annual equity based compensation incentives paid quarterly in arrears. Management directors are not paid additional compensation for their service as a director. Directors are also reimbursed for their reasonable expenses for meetings and relevant continuing education costs.

The table below sets out the different compensation elements for non-management directors prior to May 11, 2016:

Type of Compensation <sup>(1)</sup>	Value
Annual cash retainer	\$32,000
Additional retainer for Chairman of the Board	\$75,000
Additional retainer for Lead Director <sup>(2)</sup>	\$20,000
Additional retainer for Audit Committee chair <sup>(2)</sup>	\$15,000
Additional retainer for other committee chairs	\$5,000
Meeting fees	\$1500/Meeting
DSUs <sup>(3)</sup>	\$100,000 <sup>(3)</sup>

<sup>(1)</sup> Prior to May 11, 2016, Directors could elect to take any of their compensation in the form of cash rather than DSUs.

<sup>(2)</sup> Prior to May 11, 2016, the additional retainer fee paid to the Lead Director was reduced by any amounts paid to such Lead Director for acting as the chair of another committee, such that the maximum amount of additional retainer paid to an individual director is \$20,000.

<sup>(3)</sup> Prior to May 11, 2016, the number of DSUs that were awarded to the directors for 2016 service, and credited to the directors' accounts in quarterly installments at the end of each quarter in 2016 was calculated by dividing the target value (\$100,000 per year) by the closing price of the Shares on the TSX on November 30, 2015 (\$20.62).

## Effective May 11, 2016

The table below sets out the different compensation elements for non-management directors effective May 11, 2016:

Type of Compensation <sup>(1)</sup>	Value
Annual cash retainer	Discontinued
Additional retainer for Chairman of the Board	Discontinued
Additional retainer for Lead Director	Discontinued
Additional retainer for Audit Committee chair	\$10,000
Additional retainer for other committee chairs	\$5,000
Meeting Fees	Discontinued
DSUs <sup>(2)</sup>	\$90,000 <sup>(3)</sup>

<sup>(1)</sup> Effective May 11, 2016, directors can no longer elect to receive compensation in cash.

<sup>(2)</sup> Effective May 11, 2016, the number of DSUs that were awarded to the directors for 2016 service, and credited to the directors' accounts in quarterly installments at the end of each quarter in 2016 was calculated by dividing the target value (\$90,000 per year) by the closing price of the Shares on the TSX on November 30, 2015 (\$20.62).

<sup>(3)</sup> Effective May 11, 2016, James D. Hill elected to receive no compensation for his role as director.

The Corporate Governance and Nomination Committee reviews compensation annually, taking into consideration the time commitment, responsibilities, risks, and current norms.



## Deferred Share Unit Plan

The Board adopted a deferred Share unit plan (the “DSU Plan”) in 2011. The DSU Plan replaced the other equity awards (stock options and RSUs), which had previously been granted to directors on an annual basis. All directors, except directors who are also members of management, receive DSUs when recommended by the Corporate Governance and Nomination Committee and approved by the Board.

The value of each DSU is linked to the Share price. DSUs are granted annually for the director’s anticipated service in the subsequent year and are credited to each director’s account in installments on the last day of each calendar quarter of the subsequent year, subject to the director leaving the Board early. If a director leaves the Board during a calendar year, a portion of those DSUs awarded for that year will be credited to the director within 30 days of leaving, on a pro rata amount based on the portion of the year in which that director served on the Board. Each DSU represents rights to cash compensation based on the Share value. DSUs may only be redeemed by a director recipient after the director has left the Board (and not earlier than ten (10) trading days following the release of the Corporation’s quarterly or annual financial results following the director’s cessation from his or her service on the Board), promoting motivation for long-term Share growth. In the event of a change of control (as defined in the DSU Plan), DSUs awarded but not yet credited to a director’s account are immediately credited and then eligible for redemption in accordance with the DSU Plan.

DSU accounts are credited with an equivalent number of DSUs to account for any dividend paid on the Shares. This is done by the issuance of additional DSUs valued in the amount of the dividend that the director would have received on DSUs credited to that director’s account at the date of the dividend payment.

A director’s DSUs are counted towards the director Share ownership guidelines, as further described below under the heading *Director Share Ownership Guidelines* below. Prior to May 11, 2016, the Corporation adopted a policy to allow directors the option to take the value of DSUs awarded to them in a cash payment if the director had attained his or her minimum Share ownership target. James B. Howe had previously elected to take cash in lieu of DSUs, as he holds Shares and DSUs well in excess of his minimum Share ownership requirement. Effective May 11, 2016, directors will no longer have the option of taking cash in lieu of DSUs.

## Director Share Ownership Guidelines

Pason’s Director Share Ownership Guidelines (the “Director Share Ownership Guidelines”) require each non-management director to acquire and hold equity of the Corporation in the form of DSUs or Shares. Directors have five years from the date of their appointment or election as a director to acquire a minimum aggregate value of three times the annual fixed compensation paid to such director. For this purpose, the director’s annual fixed compensation includes equity grants and cash retainer payments, including additional retainers paid to committee chairs, the lead director and chairman. It does not include meeting fees, as the number of meetings held each year varies. Management directors are subject to the higher requirements of the executive management Share ownership guidelines (“Executive management Share ownership guidelines”) described under the heading *Equity compensation plan* information on page 28. Compliance with this requirement will be determined based upon the higher of cost or market price of Shares held and DSUs credited to each director’s account.

### Alignment of interests

The Board believes that the following measures effectively align the interests of directors with those of Shareholders:

- The deferral of each director's entitlement to redeem DSUs until after their service on the Board has ended
- Effective May 11, 2016, the annual retainer and meeting fees will be paid in the form of DSUs
- Effective May 11, 2016, removing the ability for directors to take cash in lieu of DSUs

Additional information about corporate governance involving the Board is found under the heading *Corporate Governance Disclosure*, starting on page 42 of this Information Circular.

### Director compensation table – 2016

The table below sets out the compensation paid and awarded to non-management directors in 2016.

	Deferred Share Units Credited <sup>(1)</sup>	Cash Paid	Total
James D. Hill	\$93,906	-	\$93,906
James B. Howe	\$57,864	\$60,136 <sup>(2)</sup>	\$118,000
T. Jay Collins	\$122,965	-	\$122,965
Judi M. Hess	\$103,899	-	\$103,899

<sup>(1)</sup> The value of the DSUs is linked to the Corporation's Share price. Under the terms of the Director DSU Plan, the DSUs were awarded for Board service in 2016 and were credited to each director's account in installments on the last day of March, June, September, and December 2016. The value identified in the table above includes dividend equivalents that were added to each director's DSU account. The number of DSUs granted for 2016 service was disclosed under the heading *Deferred Share Unit Plan* on page 14.

<sup>(2)</sup> Prior to May 11, 2016, James B. Howe had elected to receive his compensation in cash in lieu of DSUs.

## Outstanding Share-based awards and option-based awards

The following table summarizes the outstanding DSUs held by non-management directors as at December 31, 2016.

Name	Share-Based Awards – DSUs		
	Number of DSUs that have not been credited to accounts <sup>(1)</sup>	Payout value of DSUs that have been awarded but not yet credited to accounts <sup>(2)</sup>	Payout value of credited DSUs not paid out or distributed <sup>(3)</sup>
James D. Hill <sup>(4)</sup>	--	-	\$717,624
James B. Howe	5,646	\$110,891	\$62,682
T. Jay Collins	5,646	\$110,891	\$664,459
Judi M. Hess	5,646	\$110,891	\$241,671

<sup>(1)</sup> Represents DSUs awarded to directors on November 30, 2016, taking into account the change in director fees, which took effect on May 11, 2016. DSU's are credited to the respective directors' accounts for their service in 2017. DSUs are credited quarterly in arrears and the only condition of vesting (crediting to each directors' accounts) is continuing to serve as a director of the Corporation.

<sup>(2)</sup> Calculated based on the market price of the Shares at December 31, 2016 (\$19.64) multiplied by the number of DSUs that were awarded to directors on November 30, 2016, taking into effect the items disclosed in footnote 1 above, but had not yet been credited to the directors' accounts on December 31, 2016. The amount does not include the number of DSUs to be credited to directors' accounts in respect of fees earned by a director in 2017. The amount also excludes dividend equivalents that may be credited on such amounts in 2017 as those dividends have not yet been declared. DSUs awarded on November 30, 2016 will be credited to each director's account at the end of each financial quarter in 2017, in an amount equal to ¼ of the annual grant, or a pro rata for periods of partial service. The only condition of vesting (crediting) to each director's account is the director's continued service on the Board.

<sup>(3)</sup> Calculated based on the market price of the Shares at December 31, 2016 (\$19.64) multiplied by the total number of DSUs credited to the directors' accounts at December 31, 2016. Once DSUs are credited to a director's account, they may be redeemed only after the director ceases to be a director, in accordance with the terms of the DSU Plan, as described above under the heading *Deferred Share Unit Plan* on page 14.

<sup>(4)</sup> James D. Hill elected to receive no compensation for his role as director.

# Compensation Discussion and Analysis (“CD&A”)

The CD&A describes the compensation programs and practices applicable to Pason’s executive officers, including the process by which compensation decisions are reached by the Human Resources and Compensation Committee (the “HRC Committee”) and the Board.

The CD&A focuses on the compensation paid or payable to Pason’s Chief Executive Officer (or “CEO”), Chief Financial Officer (or “CFO”) and the next three most highly compensated executive officers (collectively, the “Named Executive Officers” or “NEOs”) for the fiscal year ended December 31, 2016. Pason’s NEOs for 2016 are as follows:

Name	Title
Marcel Kessler	President & Chief Executive Officer
Jon Faber	Chief Financial Officer
Timur Kuru <sup>(1)</sup>	VP, Operations, USA
Russell Smith	VP, Operations, Offshore & International
Kevin Boston	VP, Sales & Business Development

<sup>(1)</sup> Timur Kuru was appointed VP, Operations, USA on August 22, 2016

## Pason’s compensation approach

Pason’s compensation strategy is designed to attract, motivate and retain qualified executives to deliver on the Corporation’s business plans. Pason operates in a highly demanding, complex and competitive business environment. The Corporation’s business is capital intensive and the reward for business decisions and investments in research and development made today may not be realized for several years. Pason seeks to drive long-term Shareholder value by ensuring that the compensation strategy incorporates the following guiding principles:

<b>Shareholder Alignment</b>	Align the interests of executives with those of Shareholders by ensuring executives have a stake of Shares that is personally significant and by aligning a significant portion of variable compensation with Shareholder returns.
<b>Pay for Performance</b>	Emphasize performance-based compensation that rewards both corporate and personal performance, with a significant portion of executive pay at-risk.
<b>Competitive with Peers</b>	Provide market-competitive compensation aligned with our strategic plan to encourage both short and long-term performance that will drive Pason’s success.

## Human Resources and Compensation Committee (“HRC Committee”)

The HRC Committee assists the Board in overseeing the design and administration of Pason’s human resources and compensation policies and practices. The HRC Committee is governed by the Board so all recommendations developed by the HRC Committee must be reviewed and approved by the Board.

The specific responsibilities of the HRC Committee are outlined in its Mandate, which is available on our website at [www.pason.com](http://www.pason.com).

The primary responsibilities of the HRC Committee are as follows:

- Review Pason’s general compensation philosophy and programs for executives and employees and oversee the development and implementation of compensation programs
- Annually evaluate the performance of the CEO and recommend to the Board the total compensation of the CEO in light of such performance, along with the assessment of the other

executives and their total compensation, as recommended by the CEO

- Review and approve any equity-based compensation plans, including stock option plans and any other incentive plans involving the issue of Shares, along with the administration of such plans
- Review and make recommendations on Pason's retirement plans and any proposed amendments that materially impact costs, benefits, plan eligibility or plan establishment
- Establish stock ownership guidelines for executives and monitor compliance

## Composition of the HRC Committee

The HRC Committee currently includes T. Jay Collins, Chair of the HRC Committee, James B. Howe, and Judi M. Hess. All members of the HRC Committee are independent and have the knowledge, skills and experience necessary to effectively fulfill their duties. Additional information regarding each member's education, experience and expertise is provided under the heading, *Director Biographies*, on page 8. Additional information regarding the independent status of each Board member is provided under the heading, *Corporate Governance Disclosure*, on page 42.

## Independent compensation advisor

The HRC Committee, may, from time to time, retain an independent compensation advisor(s) to:

- Assess the design of Pason's executive compensation program and provide recommendations based on best practices in Canada and the United States
- Review the compensation and pay level of each executive officer relative to Pason's established compensation peer group
- Provide advisory services pertaining to corporate governance and compensation risk

Information provided by an independent compensation advisor is one component of the HRC Committee's deliberations regarding Pason's compensation program. The HRC Committee also takes into consideration various other factors when approving and developing compensation recommendations, including corporate performance and individual accomplishments in the performance year.

The HRC Committee pre-approves all services provided by an independent compensation advisor to ensure it remains objective and independent.

In 2016, the HRC Committee did not engage an independent compensation advisor to review or assess Pason's executive compensation program. However, Pason does continue to engage Mercer to provide insurance brokerage services, and services for Pason's health, welfare and pension benefits, as outlined in the table below:

	2016	2015 <sup>(2)</sup>
Executive compensation-related fees	-	-
Other fees <sup>(1)</sup>	\$51,578	\$89,615
Total fees	\$51,578	\$89,615

<sup>(1)</sup> Fees paid to Mercer for pension and benefits consulting.

<sup>(2)</sup> An exchange rate of 1.279 was used to convert USD to CAD in 2015.

## Compensation approval process

Each executive officer has specific performance targets and is compensated based on the achievement of corporate and individual objectives for the year. The CEO is responsible for providing compensation recommendations for the senior leadership team which is reviewed and approved by the HRC Committee.

At the end of November, the HRC Committee receives compensation recommendations from the CEO for the senior leadership team. In its compensation review, the HRC Committee considers the compensation levels for each executive to: (i) ensure consistency and appropriateness of corporate and individual performance and application of incentive awards; and (ii) assess the relative positioning of each executive

with external and internal peers. The HRC Committee will also take into consideration broader implications, such as current industry conditions, Pason's Share price performance and returns to Shareholders.

The HRC Committee may, from time to time, engage an independent advisor to conduct an executive compensation analysis to provide additional compensation information for its review, including compensation data from the Comparator Group (as defined below) and various industry compensation surveys to evaluate Pason's compensation program and benchmark total executive compensation.

The HRC Committee presents all compensation recommendations for the senior leadership team, including the CEO, to the Board for its review.

This process is summarized in the diagram below:



### Pason's compensation peer group

Pason's direct competitors are predominately subsidiaries of larger organizations, which make compensation comparisons against direct competitors and/or the oilfield services industry difficult, as there are few industry peers. However, to attract, motivate and retain the talent needed to execute the business strategy, Pason's compensation program must be competitive relative to the market.

In 2015, the HRC Committee worked with Mercer to establish a group of industry peers (the "Comparator Group") to evaluate and benchmark executive compensation. These companies were selected based on their comparability to Pason using the following metrics:

- Revenue
- Market capitalization
- Complexity of service offerings
- Enterprise value
- Geographic focus
- Capital requirements
- Length of business cycle

In 2016, the Comparator Group was comprised of thirteen (13) companies. The HRC Committee will continue to monitor the Comparator Group for future years, given the current industry and market conditions.

Pason's Comparator Group is comprised of the following companies:

Canadian Companies	US Companies
Trican Well Service (TSX: TSW)	Dril-Quip Inc. (NYSE: DRQ)
Canadian Energy Services and Technology (TSX: CEU)	Forum Energy Technologies Inc. (NYSE: FET)
Savanna Energy Services Corp. (TSX: SVY)	Helix Energy Solutions Group (NYSE: HLX)
Trinidad Drilling Ltd. (TSX: TDG)	Parker Drilling Co. (NYSE: PKD)
Calfrac Well Services Ltd (TSX: CFW)	RigNet Inc. (NASDAQ: RNET)
Ensign Energy Services (TSX: ESI)	Tesco Corp. (NASDAQ: TESO)
Precision Drilling Corp. (TSX: PD, NYSE: PDS)	

## PSU peer group

Under the PSU Plan, Pason's Total Return to Shareholder ("TRS") performance is measured against two (2) indices: the SPTTEN (S&P/TSX Capped Energy Index) and the OSX (PHLX Oilfield Services Sector Index). The SPTTEN index is comprised of forty-four (44) Canadian energy companies. The OSX index is comprised of fifteen (15) American oilfield servicing companies. Additional information regarding the Corporation's PSU Plan can be found under the heading, *Performance Share unit plan*, on page 25.

## Managing compensation risk

The HRC Committee and Board are committed to ensuring the potential risks associated with Pason's compensation program are identified and mitigated to avoid adverse effects to the Corporation.

Pason's executive compensation program is designed to ensure a significant portion of an executive's compensation is at-risk and directly tied to the Corporation's achievement of its strategic, financial and operational goals. Pason's compensation structure and mix of short and long-term rewards reinforces an appropriate level of risk taking behaviour and does not encourage sub-optimization or reward actions that could produce short-term success at the cost of longer-term sustainable Shareholder value. In addition, the Board monitors and approves all significant capital expenditures, annual operating budgets and strategic business plans. Together, the HRC Committee and Board have the discretion to make changes to executive compensation, including equity grants, non-equity grants and annual bonuses, in light of the Corporation's actual performance and individual accomplishments.

Pason's compensation program also includes other safeguards that strengthen the link between the behaviours of executive officers and interests of Shareholders, as summarized in the table below:

<b>What we do:</b>	
✓	Conduct an annual 'say on pay' vote
✓	Provide Share ownership guidelines for all executive officers
✓	Emphasize performance-based compensation
✓	Place caps on incentive compensation payments to avoid excessive payouts
✓	Use threshold performance levels so executives must deliver a minimum level of performance to receive incentive compensation payments
✓	Execute a balanced mix of short and long-term incentives
✓	Incorporate double trigger vesting provisions for cash severance upon a change of control
✓	Place limits on variable compensation to moderate volatility
<b>What we don't do:</b>	
×	No transfer of long-term incentives (except in the case of death)
×	No extensions of long-term incentives
×	No loans to purchase Shares
×	No excessive contracts, severance packages or guaranteed compensation for executive officers
×	No executive employment contracts with multi-year guaranteed pay increases, STIP awards or LTI grants

The HRC Committee reviews incentive programs on an annual basis and adjusts programs, targets and performance metrics, as necessary, to ensure executive compensation is appropriate and in-line with industry best practices. The HRC Committee may from time to time, engage a third party consultant, to assist in the analysis of Pason's executive compensation program and evaluate the potential risks associated with such programs.

The HRC Committee believes that the features of Pason's executive compensation program mitigate risk by diversifying rewards and eliminating reliance on any single performance measure to determine incentive compensation for executive officers.



**Anti-hedging**

The Corporation does not have a policy dealing with hedging or other instruments to offset changes in the market value of Shares. The Board believes that taking a speculative position against the Corporation's performance would be inappropriate and would not be tolerated. All members of management are aware of this stance.

Many Shareholders have advised management that the significant ownership stake the Chairman of the Board, James D. Hill, has in Shares should not be discouraged with any policy that would motivate him to reduce his holdings. The Shares represent a significant portion of James D. Hill's assets and preventing him from pledging some of those Shares or otherwise leveraging his ownership interests may have the effect of encouraging him to divest some of those Shares. James Hill is actively involved in a variety of philanthropic and other business activities in the community, which, from time to time, require capital that would otherwise be unavailable to him were he unable to monetize some of these Shares.

Through its ongoing oversight of the Corporation's compensation policies and involvement in the annual compensation recommendations for the CEO and executive officers, the HRC Committee and the Board have determined that there are no risks arising from Pason's compensation policies and practises that are reasonably likely to have a material adverse effect on Pason.

## Compensation Elements

Pason's total compensation package includes fixed and variable components. The components are designed to support the philosophy of pay-for-performance, with a significant portion of an executive's total compensation being variable to incentivize strong performance and create additional Shareholder value. Fixed compensation elements include base pay, benefits and a retirement savings plan. Variable at-risk elements include an annual performance bonus and medium and long-term incentive awards. The table below is a summary of the different compensation elements:

Type of Award	Form of Award	Performance Period	Payout
Base Salary	Cash	1 Year	Fixed
Short-Term Incentive <sup>(1)</sup>	Cash	1 Year	At-risk Payout is based on corporate and individual performance
Medium-Term Incentives	Performance Share Units (PSUs) <sup>(2)</sup>	3 Years	At-risk Payout is settled in cash and varies based on Pason's relative TRS performance against the Corporation's defined peer group
	Restricted Share Units (RSUs) <sup>(3)</sup>	3 Years	At-risk Payout is settled in cash and varies depending on the current market value of Pason's Share price when units vest
Long-Term Incentive	Stock Options <sup>(4)</sup>	Maximum 5 Years (1/3 vests each year over 3 years)	At-risk Payout is settled in cash and varies based on the strike price
Benefits	Life, Health, Dental	Ongoing	Benefits vary by region and employee
Retirement Savings	Cash	Ongoing	Contributions vary by region and employee

<sup>(1)</sup> This is a cash bonus program, and is further described below under the heading, *Variable compensation*, on page 23.

<sup>(2)</sup> In 2014, Pason adopted a PSU Plan for its NEOs and certain executives; the PSU Plan for the most part, replaced the RSU Plan and as a result, most participants of the PSU Plan are no longer eligible to receive new grants under the RSU Plan. RSUs continue to be granted to other employees, as described under the heading, *Restricted Share unit plan*, on page 24. The PSU Plan is further described under the heading, *Performance Share unit plan*, on page 25.

<sup>(3)</sup> The current market value for an RSU is defined as the weighted average trading price of the Shares for the last five trading days on the Toronto Stock Exchange or TSX, up to and including the closing market price on the maturity date.

<sup>(4)</sup> For stock options, the strike price is defined as the higher of (i) the weighted average trading price of the Shares for the last five trading days on the TSX, up to and including the closing market price, or (ii) the closing price of Pason's Shares, at the grant date.

## Fixed compensation

### Base salary

Base salary reflects the scope, responsibility, accountability, and complexity of an executive's role. Annual base salary adjustments are normally effective January 1 of each year. Adjustments may be awarded based on a combination of:

- Pason's financial performance and ability to pay
- An individual's performance
- Significant changes to an individual's duties and responsibilities
- Competition within the market where the Corporation competes for talent

Additional information regarding NEO salaries can be found under the heading, *Summary compensation table*, starting on page 34.

## Variable compensation

### *Executive short-term incentive plan (“STIP”)*

All NEOs and certain executive officers (“Executive Participants”) participate in a cash-based STIP. The STIP was introduced in 2014 and is aligned with the Corporation’s compensation philosophy to decrease the portion of total compensation delivered through long-term incentives and increase the portion of total compensation delivered through a cash-bonus STIP.

STIP targets are expressed as a percentage of base salary, as summarized in the table below:

Position	Target STIP
President & Chief Executive Officer	100%
Chief Financial Officer	75%
Vice President	40% to 60%

The HRC Committee approves STIP targets for Executive Participants, taking into account a role’s responsibilities and business impact, in addition to benchmark data of the Comparator Group. Pason believes that the percentage allocation between corporate and individual performance is appropriate in promoting a team approach and collaborative culture, while also recognizing individual contributions. The STIP supports Pason’s pay-for-performance philosophy.

The table below summarizes the performance weightings used to calculate STIP payments:

Position	Corporate Performance	Individual Performance
President & Chief Executive Officer	100%	--
Executive Participants	70%	30%

### Individual Performance Components

Individual performance measures an Executive Participant’s contributions, based on role-specific objectives set forth at the beginning of the performance year. Corporate performance components are summarized in the table below:

Corporate Performance Components	
Financial Metrics	
Normalized pre-tax income <sup>(1)</sup>	Calculated by taking net income and adding back income tax, stock-based compensation, foreign exchange gains/losses, gains/losses on disposal of assets and one-time items (at the discretion of the HRC Committee)
Return on invested capital <sup>(1),(2)</sup>	Calculated by taking normalized net income plus after-tax interest expense, divided by average invested capital (Shareholders’ equity plus interest-bearing debt less cash and cash equivalents)
Operational Metrics	
Strategic initiatives	Essential to support future growth
Employee retention	Essential to maintain a high level of customer service
Safety performance	Essential to operations to keep employees safe

<sup>(1)</sup> This measure is not recognized under International Financial Reporting Standards.

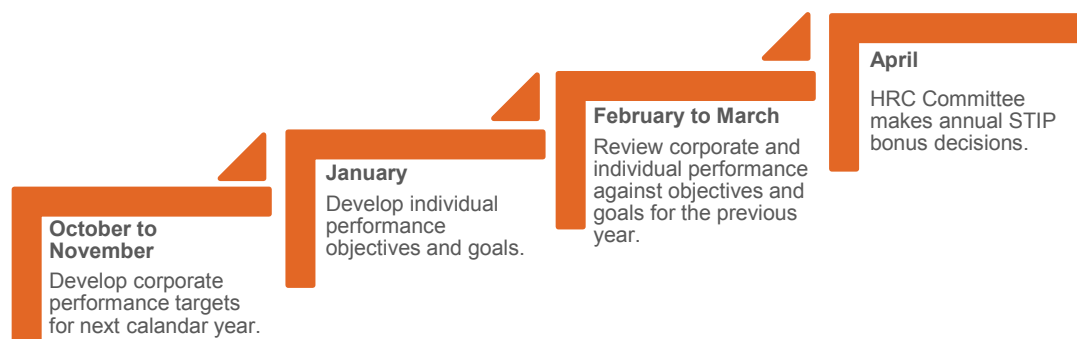
<sup>(2)</sup> Normalized net income is defined as net income adjusted for the tax affected amounts relating to foreign exchange gains/losses, losses (gains) on disposal of assets, stock-based compensation and one-time items (at the discretion of the HRC Committee). Average invested capital is calculated using balances at the start of the year and the end of each quarter.

STIP payments are derived from the following equation:

$$\boxed{\text{Base Salary (\$)}} \times \boxed{\text{STIP Target (\%)}} \times \boxed{\text{STIP Performance (0\% to 200\% of Target)}} = \boxed{\text{STIP Award (\$)}}$$

STIP payments are made at or before the end of the first quarter, following the respective performance year, subject to review and approval of Pason's year-end audited financial statements by the Board.

The annual STIP cash bonus process and cycle can be illustrated as follows:



### **Annual discretionary cash bonus**

All employees, with the exception of Executive Participants, are eligible for an annual discretionary cash bonus. The annual discretionary cash bonus aligns a component of an employee's total compensation with the Corporation's financial and operational success, while also taking into consideration an individual's contributions for the performance year. Each employee has a cash bonus target, which is expressed as a percentage of base salary. Targets vary by level within the Corporation, with senior level positions having proportionately more pay at-risk. This program is designed to ensure cash bonuses are only paid out in times when financial performance warrants, given the volatility and nature of the industry.

For the 2016 performance year, given the challenging industry conditions and Pason's financial performance, no STIP awards or discretionary bonus payments were granted in 2016, as was the case in 2015.

### **Medium-term incentives**

#### **Restricted Share unit plan**

The RSU Plan was adopted by the Corporation in 2008 to promote a greater alignment of interests between designated participants and Shareholders by providing remuneration based on the market value of Shares. It is a cash-based plan under which no Shares are issued. The HRC Committee may recommend RSUs be granted to employees of the Corporation and to other persons, if approved by the HRC Committee in advance. RSUs are awarded annually, normally in November of each year (the "Award Date"), and from time to time, during each year. RSUs mature over three years and one-third of the Shares are paid out on each of the first, second, and third anniversaries (the "Maturity Date") of the Award Date. On the applicable Maturity Date, the number of RSUs maturing will become payable to each participant, in cash. The amount payable is determined by multiplying the number of RSUs by the current market value of Shares on the applicable Maturity Date. The current market value is defined as the weighted average trading price of Shares for the last five trading days on the Toronto Stock Exchange, up to and including the closing market price on the Maturity Date.

In the event of a change of control, all participants would be entitled to accelerated maturity of all unmaturing RSUs.

In 2014, Pason replaced the RSU Plan for the majority of Executive Participants with the PSU Plan. All RSUs previously granted to Executive Participants will continue to mature in accordance with the terms of the RSU Plan. Pason continues to use RSU grants as a medium-term incentive for all other eligible positions across Pason, as discussed below, and Executive Participants of the PSU Plan.

**Performance Share unit plan**

The PSU Plan was implemented in 2014 and is consistent with Pason’s pay-for-performance philosophy. The PSU Plan provides incentive for Executive Participants to drive superior long-term performance without diluting Shareholder value and directly aligns a significant portion of executive compensation to Pason’s Total Return to Shareholders (“TRS”) over a multi-year period with the exception of one NEO. Executive Participants are no longer eligible to receive RSU grants; however, all previously granted RSUs will continue to mature in normal course.

PSU awards are based on a target value as a percentage of base salary, which is as follows:

Position	Target PSU Award <sup>(1)</sup>
President & Chief Executive Officer	100%
Chief Financial Officer	100%
Vice President	85% to 100%

<sup>(1)</sup> The HRC Committee may determine the grant value or number of PSUs at its sole discretion, which may include taking factors into consideration such as compensation data from comparable benchmark positions against Pason’s Comparator Group; duties and seniority of the executive; individual and/or departmental contributions and potential contributions to the overall success of Pason; and such other factors as the HRC Committee shall deem relevant in determining the grant value or number of PSUs to be awarded.

Executive participants are entitled to an annual grant of PSU units; the number of PSUs granted will be determined by the following formula:

$$\boxed{\text{Base Salary (\$)}} \times \boxed{\text{PSU Target (\%)}} / \boxed{\text{\$1.00}} = \boxed{\text{Number of Units Granted}}$$

The following metrics are used in the PSU Plan to calculate payouts:

<b>Total Return to Shareholders (TRS)</b>	The percentage change in the volume-weighted average market price of PSI (“Average PSI”) in Year X compared to the Average PSI in Year 0.
<b>Indices</b>	The “SPTTEN Return” is the percentage change in the average market price of the SPTTEN (S&P/TSX Capped Energy Index) (the “Average SPPTEN”) in Year X compared to the Average SPTTEN in Year 0. The “OSX Return” is the percentage change in the average market price of the OSX (PHLX Oilfield Services Sector Index) (the “Average OSX”) in Year X compared to the Average OSX in Year 0
<b>Index Return (IR)</b>	The simple average of the SPTTEN Return and the OSX Return
<b>Relative Return (RR)</b>	RR is calculated by subtracting the IR from the TRS

<sup>(1)</sup> Year X is equal to the 12-month historical period of time immediately preceding relevant annual payout date.

<sup>(2)</sup> Year 0 is equal to the 12-month historical period of time immediately preceding the day that is exactly one, two or three years before the annual payout date.

If TRS performs in parallel with the Index Return, the Relative Return metric would equal zero. If TRS outperforms the Index Return the Relative Return metric will be positive, and if TRS underperforms the Index Return, the Relative Return metric would be negative.

If TRS performs in parallel with the Index Return, for example, when the Relative Return metric equals zero, the payout would equal the target percentage of a participant’s base salary (identified in the figure above).

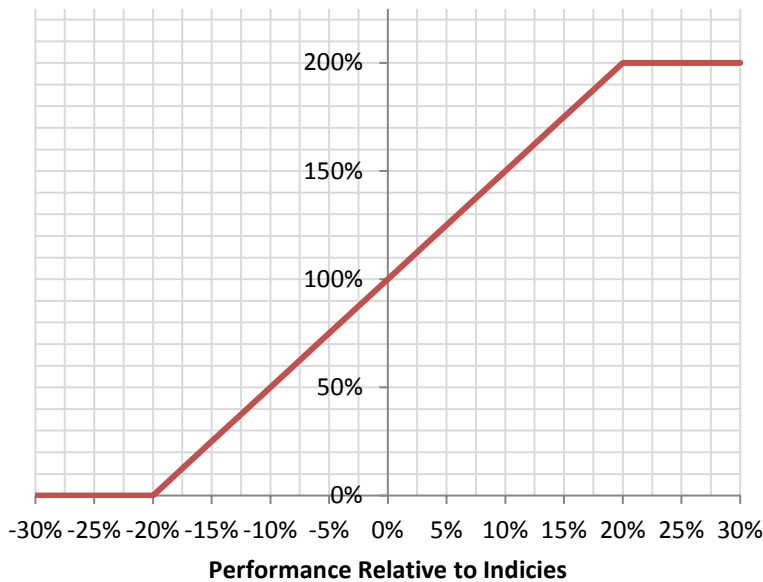
If outperformance is achieved, the payout would increase in a linear fashion up to a maximum of 200% of a participant's Target PSU Payouts, reached at a relative outperformance of +20%. If underperformance

occurs, the payout would decrease in a linear fashion to a zero dollar payout at a relative underperformance of -20%.

The payout for relative performance between -20% and +20% is determined as follows:

Number of Vested PSUs	X	[1 + 5 x RR]	X	\$1.00	=	PSU Payout (\$)
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## PSU Performance Multiplier



<sup>(1)</sup> "5" is equal to the slope of the performance multiplier, as indicated in the vertical axis in the chart.

PSUs are paid over three years (one-third each year) in cash on the first, second and third anniversaries of their grant, which will normally be at the end of November of each year.

### Long-term incentives

The long-term incentive plan gives executives and eligible employees (restricted to select positions which typically include executives, senior managers, or top individual contributors) the opportunity to receive stock options each year. The number of stock options awarded is based on individual performance, the level of impact of the position within the Corporation, and overall market competitiveness.

### **Stock option plan**

In 1996, the Board and Shareholders approved and adopted Pason's first incentive stock option plan. On October 23, 2008, the Shareholders approved the cancellation of that incentive stock option plan and replaced it with the Existing Stock Option Plan. The Existing Stock Option Plan was re-approved by Shareholders on May 8, 2012, as required by the TSX. On February 26, 2015, Shareholders approved the Amended and Restated Stock Option Plan.

The purpose of the Amended and Restated Stock Option Plan is to encourage officers and employees of the Corporation to obtain a proprietary interest in the Corporation by permitting them to purchase Shares, thereby encouraging them to remain employed by Pason and creating an additional incentive in their efforts on behalf of Pason.

The total number of Shares issuable under the Amended and Restated Stock Option Plan may not exceed 7% of the Corporation's issued and outstanding Shares on a non-diluted basis. However, as discussed in the paragraph below, the potential dilution rate since 2012 has been between 5% and 6%.

The following table shows the historical rate of dilution of the Corporation's float that would be caused by the exercise of all stock options outstanding during the year indicated.

	<b>Dec 12</b>	<b>Dec 13</b>	<b>Dec 14</b>	<b>Dec 15</b>	<b>Dec 16</b>
Shares outstanding, end of period (# in 000's)	82,049	82,158	83,363	84,063	84,628
Options outstanding, end of period (# in 000's)	4,854	4,597	4,492	4,862	5,075
Options outstanding as a % of Shares	5.92	5.60	5.39	5.78	6.00

As at March 17, 2017, there were 84,671,652 Shares outstanding and 4,908,368 options to purchase Shares (equal to 5.8% of the outstanding Shares) outstanding. Pursuant to the Amended and Restated Stock Option Plan, the maximum percentage of Shares issuable is limited to 7% of issued and outstanding Shares. As a result, Pason had 1,018,648 options available for grant.

In 2016, 27% of new stock options issued were awarded to NEOs, and the remaining 73% of new stock options issued were awarded to other eligible employees.

The following table sets out the grant rate of stock options and the year-end dilution level of those options for the past two years:

<b>Year</b>	<b>Stock Options Grant Rate<sup>(1)</sup></b>	<b>Year-End Dilution Level of Stock Options as a Percentage of Shares Outstanding<sup>(2)</sup></b>
<b>2016</b>	1.8%	0.6%
<b>2015</b>	1.7%	1.2%

<sup>(1)</sup> Stock Options Grant Rate is calculated by dividing the total number of options granted per year by the total outstanding Shares at year end.

<sup>(2)</sup> Year-End Dilution Level of Stock Options as Percentage of Shares Outstanding is calculated by dividing the dilution level of stock options in-the-money by the total outstanding Shares at year end.



## Equity compensation plan information

The following table contains information in respect of the Corporation's *Amended and Restated Stock Option Plan* on page 27, that being the only compensation plan under which equity securities of the Corporation are authorized for issuance. The information contained in the table is at December 31, 2016.

Plan Category	Number of Shares to be Issued Upon Exercise of Outstanding Options	Weighted-Average Exercise Price of Outstanding Options	Number of Shares Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in first Column)
Equity compensation plans approved by Shareholders	5,074,664	\$20.53	849,272
Equity compensation plans not approved by Shareholders	-	-	-
Total	5,074,664	\$20.53	849,272

Under the Amended and Restated Stock Option Plan, no participant may, at any time, hold options of more than 5% of the issued and outstanding Shares of the Corporation. Also, no insider may, at any time, hold options or other rights that could result in the issuance, in any 12-month period, of a number of Shares exceeding 5% of the Corporation's then issued and outstanding Shares. The total number of Shares subject to options issued to insiders within any one year period or issuable to insiders at any time, when combined with any and all other equity-based incentive plans of the Corporation pursuant to which Shares may be issued, may not exceed 7% of the total issued and outstanding Shares. The benefits, rights, and options under the Amended and Restated Stock Option Plan are not transferable or assignable, other than for normal estate settlement purposes.

Stock options are granted annually, normally in November of each year, and from time to time during the year as is necessary and appropriate. Eligibility for annual grants is dependent on employee performance and potential long-term contribution to, and impact on, the Corporation. Officers and employees of the Corporation or any of its subsidiaries or affiliates are entitled to participate in the Amended and Restated Stock Option Plan. Non-employee directors are not eligible to participate and the Board may not amend the plan to allow their participation without Shareholder approval.

The exercise price for options is set by the Board at the time such options are granted (the "Grant Date"), and cannot be less than the closing market price of Shares listed on the stock exchange on the last trading day before the Grant Date. Options normally vest in equal amounts over three years; however, the Board has the authority to determine other vesting timeframes and restrictions at the time such options are granted. The Board also sets the expiration time by which options may be exercised, which must be less than ten years or a shorter period if prescribed by the stock exchange. All options that have been granted since 2008 expire five years from their Grant Date. If any stock options expire during a trading blackout period, the expiration date is extended by ten days for any option holders subject to that trading blackout period.

If an option holder's employment is terminated for any reason other than death or permanent disability, the participant must exercise his or her options by the earlier of 90 days from that termination date or the option expiry date. In the event of an option holder's death or termination as a result of permanent disability, the time to exercise the stock options that had vested as of the date of death or termination is extended to 12 months, and unvested options vest on a pro-rata basis.

Under the terms of the Amended and Restated Stock Option Plan, in the event of a change of control, all unvested stock options would immediately vest.

The Board has full authority to administer the Amended and Restated Stock Option Plan, including the power to suspend or terminate it. The Board also has authority to amend or revise its terms, subject to any required Shareholder approval, provided such amendment or revision neither requires approval of a regulatory authority or stock exchange having jurisdiction over the Shares nor has an effect on the beneficial rights of option holders.

The Board may not, without Shareholder approval, amend or revise the plan or any option granted under the plan that has the effect of:

- Increasing the number of Shares reserved for issuance
- Reducing the exercise price of an option or cancelling and reissuing an option
- Extending the option period beyond its original expiration date
- Allowing non-employee directors to participate
- Permitting the transfer or assignment of options, other than for normal estate settlement purposes
- Amending the amendment provisions of the plan

Under the terms of the Amended and Restated Stock Option Plan, the Board may, without Shareholder approval, effect the following changes to the plan or to any option issued thereunder:

- Modify a provision of the Amended and Restated Stock Option Plan, which is required to comply with applicable laws or any regulatory authority or stock exchange having jurisdiction over the Shares
- A modification that extends or accelerates the terms of vesting applicable to any option
- A modification, the object of which is to correct any provision that is inapplicable or ambiguous or is an error or omission, and make amendments of a “housekeeping” nature
- A modification that amends or modifies the mechanics of exercise of an option

No financial assistance by the Corporation is provided to grantees of options under the Amended and Restated Stock Option Plan.

### **Benefits and Perquisites**

Pason provides a market competitive employment benefits program to eligible employees, including NEOs, which may include life insurance, medical, dental, short and long-term disability programs, emergency travel assistance and retirement savings plans. The program differs in the geographic areas where the Corporation operates, based on competitive local practices. Eligible employees participate in the plan(s) appropriate to their country of residence and their employment status with the Corporation.

Pason offers retirement savings plans to eligible employees, including executives, in both Canada and the United States. In Canada, the Corporation makes a matching contribution through a group registered retirement savings plan on behalf of each participating employee, up to a maximum of 5% of annual base salary, provided such annual contributions are within the limits prescribed by the *Income Tax Act* (Canada). For employees in the United States, a fixed contribution is made to a 401(K) Safe Harbor Plan at a rate of 3% of annual base salary on behalf of each employee, provided such contributions are within the limits prescribed by the Internal Revenue Code (USA).

The Corporation does not provide executives with a company vehicle or vehicle allowances, or other such perquisites. The value of the benefit arrangements outlined above provide additional compensation to the Corporation’s NEOs that are competitive with those provided in the industry and are not in aggregate more than \$50,000 or 10% of the executive’s annual total compensation for the financial year and, as such, is included in the table provided under the heading, *Summary Compensation Table*, on page 34.

### Executive management Share ownership guidelines

The Board believes that NEOs and certain executives should have and maintain a significant stake in the Corporation during their employment to align their interests and actions with the interests of Shareholders. The Executive Management Share Ownership Guidelines provide that:

- The Chief Executive Officer must own Shares equal to three times base salary
- The Chief Financial Officer must own Shares equal to two times base salary
- Vice Presidents must own Shares equal to one times base salary

The required level of Share ownership must be held by the executive while employed by the Corporation. Each covered executive has eight years from the date of appointment to the applicable executive position to attain the required level of Share ownership. The Board decided to extend the period from five years to eight years given the challenging market conditions.

Pursuant to the Executive Management Share Ownership Guidelines approved by the Board, if a covered executive does not meet or maintain their targeted Share level, the Corporate Governance and Nomination Committee of the Board may require that the executive purchase Shares using up to 50% of payments made to such executive under the RSU Plan, PSU Plan, or STIP (cash bonus) by purchasing such Shares on the open market.

The following table shows the target Share ownership guidelines of each NEO, along with the value of their holdings and corresponding progress towards the requirement, as at March 17, 2017.

Name	Initial Start Date	Value of Target Holding Requirement	Value of Stock Owned	Progress Towards Holding Requirement <sup>(1)</sup>
Marcel Kessler, President & CEO	Nov 7, 2011	\$1,575,000	\$652,834	41%
Jon Faber, CFO	Mar 1, 2014	\$630,000	\$127,944	20%
Timur Kuru, VP, Operations, USA	Aug 22, 2016	\$530,240	\$515,330	97%
Russell Smith, VP, Operations, Offshore & International	Jul 19, 2010	\$314,830	\$191,738	61%
Kevin Boston, VP, Sales & Business Development	Sep 13, 2010	\$260,976	\$115,505	44%

## 2016 Compensation of Named Executive Officers

The total direct compensation mix for the President & Chief Executive Officer and other NEOs consists of base salary, STIP, as well as medium and long-term incentives, comprised of PSUs and stock options respectively. In 2015 and 2016, no bonuses under the executive STIP were awarded as a result of market conditions and Pason's financial performance.

The total direct compensation paid and awarded to Pason's President & Chief Executive Officer and to the other NEOs aligns and reflects Pason's compensation strategy, as outlined in the section titled, *Compensation Discussion and Analysis (CD&A)* on page 17.

### Performance analysis

Pason's mission is to deliver technology and services that improve the effectiveness, efficiency, and safety of drilling operations worldwide. The deployment of simple-to-use, tough, and innovative technologies supported by an unrivalled service organisation, has enabled Pason to create a dominant Canadian market presence, a leading position in the United States, and a solid presence internationally, in Australia, Mexico, and South America, with a growing customer base in the Middle East.

Pason is pursuing a balanced value strategy intended to defend the Corporation's leading market positions, steadily grow revenue per rig in the North American rental market, increase revenue independent of North American land drilling activity, and continue to deliver consistent dividend growth for Shareholders while maintaining a strong balance sheet. In addition, Pason is leveraging its unique product platform and distinctive technical capabilities to become a key enabler for drilling automation and big data strategies.

Under the leadership of Marcel Kessler, President & Chief Executive Officer, Pason was able to successfully navigate a very challenging industry downturn.

- Defended market share in all key markets with minimal price concessions
- Achieved \$100 million in annual run-rate cost savings
- Generated positive free cash flow (before the dividend)
- Maintained the attractive dividend for Shareholders
- Protected the balance sheet – no debt and \$146 million in cash at year end
- Acquired important new customers
- Gained market acceptance of several new products
- Made a small acquisition in the analytics space
- Demonstrated strong safety performance across all geographies

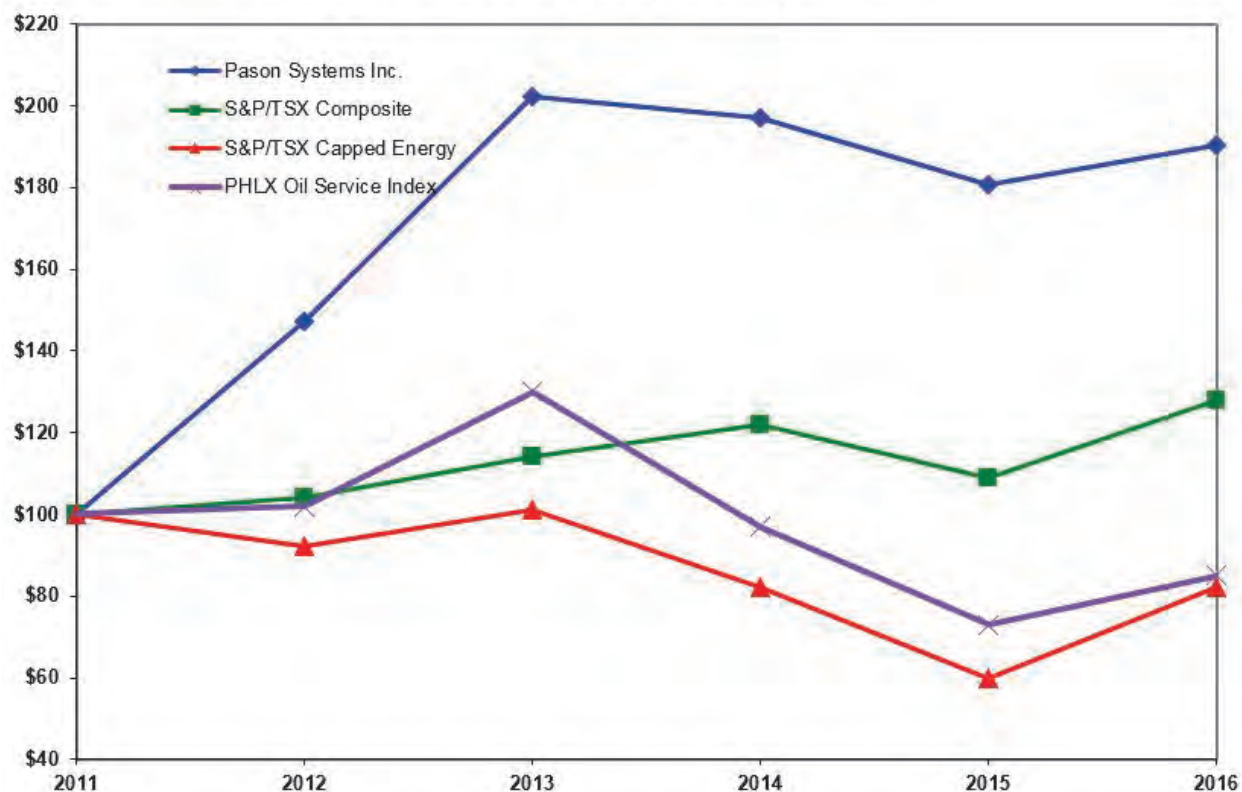
The compensation received by the President & Chief Executive Officer and executive management was, in the opinion of the HRC Committee and the Board, aligned with Shareholder returns and corporate achievements in 2016.

### Performance graph

The following performance graph illustrates over a five-year period the cumulative return to Shareholders of an investment in Shares compared with the cumulative total Shareholder return on the TSX Composite Index, the TSX Capped Energy Index and the PHLX Oil Service Sector Index (the latter two being those indices used by the Corporation to measure relative returns under the PSU Plan). The graph assumes the

reinvestment of dividends, and the returns are measured using the closing price of the Shares of the Corporation as at December 31 of the year indicated.

### Five-year Total Return on \$100 Investment



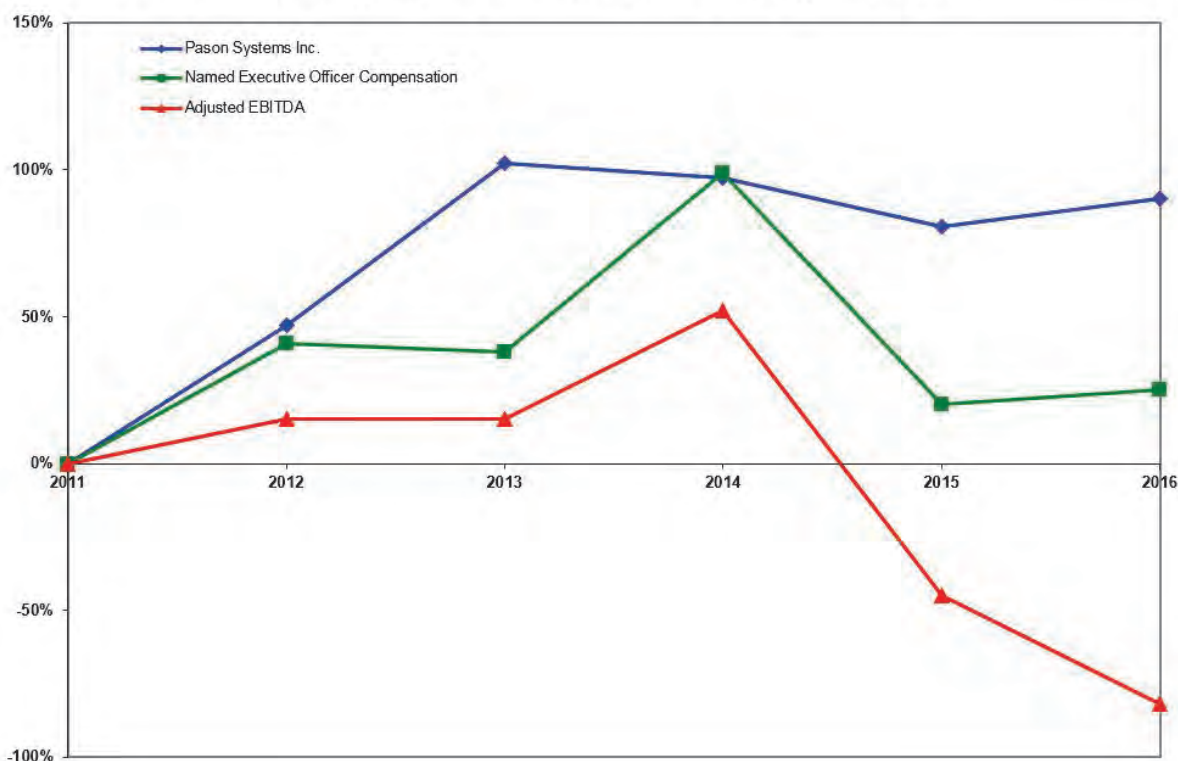
Index	Dec 11	Dec 12	Dec 13	Dec 14	Dec 15	Dec 16
	(%)	(%)	(%)	(%)	(%)	(%)
Pason Systems Inc.	100	147	202	197	181	190
S&P/TSX Composite	100	104	114	122	109	128
S&P/TSX Capped Energy	100	92	101	82	60	82
PHLX Oil Services Sector	100	102	130	97	73	85

The HRC Committee and the Board believe that compensation of the President & Chief Executive Officer and executive management is aligned with Shareholder returns on their investment, as demonstrated by Pason's performance relative to the indexes as shown in the above graph.

## Compensation Compared with the Shareholder Return and Adjusted EBITDA

The following graph illustrates the total compensation of the NEO compared to the cumulative return to Shareholders of an investment in the Shares (“Returns to Shareholders”) and the Adjusted EBITDA of the Corporation (a non-IFRS measure) over a five-year period. The graph assumes the reinvestment of dividends, and the returns are measured using the closing price of the Shares as at December 31 of the year indicated, and the Corporation’s Adjusted EBITDA, which is defined for these purposes as earnings before interest, taxes, depreciation and amortization, stock-based compensation, gain on sale of investments, impairment losses, litigation, earn-out provisions, foreign exchange, and restructuring costs. Adjusted EBITDA adds back impairment losses, litigation, earn-out provisions, foreign exchange, and restructuring costs whereas EBITDA as defined in the 2016 annual financial statements does not. The Corporation uses Adjusted EBITDA in this comparison graph, which is different from that which is disclosed in the Corporation’s financial statements, to gauge total returns comparatively because it provides an indication of the results generated by the Corporation’s principal business activities prior to provisions and impairment losses that are not considered to be part of day-to-day operations.

Compensation compared with Shareholder Return and Adjusted EBITDA



Index	Dec 11	Dec 12	Dec 13	Dec 14	Dec 15	Dec 16
	%	%	%	%	%	%
Pason Systems Inc.	0	47	102	97	81	90
NEO Compensation <sup>(1)</sup>	0	41	38	99	20	25
Adjusted EBITDA <sup>(2)</sup>	0	15	15	52	(45)	(82)

<sup>(1)</sup> 2012 NEO Compensation includes a one-time severance settlement paid to Bob Rodda upon his retirement on December 31, 2012. 2014 NEO Compensation includes total compensation paid to both David Elliott and Jon Faber, who both acted in the role of CFO during 2014 and their total compensation is therefore required to be disclosed in this Information Circular (increasing the number of NEOs for 2014 from five to six for disclosure purposes).

<sup>(2)</sup> Adjusted EBITDA is a non-IFRS measure.



## Summary Compensation Table

The table below sets out the compensation paid and awarded to the NEOs in 2014, 2015 and 2016.

Name and Principal Position	Year	Salary	Share-Based RSUs <sup>(1)</sup>	Option-Based Awards <sup>(2)</sup>	Non-Equity Incentive Plan Compensation		All Other Compensation <sup>(3)</sup>	Total Compensation
					Annual Incentive Plans <sup>(4)</sup>	PSUs <sup>(5)</sup>		
Marcel Kessler, President & CEO <sup>(6)</sup>	2016	\$525,000	-	\$432,228	-	\$600,000	\$17,500	\$1,574,728
	2015	\$525,000	-	\$345,000	-	\$675,000	\$12,465	\$1,557,465
	2014	\$500,000	-	\$394,000	\$650,000	\$675,000	\$12,135	\$2,231,135
Jon Faber, CFO <sup>(7)</sup>	2016	\$315,000	-	\$216,114	-	\$315,000	\$9,450	\$855,564
	2015	\$315,000	-	\$207,000	-	\$315,000	\$9,450	\$846,450
	2014	\$250,000	\$335,520	\$510,000	\$229,167	\$300,000	\$30,600 <sup>(8)</sup>	\$1,655,287
Timur Kuru VP, Operations, USA <sup>(9)</sup>	2016	\$132,560	\$235,680	\$288,152	-	\$400,000	\$4,359	\$1,060,751
	2015	-	-	-	-	-	-	-
	2014	-	-	-	-	-	-	-
Russell Smith, VP, International Operations <sup>(9)</sup>	2016	\$314,830	-	\$123,905	-	\$200,000	\$9,445	\$648,180
	2015	\$303,712	-	\$148,350	-	\$279,500	\$9,462	\$741,024
	2014	\$255,300	-	\$208,820	\$149,850	\$255,000	\$7,659	\$876,629
Kevin Boston, VP, Corporate Development <sup>(9)</sup>	2016	\$260,976	-	\$138,313	-	\$240,000	\$7,829	\$647,118
	2015	\$278,136	-	\$148,350	-	\$260,000	\$8,664	\$695,150
	2014	\$233,100	-	\$169,420	\$138,750	\$225,000	\$6,993	\$773,263

<sup>(1)</sup> RSU awards disclosed above reflect the value of the RSUs awarded in the year specified, calculated by multiplying the number of RSUs granted by the market value of the Shares on grant date. RSU holders receive a cash payment on the applicable date of maturity calculated by multiplying the number of outstanding RSUs by the market value of the Shares on the maturity date. The market value is defined as the weighted average trading price of the Shares for the last five trading days on the TSX, up to and including the closing market price on the maturity date. NEOs and certain executives transitioned from receiving RSUs as their medium-term incentive to receiving PSUs in 2014.

<sup>(2)</sup> Stock option awards disclosed above reflect the estimated value of the award on the grant date specified using the Black-Scholes valuation method, used by the Corporation which is a commonly accepted valuation method to account for option-based awards.

<sup>(3)</sup> Unless otherwise noted, amounts disclosed in the All Other Compensation column represent the value of contributions the Corporation made to the NEOs' retirement savings plan. The Corporation implemented retirement savings programs in 2013. The program is available to eligible employees in Canada and the United States. Pursuant to the retirement savings programs, as described on page 29 under the heading *Benefits and Perquisites*, the Corporation provides a matching contribution of up to 5% of the annual base salary of Canadian employees who contribute to a plan (percentage is based on years of service, 5% being the top end), and will make a fixed contribution at a rate of 3% of the annual base salary of United States employees to a 401(k) Safe Harbor Plan.

<sup>(4)</sup> STIP (cash bonus) compensation disclosed above represents a cash bonus award to each of the NEOs based on individual and corporate performance during the year awarded, as further described under the heading *Medium term incentives* on page 24. In 2016 and 2015, given the economic climate, the Corporation determined a STIP award would not be made for the financial year. Awards earned for a financial year will be paid in the following year so that the awards take into account final and approved, financial results, as opposed to projected financial results which was the Corporation's practice prior to 2014. Awards disclosed for 2014 were made pursuant to the STIP, and were paid partially in 2014 and partially in 2015, after the audited financial statements for 2014 were approved by the Board.

<sup>(5)</sup> The amounts disclosed above for PSU awards reflect the target amounts payable to each NEO under the PSU plan and do not take the performance conditions into account because such conditions are measured over a multi-year horizon. The unvested value of PSU's, calculated based upon the relevant performance multiplier as at December 31, 2016, is disclosed in the next table, titled *Incentive Plan Awards*. Actual amounts paid will vary depending on whether the performance conditions described under the heading *Performance Share unit plan* on page 25 are achieved. Each PSU vests evenly on the first, second and third anniversaries of their grant date. Once the PSUs vest, the amounts payable in respect of each PSU (if any) are immediately paid out in cash.

<sup>(6)</sup> Marcel Kessler does not receive additional compensation for his services as a director. He is paid only as an executive of the Corporation.

<sup>(7)</sup> In 2014, Jon Faber received an initial grant of RSUs and stock options commensurate with his March 1 employment start date, as well as additional stock options at the end of 2014 consistent with the Corporation's annual compensation cycle. In the third quarter of 2014, the Corporation had adopted the PSU Plan, which replaced RSU grants to most NEOs.

<sup>(8)</sup> Prior to his employment start date of March 1, 2014, Jon Faber provided consulting services to Pason and received consulting fees for that work on a day-rate basis.

<sup>(9)</sup> Timur Kuru, Russell Smith, and Kevin Boston are paid in US dollars. Disclosed compensation has been converted from USD at 1.325 in 2016, 1.279 in 2015; and 1.105 in 2014.



# Incentive Plan Awards

## Outstanding Share-based awards and option-based awards

The following table summarizes each NEO's stock options, RSUs and PSUs outstanding at December 31, 2016. The five NEOs held 1,224,000 (24%) of the 5,074,664 stock options issued and outstanding as at December 31, 2016.

Name	Option-Based Awards <sup>(1)</sup>				Share-Based Awards			
	Number of Shares Underlying Unexercised Options	Option Exercise Price	Option Expiration Date	Value of Unexercised In-The-Money Options <sup>(4)</sup>	RSUs <sup>(2)</sup>		PSUs <sup>(3)</sup>	
					Number of RSUs That Have Not Vested	Market Value of RSUs That Have Not Vested <sup>(5)</sup>	Number of PSUs That Have Not Vested <sup>(6)</sup>	Market Value of PSUs That Have Not Vested <sup>(7)</sup>
Marcel Kessler, President & CEO	150,000	\$15.94	Nov 30, 2021	-	-	-	-	-
	100,000	\$20.62	Nov 30, 2020	-	-	-	-	-
	100,000	\$26.68	Nov 30, 2019	-	-	-	600,000	\$600,000
	80,000	\$22.95	Nov 30, 2018	-	-	-	450,000	\$419,284
	-	-	Nov 30, 2017	-	-	-	225,000	\$233,226
Jon Faber <sup>(8)</sup> , CFO	75,000	\$15.94	Nov 30, 2021	-	-	-	-	-
	60,000	\$20.62	Nov 30, 2020	-	-	-	-	-
	60,000	\$26.68	Nov 30, 2019	-	-	-	-	-
	60,000	\$27.96	Mar 31, 2019	-	-	-	315,000	\$315,000
	-	-	Nov 30, 2018	-	-	-	210,000	\$195,666
	-	-	Nov 30, 2017	-	-	-	100,000	\$103,656
	-	-	Mar 31, 2017	-	4,000	\$78,650	-	-
Timur Kuru, VP, Operations, USA	100,000	\$15.94	Nov 30, 2021	-	-	-	-	-
	-	-	Nov 30, 2019	-	12,000	\$235,680	400,000	\$400,000
Russell Smith, VP, Operations, Offshore & International	43,000	\$15.94	Nov 30, 2021	-	-	-	-	-
	43,000	\$20.62	Nov 30, 2020	-	-	-	-	-
	53,000	\$26.68	Nov 30, 2019	-	-	-	200,000	\$200,000
	55,000	\$22.95	Nov 30, 2018	-	-	-	186,333	\$173,615
	50,000	\$16.67	Nov 30, 2017	\$148,500	-	-	85,000	\$88,108
Kevin Boston VP, Sales & Business Development	48,000	\$15.94	Nov 30, 2021	-	-	-	-	-
	43,000	\$20.62	Nov 30, 2020	-	-	-	-	-
	43,000	\$26.68	Nov 30, 2019	-	-	-	240,000	\$240,000
	40,000	\$22.95	Nov 30, 2018	-	-	-	173,333	\$161,502
	21,000	\$16.67	Nov 30, 2017	\$62,370	-	-	75,000	\$77,742

(1) Represents all unexercised stock options. See page 27 under the heading *Stock option plan* for more information about Pason's stock option plan.

(2) Represents all unexpired RSUs. See page 24 under the heading *Medium-term incentives* for more information about Pason's RSU plan.

(3) Represents all unexpired PSUs. See page 25 under the heading *Performance Share unit plan* for more information about Pason's PSU plan. NEOs and certain executives transitioned from receiving RSUs as their medium-term incentive to receiving PSUs in 2014.

(4) Calculated based on the difference between the market price of the Shares at December 31, 2016 (\$19.64), and the exercise price of the stock options for any in-the-money options.

(5) Calculated by multiplying the number of unexpired RSUs by the market price of the Shares of \$19.64 at December 31, 2016. Once RSUs vest on the first, second and third anniversaries of their grant date, they are immediately paid out.

(6) As described above under the heading *Medium-term incentives* on page 24, each PSU has a notional target value of \$1.00. The number of PSUs does not correspond to the price of Shares.

- (7) The amounts disclosed above for PSU's that were granted in November of 2016 reflect the target amounts payable to each NEO under the PSU Plan and do not take the performance conditions into account because such conditions are measured over a multi-year horizon and as at December 31, 2016, only one month of performance could be measured. The amounts disclosed above for the unvested PSU's granted in November of 2014 and November 2015 are measured at the actual PSU performance multiplier as at December 31, 2016. Once PSUs vest (on the first, second and third anniversaries of their grant date) they are immediately paid out.
- (8) In 2014, Jon Faber received an initial grant of RSUs and stock options commensurate with his March 1 employment start date, as well as additional stock options at the end of 2014 consistent with the Corporation's annual compensation cycle. In the later half of 2014, the Corporation had adopted the PSU Plan, which replaced RSU grants to most NEOs.

## Incentive Plan Awards – Value Vested or Earned During the Year

The following table summarizes the value that would have been realized if the stock options granted to each of the NEOs had been exercised on the vesting date in 2016 and the value realized from RSUs and PSUs that vested during 2016.

Name	Option-Based Awards - Value Vested During the Year <sup>(1)</sup>	Share-Based Awards - Value Vested During the Year <sup>(2)</sup>	Non-Equity Incentive Plan Compensation - Value Vested During the Year		Total
			STIP <sup>(3)</sup>	PSU <sup>(5)</sup>	
Marcel Kessler, President & CEO	-	\$131,578	-	\$451,980	\$583,558
Jon Faber, CFO	-	\$65,600	-	\$205,683	\$271,283
Timur Kuru, VP, Operations, USA <sup>(4)</sup>	-	-	-	-	-
Russell Smith, VP, Operations, Offshore & International <sup>(4)</sup>	-	\$59,639	-	\$175,983	\$235,622
Kevin Boston, VP, Sales & Business Development <sup>(4)</sup>	-	\$41,496	-	\$159,501	\$200,997

(1) Calculated based on the difference between the market price of the Shares on the options' vesting date in 2016 and the exercise price of the stock options, regardless of whether or not the stock option was exercised.

(2) Calculated based on the number of RSUs that matured in 2016 multiplied by the market price of the Shares on the maturity date.

(3) In 2016, no STIP awards were granted to NEOs, as disclosed above in the *Summary Compensation Table* on page 34.

(4) Timur Kuru, Russell Smith and Kevin Boston were paid in US dollars. Disclosed compensation has been converted from USD at 1.325 in 2016.

(5) The following table shows the PSU multiplier for the 2015 and 2014 grants.

	OSX Return	SPTTEN Return	Average Indices Return	Pason Return	Relative Return	PSU Multiplier
<b>2015 Grant</b>	-17.46%	-10.62%	-14.04%	-14.83%	-0.79%	0.9606
<b>2014 Grant</b>	-36.91%	-34.44%	-35.68%	-34.71%	0.96%	1.0482

## Aggregated option exercises during the most recently completed financial year-end and option values

There were 62,366 stock options exercised by the NEOs during the fiscal year ended December 31, 2016.

Name	Stock Options Exercised or Exchanged	Aggregate Value Realized <sup>(1)</sup>
Marcel Kessler President & CEO	33,333	\$52,833
Jon Faber, CFO	-	-
Timur Kuru, VP, Operations, USA	-	-
Russell Smith, VP, Operations, Offshore & International	17,000	\$64,703
Kevin Boston, VP, Sales & Business Development	12,033	\$46,099

<sup>(1)</sup> Aggregate value realized has been calculated based upon the difference between the exercise price and the closing price of Shares on the date of exercise, multiplied by the number of Shares acquired or exchanged upon exercise of the relevant options.

# Termination and Change of Control Benefits

## Termination of employment

In the event of termination of employment, each of the NEOs would receive the termination benefits set out in the Stock Option, RSU and PSU Plans. NEOs are afforded no special treatment upon termination or otherwise under the plans.

The following table summarizes the results of termination of employment under the medium and long-term incentive plans and the NEOs' employment agreements:

Plan	Treatment Upon Termination
Amended and Restated Stock Option Plan	Participants have 90 days from the date of termination to exercise any vested options <sup>(1)</sup> . Unvested options expire immediately upon termination.
RSU Plan	All unmaturing RSUs are cancelled immediately upon termination.
PSU Plan	All unmaturing PSUs are cancelled immediately upon termination.
Employment Agreement	Incremental payments to all NEOs for termination without cause (see below).

<sup>(1)</sup> Pursuant to the Amended and Restated Stock Option Plan, if the termination is a result of the participant's death or permanent disability, the time period to exercise options is extended to 12 months. For more information about the Amended and Restated Stock Option Plan, see page 27.

## President & Chief Executive Officer

Marcel Kessler's employment agreement provides that should his employment be terminated by the Corporation at any time other than for just cause, he would be entitled to a payment of:

1. An amount equal to 24 months of his then annual base salary; plus,
2. An amount equal to five percent of his then annual base salary to compensate for loss of medical, dental and insurance coverage.

The Corporation is deemed to have terminated Marcel Kessler's employment without just cause if:

1. His regular place of work is relocated outside of Calgary without his consent;
2. The Corporation fails to continue to provide him with any material benefit or plan, or fails to obtain an assumption of the Corporation's obligations under such benefits or plans from any successor company; or
3. A variety of other occurrences that are typically associated with constructive dismissal at law.

## Chief Financial Officer and Other NEOs

The employment agreements for the Chief Financial Officer and other NEOs provides that should his/her employment be terminated by the Corporation at any time other than for just cause, he/she would be entitled to a payment of:

1. An amount equal to 12 months of his/her then annual base salary; plus
2. An amount equal to five percent of his then annual base salary to compensate for the loss of medical, dental and insurance coverage.

The Corporation is deemed to have terminated Jon Faber's employment without just cause if:

1. His regular place of work is relocated outside of Calgary without his consent;
2. The Corporation fails to continue to provide him with any material benefit or plan, or fails to obtain an assumption of the Corporation's obligations under such benefits or plans from any successor company; or
3. A variety of other occurrences that are typically associated with constructive dismissal at law.

## Change of control

In the event of a change of control, all unvested or unexpired stock options, RSUs and PSUs held by NEOs would immediately vest. Accelerated vesting applies equally to all participants in those plans.

For purposes of the accelerated vesting under Pason's stock option, RSU and PSU Plans, the definition of a change of control event is generally consistent, and is deemed to occur if any of the following transpire:

1. Twenty-five percent of Pason's voting securities are acquired (through a new acquisition of stock or cumulatively with stock already held) by any individual or group acting together;
2. Any business combination (acquisition, merger, etc.) where Pason's Shareholders hold less than 50% of the votes of the combined/new entity; or
3. If the current members of the Board (or subsequent members of the Board approved by a majority of the then current members) no longer comprise a majority of the Board.

Under the RSU Plan, if a party announces its intention to implement or effect a change of control through any of those events described above, a change of control is deemed to have occurred.

The following table summarizes the results of a change of control under the medium and long-term incentive plans and the NEOs' employment agreements:

Plan	Treatment of Unvested Equity Units upon Change of Control
Amended and Restated Stock Option Plan	Accelerated vesting
RSU Plan	Accelerated maturity
PSU Plan	Accelerated maturity
Employment Agreement	No incremental payments to NEO's other than to Marcel Kessler and Jon Faber (see below for discussion of double-trigger benefits)

### President & Chief Executive Officer and Chief Financial Officer

The employment agreements of the President & Chief Executive Officer and Chief Financial Officer provides that should: (i) a change of control occur; and (ii) within six months of the change of control, the Corporation terminate his employment without just cause (based on the same definition in his employment agreement that is set out below the heading *Termination of employment* on page 39), he would have the right, for a period of six months from such event, to elect to terminate his employment with two months' advance notice. Upon making that election, he would become entitled to a payment equal to that which he would receive upon his termination (calculated based on the formula set out above). Should he decline to make that election within six months from such events, he would be deemed to have acquiesced to the change of control event and circumstances that might otherwise constitute constructive dismissal.

## Termination and change of control benefits summary table

The following table contains a summary of the payments that each NEO would have received had that individual's employment been terminated without just cause or had a change of control event occurred on December 31, 2016. Generally, all change of control and termination benefits are due to the employee within 20 days of the triggering event.

Name	Termination (without just cause) <sup>(1)</sup>	Change of Control <sup>(2)</sup>
Marcel Kessler, President & CEO	\$1,076,250	\$ 1,807,509 <sup>(3)</sup>
Jon Faber, CFO	\$330,750	\$970,382 <sup>(4)</sup>
Timur Kuru, VP, Operations, USA	\$425,250	\$1,005,680
Russell Smith, VP, Operations, Offshore & International	\$336,656	\$769,322
Kevin Boston, VP, Sales & Business Development	\$279,070	\$719,213
<b>Total payments to all NEOs</b>	<b>\$2,447,976</b>	<b>\$5,272,106</b>

<sup>(1)</sup> Amounts in this column represent a payment pursuant to each NEO's employment agreement, as outlined under the heading, *Termination of employment*, on page 39. The value gained from exercising vested in-the-money stock options are not included in this calculation, since values will vary depending on the date of exercise.

<sup>(2)</sup> Amounts in this column represent a payment equal to the value of each NEO's awarded (vested and unvested) stock options, RSUs, and PSUs, as at December 31, 2016.

<sup>(3)</sup> If a change of control event were to occur in connection with one of the subsequent events entitling Marcel Kessler to an additional change of control benefit, as discussed above under the heading, *Change of Control*, on page 39, the total change of control benefit payable to Marcel Kessler would be the termination amount, plus the change of control amount.

<sup>(4)</sup> If a change of control event were to occur in connection with one of the subsequent events entitling Jon Faber to an additional change of control benefit, as discussed above under the heading, *Change of Control*, on page 39, the total change of control benefit payable to Jon Faber would be the termination amount, plus change of control amount.

# Corporate Governance Disclosure

In this section, the Corporation's approach to corporate governance is described in the order and categories set out in Form 58-101F1 – *Corporate Governance Disclosure and the Corporation* which adheres to National Policy 58-201 *Corporate Governance Guidelines*. The information in this section is based on that provided to or available to the Corporation as of March 17, 2017. The information regarding directors is in respect of the five current directors, of whom are nominees and standing for election at the Meeting.

## Board of Directors

### Three of five directors are independent

The following nominees are independent:

- James B. Howe
- T. Jay Collins
- Judi M. Hess

The Corporate Governance and Nomination Committee has determined that, based on information provided by each director regarding their personal and business relationships with the Corporation, the above-listed five nominees to the Board have no direct or indirect material relationship with the Corporation and are, therefore, independent within the meaning of National Instrument 52-110 *Audit Committees*.

### Two of five directors are not independent

The following nominees are not independent:

- James D. Hill
- Marcel Kessler

James D. Hill, Chairman of the Board, is deemed to have a material relationship with the Corporation and is therefore not independent within the meaning of National Instrument 52-110 *Audit Committees* because he was the CEO until 2011 and acted as an executive during 2012. As Pason's current President & Chief Executive Officer, Marcel Kessler is not independent.

### Majority of directors are independent

Three of the five nominees to the Board are independent.



## Directors' service for other reporting issuers

The following table identifies the nominees that are directors of the reporting issuers appearing next to their name:

Director / Nominee	Reporting Issuer	Listing	Positions
James B. Howe	Bengal Energy Ltd.	TSX: BNG	Board; Audit Committee Chair
	Ensign Energy Services Inc.	TSX: ESI	Board; Audit Committee; Compensation Committee Chair
T. Jay Collins	Oceaneering International, Inc.	NYSE:OLL	Board
	Murphy Oil Corporation	NYSE:MUR	Board; Executive Compensation Committee

## Independent director sessions at every meeting

At every Board and committee meeting, the independent directors meet without the non-independent directors and without management for a portion of that meeting. See below for a director meeting attendance record for the number of such meetings held in 2016.

## Chairman of the Board is not independent

Pason's Chairman, James D. Hill, is not independent within the meaning of National Instrument 52-110 *Audit Committees*. Pason's Lead Director, James B. Howe, is independent. The responsibilities of the Lead Director are described in a written position description available on the Corporation's website at [www.pason.com](http://www.pason.com) in the Investors section. Such responsibilities include assuring effective and independent corporate governance in managing the affairs of the Board and the Corporation, chairing meetings and acting as the Corporation's spokesperson when the Chairman is absent, chairing independent director sessions of meetings, and communicating with the independent directors.

## Director meeting attendance record

The following table reflects the attendance of each of the Corporation's directors at Board and committee meetings held during 2016.

Name	Board	Audit Committee	Human Resources and Compensation Committee	Corporate Governance and Nomination Committee	Total 2016 Attendance Record
James D. Hill	5/5				100%
James B. Howe	5/5	4/4	2/2	1/1	100%
Marcel Kessler	5/5				100%
T. Jay Collins	5/5	4/4	2/2	1/1	100%
Judi M. Hess	5/5	4/4	2/2	1/1	100%

## Board Mandate

The Mandate of the Board has not changed since the last Annual Meeting of Shareholders, which was held on May 11, 2016. The Mandate of the Board, as well as the mandates of all of the Committees of the Board, is available on the Corporation's website at [www.pason.com](http://www.pason.com) in the Investors section (under Corporate Governance).

## Position Descriptions

The Board has developed written position descriptions for the Chairman of Board, the Lead Director, the chair of each Board committee, as well for the CEO and certain other officers of the Corporation. The position descriptions are available on the Corporation's website at [www.pason.com](http://www.pason.com) in the Investors section (under Corporate Governance).

# Orientation and Continuing Education

## New director orientation

A comprehensive on-boarding program, including one-on-one and group meetings with management and other Board members is provided for each new director.

Prior to being nominated by the Board to stand for election, each new director meets with numerous directors in one-on-one settings, as well as with the Board as a group to ensure that the director has sufficient knowledge of the Corporation's business or aspects thereof that are necessary to ensure effective oversight by the Board as a whole. Each director's individual skills and experiences contribute to the general oversight of the business and supervision of the management of the business and affairs of Pason.

Upon each new director's appointment or election, he or she is given a comprehensive introduction package including the mandates of the Board and its committees and the position descriptions so that the new director understands the role of the Board, its committees and officers. New directors are also provided with the minutes of Board meetings for the previous two years so they may review the topics subject to Board discussions. New directors are given product demonstrations and hold meetings with various business unit managers, product managers, and R&D personnel as part of their on-boarding process.

## Director continuing education

Through regular Board practices, the directors become intimately involved with Pason's business and industry landscape. At the Board strategy session held with management (one day-long sessions was held in 2016) various presentations and workshops are conducted to dive deep into Pason's business and the industry dynamics.

In light of the rich educational opportunities the industry associations offer and the directors' active involvement in those and other activities that contribute to a better understanding of Pason and its market, no formal continuing education measures are currently in place for the directors. Management provides reports that keep directors up to date on the Corporation's business-related industry issues. Management also regularly presents to the Board at meetings to keep them informed of the ongoing strategic planning process and certain key initiatives. Board meetings are regularly held at the Corporation's head office and periodically held at the Corporation's Houston office so the Board can tour the premises and meet with employees on a regular basis. Rig visits are occasionally arranged with the Corporation's employees so that directors may view installed and operational Pason products. Directors also regularly conduct field visits on their own to view Pason products, arranged through Pason or other affiliations. Given the level of education the directors continue to receive and their experience and skill sets, there has been no need to adopt a formal continuing education program.

# **Ethical Business Conduct**

## **Code of conduct**

The Board has adopted a Code of Conduct and Ethics, a copy of which has been filed on SEDAR (Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval) at [www.sedar.com](http://www.sedar.com) and is available on the Corporation's website at [www.pason.com](http://www.pason.com) in the Investors section (under Corporate Governance).

The Board monitors compliance with its code through the approval of a variety of sub-policies that management is tasked with implementing and through an independent ethics hotline that reports directly to the Chairman of the Audit Committee. The Corporation's internal auditor, in conjunction with other members of senior management, is tasked with ethical compliance, providing quarterly reports to the Board regarding follow-up on any issues raised directly with the Chairman of the Audit Committee as well as any other significant ethical investigations.

No material change reports were filed since the beginning of 2014 that pertain to any conduct of a director or officer that constitutes a departure from the code.

## **Ensuring independent judgment**

Where the personal or business relationships or interests of directors may conflict with those of the Corporation, directors are required to disclose in writing to the Corporate Secretary or verbally at a Board Meeting the nature and extent of the conflict of interest. In the event of a bona fide conflict of interest, a director will declare that conflict, will not participate in that part of the Meeting in which the matter is discussed, and must abstain from voting on the matter.

## **Promoting ethical business conduct**

The Board has a Corporate Governance and Nomination Committee. In addition, it has in place, administered by a third party, an ethics hotline for employees, and has required all employees and other stakeholders (including certain suppliers) to become familiar with the written Code of Conduct and Ethics. The Corporation's internal legal counsel regularly makes and arranges presentations to management and employees that review and promote the ethical business practices of the Corporation. Certain conduct prohibited by the code, such as corruption and bribery, are subject to additional sub-policies with their own guidelines and training programs to further ensure compliance. Certain segments of the Corporation's employees receive additional and targeted training to areas of risk that are more relevant to their work duties.

# Nomination of Directors

## Identification of candidate director nominees

All Board members are made aware of the continuous need to identify qualified prospective candidates who would enhance the effectiveness of the Board. The Corporate Governance and Nomination Committee is officially tasked with identifying and qualifying new candidates for Board nomination, but receives suggestions from all of the directors. The Board as a whole is responsible for nominating candidate directors and does so taking into account the Corporate Governance and Nomination Committee's recommendations, considering the current and desirable skills and experiences for the Board to operate effectively.

The Corporate Governance and Nomination Committee, together with the Board, continues to assess the size and composition of the Board to ensure the appropriate skills exist and are used in light of the demands on the Board.

From time to time when necessary, the Corporate Governance and Nomination Committee conducts independent director searches through a methodical and thorough process. All members of the Board are encouraged to continually take notice of and identify potential candidates and put those individuals in touch with the chair of the Corporate Governance and Nomination Committee. If the need for a nominee is identified, a third-party search firm may also be engaged to identify potential candidates. Once identified, prospective candidates are screened by a third-party search firm, and then reviewed by the Corporate Governance and Nomination Committee to ensure the candidates have the appropriate background, skills, experience, and time to devote the necessary attention to the directorship. The skills matrix, discussed below under the heading *Responsibilities, powers and operation of the Corporate Governance and Nomination Committee*, is used to identify necessary qualifications of new nominees. Gender diversity of the Board is also a criterion in identifying potential candidates. Qualifying candidates are interviewed by members of the Corporate Governance and Nomination Committee, and then by the Chairman, President & Chief Executive Officer, and finally by the Board as a whole. If satisfied, the Corporate Governance and Nomination Committee makes a recommendation to the Board for the candidate to be appointed as a director of the Corporation until the next Annual General Meeting of Shareholders. The Board may, subject to the provisions of the *Business Corporations Act (Alberta)* and the Corporation's By-laws, appoint an individual to become a director between annual general Meetings should that be advisable, considering Board succession and any benefit given the Board composition.

Once elected, the Corporate Governance and Nomination Committee is responsible for considering and recommending for Board approval the appointment of directors to Board committees and for recommending for Board approval the appointment or removal of the Chairman of the Board and Lead Director.

## Composition of Corporate Governance and Nomination Committee

The Corporate Governance and Nomination Committee is composed entirely of independent directors within the meaning of National Instrument 52-110 *Audit Committees*, those being the following:

- Judi M. Hess (Chair of Committee)
- James B. Howe
- T. Jay Collins

## Responsibilities, powers and operation of the Corporate Governance and Nomination Committee

In addition to its governance mandate, the Corporate Governance and Nomination Committee is tasked with identifying desirable candidates after assessing skills that would bolster those already present amongst current Board. The Corporate Governance and Nomination Committee is also responsible for screening candidates and eventually putting forward recommendations for the Board to consider proposed nominees.

The Corporate Governance and Nomination Committee regularly assesses the skills, attributes, and experiences desirable in director nominees. The list below sets out the skills and experiences that the Corporate Governance and Nomination Committee considers important for the Board, as a whole, to possess:

Skill/ Experience	Director Nominees Possessing Highly Skilled and Expert Levels of Experience
Board and Governance	4/5
Executive Leadership	4/5
Experience in Field Operations	3/5
Health & Safety	2/5
Human Resources	5/5
Financial Literacy	4/5
Financial Expertise	3/5
Governance	2/5
Information Technology	1/5
International Business	4/5
Legal and Securities	1/5
Mergers and Acquisitions	5/5
Oil and Gas Industry	3/5
Organization Effectiveness	1/5
Performance	4/5
Personal Effectiveness	4/5
R&D/New Product Development	3/5
Risk Management	1/5
Sales & Marketing	1/5
Strategic Planning & Leading Growth	5/5

The Corporate Governance and Nomination Committee continues to review the necessity of the skills and experiences listed above, in light of the Corporation's business and strategy, to ensure that sufficient directors possess those skills and experiences, and in the right combination given the dynamics of the Board. The number of female directors and directors with diverse backgrounds is also considered in assessing the Board composition, as described further under the heading *Diversity on the Board*. The Corporate Governance and Nomination Committee considers the five director nominees identified in this Information Circular to represent the appropriate mix at this stage in the Corporation's development, though it will continually reassess this as the business, industry, and economy change.

As noted below under the heading *Assessments*, the Corporate Governance and Nomination Committee reviews the results of an annual survey of the Board to determine their individual and collective effectiveness and contribution to the Corporation.

# Compensation

## Determining director and officer compensation

The Chairman's compensation is set by a joint decision of the Corporate Governance and Nomination Committee and the HRC Committee (defined below). Both of those committees are composed entirely of independent directors. The Chairman's compensation is then reviewed annually by the Corporate Governance and Nomination Committee to ensure it adequately, effectively, and appropriately compensates the Chairman for his or her responsibilities.

Director compensation is annually reviewed by the Corporate Governance and Nomination Committee to ensure it reflects the risks and responsibilities of being an effective director of the Corporation. Any changes to director compensation are made by the Board as a whole, on the recommendation of the Corporate Governance and Nomination Committee.

Officer compensation is reviewed by the HRC Committee annually and changes are recommended by management in light of retention needs, industry conditions, and company and individual performance. Directors who are also employees of Pason (Marcel Kessler presently being the only one) are not separately compensated for their services as directors; their compensation comes entirely from their service as an employee of Pason. The process for setting executive compensation is more fully described in this Information Circular starting on page 17 under the heading *Compensation Discussion and Analysis*.

## Human Resources and Compensation (HRC) Committee

The Board has a Human Resources and Compensation Committee is composed entirely of independent directors within the meaning of National Instrument 52-110 *Audit Committees*, those being the following:

- T. Jay Collins (Chair of Committee)
- James B. Howe
- Judi M. Hess

## Responsibilities, powers and operation of the HRC Committee

The HRC Committee is responsible for reviewing, approving and overseeing Pason's compensation philosophy and programs for executives and employees. It is also tasked with evaluating the performance and recommending total compensation for the CEO and other executive officers. In addition, the HRC Committee is responsible for overseeing all of the Corporation's equity-based compensation plans, retirement plans, succession planning, executive stock ownership guidelines, compensation risk management and all of the Corporation's other significant human resources policies, plans, principles and practices to ensure they are designed to achieve the goals and objectives of the Corporation. The responsibilities of the HRC Committee are further described on page 17 under the heading *Human Resources and Compensation Committee*. The mandate of the HRC Committee of the Board is available on the Corporation's website at ([www.pason.com](http://www.pason.com)) in the Investors section (under Corporate Governance). The Corporation's annual compensation decision-making process, including the role of the HRC Committee, is set out on page 18 under the heading *Compensation approval process*.

## Other Board Committees

The standing committees of the Board are:

- Audit Committee
- Human Resources and Compensation Committee
- Corporate Governance and Nomination Committee

As noted above, the mandates for each of the Board's committees are available on the Corporation's website at [www.pason.com](http://www.pason.com) in the Investors section (under Corporate Governance). All three of the committees are comprised solely of independent directors. The Corporate Governance and Nomination

Committee is tasked with identifying which directors are “independent” within the meaning set forth in National Instrument 52-110 *Audit Committees*.

## Assessments

The Board, its committees and individual directors are assessed with respect to their effectiveness and contribution to the Corporation through an annual survey completed by each director of the Board. That survey is designed to rate the Board’s effectiveness by surveying a range of issues, including the efficacy of the Corporation’s strategic planning process and monitoring thereof, the effectiveness of the Corporation’s compliance and controls, the CEO’s performance and the linkage to compensation, succession planning, the appropriateness of the directors’ level of engagement with management, the process for selection and evaluation of director candidates, committee structure and general Board practices. It includes a director peer evaluation, a self-evaluation, a review of the director skills matrix and questions about the effectiveness of the Board as a whole.

The results of the peer and self-assessments are reviewed by the chair of the Corporate Governance and Nomination Committee and discussed with individual directors, where appropriate, to consider each director’s individual contributions and identify training and education opportunities. The full results of each year’s survey are reviewed by the Corporate Governance and Nomination Committee and then presented to the Board of Directors for discussion, with further action taken to remedy outstanding concerns, if any.

## Director Term Limits and Retirement

Each director’s term expires at the end of the next annual Meeting or when a successor is elected or appointed to the Board. Pason does not impose term limits or mandatory retirement on its directors. The average tenure among Pason’s five proposed nominees for election as directors is approximately ten (10) years and their average age is 62.

Pason’s Board does not believe that term limits or mandatory retirement based on age is in the Shareholders’ best interests based on the current Board make-up and in light of the other mechanisms used by the Board to foster renewal, as discussed above under the heading *Assessments*. The Board’s annual self and peer assessments of director effectiveness and Board composition, including the director’s age, tenure, and the mix of skills and expertise in light of the demands of the business for director oversight is considered effective.

The Corporate Governance and Nomination Committee actively manages the Board composition through the annual review process. The nomination process used to recruit new directors is rigorous to ensure the Board always has an appropriate mix of subject matter experts with the necessary experiences. With the processes currently in place, the Board believes that underperforming directors or those who lack the appropriate skill sets can be identified and removed, and that the necessary mix of directors will be assured, particularly as the directors’ oversight role changes with the business and industry conditions.

It has been the Board’s experience that some of the longer-serving directors provide the most value, particularly in light of the complex and niche business that Pason operates. However, routine director evaluation and skills assessments allow for the periodic renewal that encourages new perspectives on the business. The Board feels these new perspectives and new strategic ideas are useful and Board renewal through existing mechanisms will continue to bring these forward to add value to Shareholders.

## **Diversity on the Board**

The Corporate Governance and Nomination Committee is responsible for identifying new director nominees, consistent with Board-approved criteria. Candidates are assessed on a combination of factors including educational background, experience and expertise. The Corporate Governance and Nomination Committee also takes into consideration a candidate's gender, age and ethnicity, to ensure the Board benefits from a broader range of perspectives.

In 2015, Judi M. Hess was elected to the Board, increasing the total female representation on the Board to 20%. Judi M. Hess has expertise in corporate governance, sales and marketing, as well as product development, amongst other areas, to bring a broader perspective to the Corporation.

While Pason does not have a formal diversity policy, the Corporation believes diversity is essential in maintaining a competitive focus in the market. Pason does not feel a formal diversity policy is necessary at this time but is continuing to increase diversity within the organization.



# Availability of Certain Documents and Additional Information

## Availability of Certain Documents

Under the policies adopted by the Canadian Securities Administrators, a person or company who wishes to receive interim financial statements from the Corporation must deliver a written request for such material to the Corporation, together with a signed statement that the person or company is the owner of securities of the Corporation. The Corporation's policy is to provide interim financial statements to registered Shareholders; however, non-registered Shareholders who wish to receive interim financial statements are encouraged to send the enclosed return form in the addressed envelope provided to the Corporation's Transfer Agent, ComputerShare Trust Company of Canada. The Corporation will maintain a supplemental list of persons and companies wishing to receive interim financial statements.

## Additional Information

Additional information related to the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com). Additional financial information is contained in the Corporation's comparative audited consolidated financial statements and MD&A for the years ended December 31, 2016 and 2015, which are included in the Corporation's Annual Report for the year ended December 31, 2016.

The Corporation will provide to any person or company, upon request to the CFO or Corporate Secretary of the Corporation:

- One copy of the Corporation's latest Annual Information Form, together with one copy of any document, or the pertinent pages of any document, incorporated therein by reference
- One copy of comparative financial statements of the Corporation for the Corporation's most recently completed financial year together with the accompanying report of the auditor thereon and the MD&A, and one copy of any interim financial statements, including the MD&A of the Corporation subsequent to the financial statements for its most recently completed financial year

Any request for documents referred to above should be made to the Corporate Secretary or CFO of Pason Systems Inc. at 6130 Third Street SE, Calgary, Alberta, T2H 1K4 or by faxing a request to 403-301-3499.

Dated March 17, 2017.

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