

21

# Sustainability Report

HIGH MARGINS  
ZERO CAPITAL  
CARBON NEUTRAL

**PRAIRIE**SKY  
ROYALTY LTD

TSX | PSK

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Carbon neutral on the cover of this report refers to scope 1 and scope 2 emissions. For more information see pages 28 and 59 of this report as well as our [PwC Assurance Statement](#) located on our website.

# Message to our Stakeholders



## When looking back on 2021, the word that best describes our business and community is **resilient**.

We entered 2021 with uncertainty as communities around the world responded to the COVID-19 pandemic. As we progressed through 2021, governments and health organizations advanced programs to mitigate against COVID-19, progressively re-opening the communities where we work and live. **We are thankful that staff and their families remained safe** and we were pleased to welcome all of our staff back to our office in 2022.



2021 was a very active year for PrairieSky. We completed just under \$1 billion in royalty acquisitions which we believe enhance our business today and in the future. As we noted in our message last year, the challenges brought forward by the COVID-19 pandemic have highlighted the importance of building a business that has sustainability criteria embedded within the corporate strategy. We have continued to invest in low-cost oil and natural gas projects and to participate in energy transition projects that have high potential to positively impact both Canada and the world, including carbon sequestration, mineral exploitation for use in transition technologies and early-stage hydrogen development. These types of projects will be instrumental in advancing to a lower carbon global economy.

With climate change influencing economic and energy policies globally, we strongly believe that the Canadian energy industry can play an important role in providing resources to the world in a safe and responsible manner. The need for reliable and responsible energy has been further highlighted through social, political and military conflicts in several parts of the world which are causing supply disruption, including the current military conflict in Ukraine. We are proud to work in Canada, a jurisdiction that is a global leader for protection of the environment, good governance and human rights.

We own our fee simple mineral title in perpetuity and understand the importance of responsible development on our properties. To successfully execute our strategy, we maintain a sustainable business approach that ensures our lands are developed ethically and responsibly while prioritizing the

environment. To meet these objectives, we take care to select business partners that demonstrate leadership within our industry and share our core values of integrity and respect. We perform ongoing monitoring of counterparty performance utilizing our robust leasing framework and compliance processes. All of our royalty properties are in Canada where both federal and provincial jurisdictions are highly regulated. We work collaboratively with the energy and environmental regulators across all levels of government to ensure compliance as well as to advance projects in a responsible manner for the benefit of future generations of stakeholders.

We continue to promote and advance diversity and inclusion in our business. We are proud to have strong female leadership at the Board, Executive and Senior Management levels. Our workforce is 71% women, including 83% of our managers and 33% of our executive team. In 2021, we increased the female representation on our Board to 33% (38% of independent directors) with the appointment of Leanne Bellegarde, QC. In addition, we provided diversity and inclusion training to all staff in 2021 and expect this to be an ongoing part of our internal training into the future.

**James Estey**  
Chairman of the Board

**Andrew Phillips**  
President & Chief Executive Officer

# About PrairieSky Royalty Ltd.

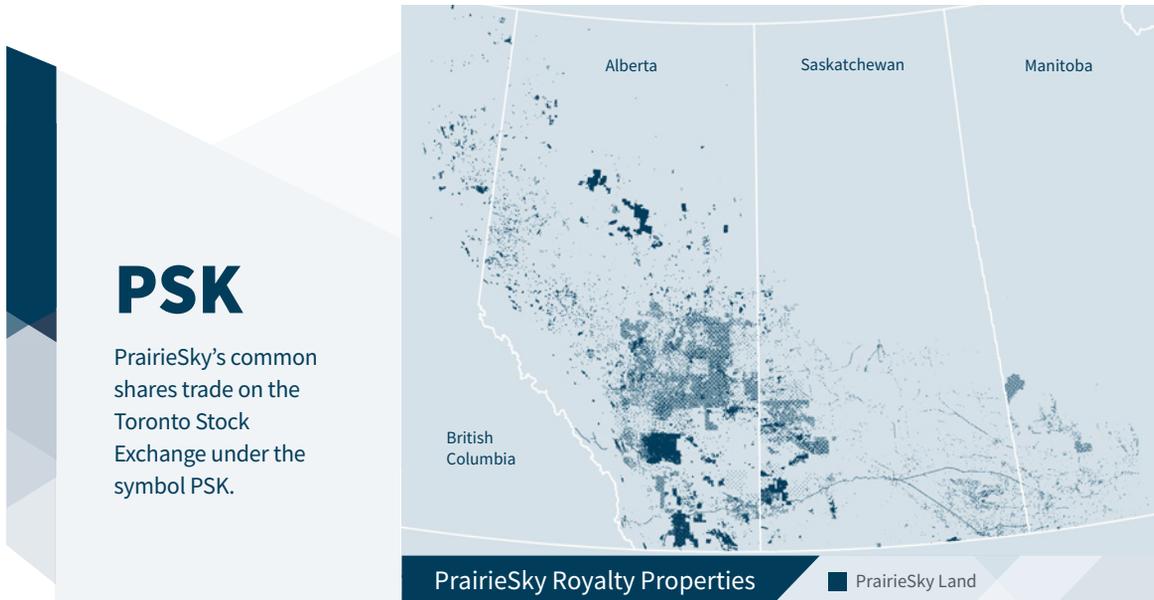


PrairieSky Royalty Ltd. is a pure-play royalty company with the largest independently-owned portfolio of fee simple mineral title and oil and gas royalty interests in Canada. Our royalty properties span Western Canada with 9.8 million acres of fee simple mineral title lands and 8.5 million acres of gross overriding royalty interests in Alberta, Saskatchewan, British Columbia and Manitoba. We are focused on encouraging third parties to actively develop our royalty properties at no incremental cost or expense to PrairieSky and we receive royalty revenues as petroleum and natural gas are produced from our over 18 million acres of royalty properties. We do not directly conduct operations to explore for, develop or produce petroleum, natural gas or other minerals.

## Returns to Shareholders



PrairieSky's common shares trade on the Toronto Stock Exchange under the symbol PSK. Since PrairieSky's initial public offering on May 29, 2014 to December 31, 2021, PrairieSky has generated **\$2.0 billion** in revenues which we have converted to funds from operations of \$1.7 billion, while returning over \$1.2 billion to shareholders in dividends and approximately \$250 million in share repurchases. PrairieSky currently pays a quarterly dividend of \$0.12 per share or \$0.48 per share annually.





## The **Royalty Business Model**

PrairieSky leases mineral rights to third parties. These third parties assume all costs and liabilities related to drilling and producing the resources including PrairieSky's entitlement to a share of the oil and gas production in the form of a royalty. PrairieSky does not conduct any drilling operations and is not responsible for making any capital or other expenditures with respect to operations on our properties, including those related to abandoning oil and gas wells and infrastructure and reclaiming lands.



## Our **Competitive Advantage**

PrairieSky offers several competitive advantages for operators as compared to leasing Crown (government) lands, the other major owner of mineral interests in Western Canada. We work with lessees to determine the appropriate leasing arrangement, can enter into leases on a shorter turnaround time and can customize the term, royalty and capital commitments depending on the specific play type and associated economics. This allows for mutually beneficial arrangements with much shorter cycle times than going through a public auction for Crown lands and provides lessees with certainty around their development schedules.

PrairieSky offers lessees access to our extensive technical expertise, including the geological and geophysical interpretations and drilling prospects we have generated internally across our vast land base. PrairieSky has seismic data available over much of our land, which we can provide to lessees to identify prospects and support the execution of their exploration and drilling programs.



**Zero  
Capital**



**Zero Oil & Gas  
Operations**



**Zero  
Environmental  
Liabilities**



**Carbon Neutral  
Scope 1 and 2  
Emissions**

# How PrairieSky Creates Value for Stakeholders



## Shareholders

Investment in the oil and gas industry with a differentiated and lower risk profile

No capital expenditures, operational costs or environmental liabilities

Return of cash flow through dividends and share repurchases

Exposure to all resource plays with commodity, geographical and operator diversification



## Lessees / Operators

Timely negotiations of leasing arrangements on available land

Mutually beneficial business approach to leasing

Access to one of the largest seismic databases in Canada

Availability of technical expertise and exploration and development prospects



## Employees

Fair remuneration

Rewarding work

Inclusive and safe workplace

Career progression based on merit and performance without discrimination

Flexible work arrangements



## Environment & Safety

No direct oil and gas operations

Pre-screening of operators for financial, operational, and reputational criteria

Contractual obligation around good operating practices and compliance with the highest global standards

Leases incorporate stringent environmental requirements, including those relating to ongoing reduction of methane and other greenhouse gas ("GHG") emissions

Our worksite is exclusively limited to a single office location



## Communities / Society

Business culture and practices to ensure strong corporate citizenship and social purpose

Employee engagement in community investment and volunteer initiatives

Giving back to communities and stakeholders

Due diligence and ongoing monitoring ensure targeted investment outcomes are met

## Material Topics

The topics and content of PrairieSky's Sustainability Report were determined through a materiality<sup>(1)</sup> assessment of environmental, social and governance ("ESG") topics. Materiality was determined by assessing both the direct and indirect financial and/or business impacts to PrairieSky, with the indirect impact primarily through third-party operators on PrairieSky lands. PrairieSky engages with various stakeholder groups, which include shareholders, third-party operators, employees, provincial regulators, not-for-profits and other organizations in the communities where we have business interests. This engagement informs our business strategy and approach to ESG. We review our materiality assessment annually to evaluate and confirm priorities. Material topics are managed through policies, commitments, targets and initiatives which are described throughout our Sustainability Report and evaluated annually through our Enterprise Risk Management program and Board review process.

| ESG Dimension  | General Issue Category                 | Direct Impact to PSK  | Indirect Impact to PSK (Third-Party Operators)  |
|--|--|---|---|
| <br><b>Environment</b>  | Climate Change & Energy Transition     |    |    |
|  | GHG Emissions                          |   |    |
|  | Air Quality                            |   |   |
|  | Water Management                       |   |  |
|  | Land Use & Biodiversity                |   |  |
| <br><b>Social</b>     | Human Rights                           |  |  |
|  | Diversity and Inclusion                |  |  |
|  | Health and Safety                      |  |  |
|  | Cyber Security                         |  |   |
|  | Human Capital                          |  |  |
| <br><b>Governance</b> | Corporate Governance & Risk Management |  |   |
|  | Business Ethics                        |  |   |
|  | Community Investment                   |  |   |

(1) Materiality used in the context of our Sustainability Report is based on the Global Reporting Initiative's definition which includes topics "that reflect a reporting organization's significant economic, environmental and social impacts; or that substantively influence the assessments and decisions of stakeholders". This definition of materiality differs from financial materiality, used in our financial disclosures.

We report on certain environmental metrics that are not currently considered material to PrairieSky as a pure-play royalty company, such as our greenhouse gas emissions and water use. We report on these items to provide comparability to other businesses in the oil and gas industry. We also report these metrics because even though our direct environmental footprint is small, we want to make changes where possible to reduce it through changes in behaviour and/or investing in offsetting our impact.

# About our **Report**



Our Sustainability Report focuses on material **governance, environmental** and **social** topics that are impactful to our Company and to our stakeholders.



To prepare our report, we developed a list of corporate sustainability topics using global reporting frameworks, industry guidance, peer reports, third-party environmental, social and governance survey questions, common PrairieSky investor questions and feedback from investors. Our reporting has evolved over time as we have engaged with stakeholders, interested parties, third-party advisors and relevant advisory bodies to enhance disclosures of topics which are important to our stakeholders and relevant to our business. We expect this evolution to continue into the future as we move forward with initiatives and as reporting requirements advance.



## Scope and Reporting Period

> Unless otherwise noted, the scope of information covered in this report relates to PrairieSky's operations and quantitative performance for the calendar year ended December 31, 2021. When relevant and available, historical data is provided for 2019 and 2020. Prior to the launch of our 2021 Sustainability Report, our most recent report was for the calendar year ended December 31, 2020. We publish a Sustainability Report on an annual basis and all reports are available on our *website*. (In prior years, we have used the term Responsibility Report.)

## Third-Party Review and Assurance

> PricewaterhouseCoopers LLP (PwC) performed a limited assurance engagement on select performance indicators which are noted on pages 58-61. The results of PwC's limited assurance engagement are documented in an assurance statement available in the Responsibility section of our website.



## Reporting Frameworks

We used a number of reporting frameworks to identify material sustainability factors to be included in this report. The frameworks included:

- > This report has been prepared in accordance with the Core option of the **Global Reporting Initiative (GRI) Standards**. In some cases, indicators suggested by the standard are not applicable, or the information is considered to be competitive and is therefore not disclosed. The GRI index is available starting on page 62.
- > This report has been prepared using the **Sustainability Accounting Standards Board (SASB) Oil & Gas – Exploration & Production Industry Standard**. The SASB index is available starting on page 62. In some cases, indicators suggested by the standards are not applicable, or the information is considered to be competitive and is therefore not disclosed.
- > This report contains certain **World Economic Forum (WEF)** core and expanded metrics and disclosures. The WEF index is available starting on page 62.
- > **Task Force on Climate-Related Financial Disclosure (TCFD)** recommendations are included in this report, with additional disclosure in our *Task Force on Climate-Related Financial Disclosures Report* (TCFD Report). This Sustainability Report should be read in conjunction with our TCFD Report.
- > **United Nations Global Compact (UNGC)** – We have included references to the UNGC's Principles on Human Rights, Labour, Environment and Anti-Corruption; and the United Nation's Sustainable Development Goals. Our UNGC Communication on Progress is available in this report starting on page 76.

As the standards evolve, so will our reporting on the topics covered. We are committed to consistently improving our disclosure for stakeholders and support efforts to provide consistent and comparable sustainability performance data.

## Other Reporting Data

> The terms PrairieSky, PSK, we, our, us and the Company refer to PrairieSky Royalty Ltd.

> Financial data is in Canadian dollars; environmental data, unless otherwise stated, is in metric units; and production data is in "BOE" or barrels of oil equivalent.

For further information regarding production or reserves, including defined or industry terms, please refer to our Annual Information Form for the calendar year ended December 31, 2021 which is available on our website [www.prairiesky.com](http://www.prairiesky.com).

> All of PrairieSky's operations are in Canada.

> Unless noted, data does not cover contract service providers or temporary employees given they represent an insignificant portion of our staff and are typically on short duration arrangements.

> This report does not include quantitative performance for third parties such as lessees or operators, but it does include relevant qualitative commentaries regarding third parties.

> Senior management and relevant staff have reviewed all information and believe it is an accurate representation of our performance.

> For further information on PrairieSky's financial performance, please refer to PrairieSky's Annual Management Discussion and Analysis and PrairieSky's Annual Consolidated Financial Statements which are available on our website [www.prairiesky.com](http://www.prairiesky.com).

# Global Pandemic



**Our first priority is the health and safety of our staff and their families.**

PrairieSky implemented our business continuity plan in March 2020 in response to the World Health Organization declaring COVID-19 a global pandemic. Throughout the pandemic, the health and safety of our staff has been our priority. As part of our response, our staff were directed to work from home throughout most of 2020 and 2021. Our investment in information technology and data management systems ensured that the remote work environment was effective and our business continued to operate without interruption.

We are very proud of our team of professionals and their capacity to adapt and respond to a dynamic situation. Alongside government and public health officials, we actively monitor COVID-19 and follow all public health directives with the continued health and safety of our team and their families being our priority.

Following the challenges of 2020 when COVID-19 dramatically impacted the oil and gas industry with reduced demand and over supply resulting in lower oil pricing, 2021 showed a marked improvement. Throughout the year, supply and demand fundamentals improved with commodity prices exceeding pre-pandemic levels. Third-party activity on our royalty properties increased in 2021 with the industry in Canada continuing to advance ESG initiatives with the priority of providing safe and reliable energy to the world.

# Our approach to **Corporate Responsibility**



## Our commitment

We are committed to operating in an **economically, socially and environmentally** sustainable manner.



We conduct our business responsibly by actively managing risk, collaborating with our business partners and service providers to ensure alignment on best practices, proactively taking steps to minimize our impact on the environment, and upholding the highest standards of governance and ethics which we believe will support long-term value creation and shareholder returns.

## Our **Sustainability** Framework



PrairieSky's sustainability framework reports on material items related to ESG topics and how those topics affect our stakeholders with the following objectives:



### Governance



To act ethically and manage our business efficiently with the goal of long-term value creation.



To appropriately manage risks throughout the entire life of our assets by carefully selecting operators on our lands and ensuring adherence to contractual provisions, regulatory requirements and industry best practices.



### Environment



To reduce our environmental footprint, and to actively manage our extensive land holdings.



To actively look for opportunities to reduce greenhouse gas emissions through participation in lower-carbon energy projects, including carbon sequestration and blue hydrogen projects.



### Social



To provide a safe, inclusive and respectful workplace that fosters equal opportunities for employees based on merit and without discrimination.



To invest and build partnerships in the communities where we live and work.

# Continuous Improvement

We are committed to continually enhancing our corporate responsibility performance and programs.

In the chart below, we provide an update on the initiatives we undertook in 2021.

| Initiative   | Progress   | Status |
|--|--|--------|
| Further understand the financial risk from climate change through scenario analysis.                                 | Undertook incremental climate scenario analysis to assess both transition and physical risks and opportunities using three contrasting climate futures: a Deep Decarbonization scenario to limit global warming to 1.5°C, a Moderate Mitigation scenario which reflects a global warming trajectory of 2.6°C and a Powering On scenario reflecting the most recent global warming trajectory.                      | ⇒      |
| Initiated work to create an inventory of Scope 3 emissions.  | The purpose of the project is to understand full cycle and third-party downstream Scope 3 emissions related to our business.   | ⇒      |
| Continue to advance disclosures including continually monitoring updates to TCFD, SASB, ISSB, WEF and GRI reporting. | Disclosures consistently updated and include climate scenario analysis as noted above.   | ☑      |
| Provide training and educational opportunities for staff and the Board.  | Mandatory training is provided annually to staff on the Business Code of Conduct, Diversity and Inclusion, Cyber Security and Health and Safety. Educational opportunities for the Board through third-party presentations on ESG and specific subset information occur regularly.   | ☑      |
| Embed ESG initiatives within all aspects of our business and strategy.   | Incorporated sustainability-linked performance criteria into our third-party credit facility. Sustainability performance is independently measured through the Sustainability's management score on an annual basis. The credit facility includes a pricing feature whereby the Company may incur positive or negative pricing adjustments on drawn and undrawn balances based on changes to the management score. | ☑      |

☑ Completed    ⇒ Ongoing    |

## Looking Forward

In 2022, we are committed to the following initiatives:



> Advancing our climate scenario analysis and working towards adding quantitative measures in the future;

> Creating an initial inventory of our Scope 3 emissions;

> Continuing to advance disclosures identified by the Sustainability Accounting Standards Board (SASB) as relevant to long-term value creation;

> Continuing to monitor Supplier Code of Conduct process;

> Monitoring regulatory reporting changes contemplated in Canada; and

> Continued delivery of Board and organization-wide education strategy for environmental, social and governance matters.

# United Nations Sustainable Development Goals



As a member of the UNGC, PrairieSky, along with businesses around the world, are working towards universal long-term prosperity. To that end, we support the 17 UN Sustainable Development Goals which mobilize efforts to end all forms of poverty, fight inequalities and tackle climate change. We continually review our business strategy and our commitment to sustainability to ensure we are contributing to these goals. Below are the goals which we identified as being the most relevant to PrairieSky in 2021.

## The UN Sustainable Development Goals

## Our 2021 Progress

|  |  |   |
|--|--|---|
| <p><b>3</b> GOOD HEALTH AND WELL-BEING</p>         | <p><b>SDG Target 3.8:</b> Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.</p>   | <p>PrairieSky provides employees and their families access to our Employee and Family Assistance Program and an extensive Company paid benefit program to support physical and mental health needs across an exhaustive spectrum of potential requirements. In 2021 and as part of our response to COVID-19, we added incremental coverage under the benefits plan to specifically access qualified paramedical practitioners of psychology services, including psychologists, social workers, and family therapists, clinical counsellors, and psychotherapists.</p> <p>We also provide short-term and long-term disability insurance, paid and unpaid leaves of absences, maternity and paternity paid leave, vision and dental coverage and spousal and dependent support programs.</p> <p>PrairieSky provides flexible work arrangements and hours as our staff adapt to the challenges of COVID-19.</p> <p>See pages 47-50 of this report.</p> |
| <p><b>4</b> QUALITY EDUCATION</p>                | <p><b>SDG Target 4.3:</b> Ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university.</p>  | <p>PrairieSky supports all staff to advance their education by providing financial support for educational opportunities. PrairieSky also has a scholarship program for family members to provide financial support for post-secondary education.</p> <p>See page 49 of this report.</p>  |
| <p><b>5</b> GENDER EQUALITY</p>                  | <p><b>SDG Target 5.5:</b> Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life.</p> <p><b>SDG Target 5.c:</b> Adopt and strengthen sound policies and enforceable legislation for the promotion of gender equality and the empowerment of all women and girls at all levels.</p> | <p>Inclusion and diversity are important to us. Our PrairieSky team is 71% women and includes a leadership team which is 83% women managers, and one of our three executives is a woman.</p> <p>In 2021, PrairieSky implemented a gender diversity target for independent women directors of a minimum of 30% by 2025. In 2021, we exceeded this target when Leanne Bellegarde, QC, was appointed to the Board of Directors. Leanne is from the Treaty 4 area in Saskatchewan and is a proud member of the Peepeekisis First Nation.</p> <p>See pages 19, 50 and 59 of this report.</p>   |
| <p><b>8</b> DECENT WORK AND ECONOMIC GROWTH</p>  | <p><b>SDG Target 8.1:</b> Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7 per cent gross domestic product growth per annum in the least developed countries.</p>   | <p>PrairieSky contributes to the local community by providing jobs and business development. Employment helps create economic growth, and as a profitable business, PrairieSky also contributes to our community through corporate income tax. We invest in education and training of our employees, developing talent and providing advancement opportunities.</p> <p>See pages 52 and 60-61 of this report.</p>   |
| <p><b>13</b> CLIMATE ACTION</p>                  | <p><b>SDG Target 13.2:</b> Integrate climate change measures into national policies, strategies and planning.</p>  | <p>We are working towards lowering our GHG emissions by supporting renewable energy projects and promoting energy efficiency and transition opportunities across our land base. We are committed to reducing our carbon footprint and have set an absolute target to reduce scope 1 and 2 emissions by 50% in 2025.</p> <p>We are working with third-party operators to provide leasing terms to support the economics of CO<sub>2</sub> sequestration projects including participating in the Meadowbrook CCUS Hub Project.</p> <p>We are reporting on climate risk and providing Task Force on Climate-Related Financial Disclosures.</p> <p>See pages 27-29, and 39-40 of this report.</p>   |

# Governance of ESG



PrairieSky is committed to the **highest standards of corporate governance**. Our leadership team guides our efforts to ensure alignment with stakeholders.

Detailed information on our governance practices and policies can be found in our *Information Circular and Proxy Statement*.

## Topics in this section

|  |    |
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# Governance and Oversight

Our Board of Directors has oversight of ESG issues which includes climate-change related risks and opportunities. PrairieSky's management is responsible for identifying principal risks, which include both transition and physical climate-change risks, through the Company's Enterprise Risk Management Program. We use our corporate risk register to conduct sensitivity analysis, assess potential implications and identify risk mitigation measures to limit or reduce risk and potential liabilities to an acceptable level. In many cases, our risk process helps us identify and assess new opportunities for the business which can add value over time. Our corporate risk register is reviewed regularly and is updated to adapt to changing conditions. At the Board's scheduled quarterly meetings, various topics are discussed, such as emerging risks, industry trends, technical updates, strategic opportunities, and corporate goals and strategies. At least annually, all risks are reviewed, and principal risks re-evaluated. Oversight of our Enterprise Risk Management program and corporate risk register rests with the Board of Directors which ensures alignment with our overall business strategy.

Within PrairieSky, organizational responsibility flows from the Board to our President and CEO, and throughout the Company through the executive officers. Our governance structure has aligned ESG performance criteria to executive compensation, ensuring strategic decision-making is tied to sustainability which is further discussed in our *Information Circular and Proxy Statement*. The table below describes the executive framework and the corporate allocation of responsibility for ESG and climate-related matters.



The executive reports on ESG matters to the Board on a quarterly basis. These reports include updates on priorities and progress including, governance and compliance updates, changes to legal frameworks and best practices, sustainability initiatives and community investment. Our responsibility matrix reflects our commitment to ESG and presents the tone at the top. Detailed information on our management of climate-related risks can be found in our *TCFD Report 2021*.

## Board Composition & Independence

PrairieSky has adopted mandates, position descriptions and policies that are intended to meet or exceed the governance standards set out under applicable laws and by shareholder advisory groups. Detailed disclosure is provided in our *Information Circular and Proxy Statement* along with Board level and subject matter *specific policies* on our website.

PrairieSky's priority is to have a Board comprised of directors who are well informed, diverse in background, experienced, and independent from management. Based on applicable laws and governance best practices, eight of nine Board members, including the Chair of the Board, are considered independent<sup>(1)</sup>. Our President and CEO is the only non-independent Board member. Our directors have diverse backgrounds with a variety of expertise as shown in the skills matrix provided on page 44 of our *Information Circular and Proxy Statement*.



### Board of Directors



**Board Mandate**

### Standing Board Committees' Mandates

|                        |  |                           |
|------------------------|--|---------------------------|
| <b>Audit Committee</b> | <b>Governance and Compensation Committee</b> | <b>Reserves Committee</b> |
|------------------------|--|---------------------------|

Our Board has three standing committees which are responsible for carrying out certain aspects of the Board's mandate. The Board, not a specific committee, has oversight responsibility for material risks, including environmental and social risks. Each Committee is comprised entirely of independent directors.

(1) PrairieSky abides by the definition of independence as provided by the National Instrument 58-101 – Disclosure of Corporate Governance Practices (as implemented by the Canadian Securities Administrators). See page 77 for the full definition of independence.



## Shareholder Engagement

Our Board believes in the importance of engaging in constructive communication with our shareholders as it can provide valuable insight to assist the Board in maintaining the high standards of governance to which the Board is committed. Discussions are intended to be an exchange of views on governance and disclosure and only matters that are in the public domain will be discussed. Our *Shareholder Engagement Policy* can be found on our website and disclosure of shareholder engagement activities during 2021 and related outcomes are described on pages 32-36 of our *Information Circular and Proxy Statement*.

## Executive Compensation

PrairieSky's executive compensation framework focuses on pay-for-performance with 73 to 84 per cent of executive compensation "at-risk". On average 61 per cent of executive total compensation is deferred for a minimum three-year period, the ultimate value of which is measured against stringent criteria, including performance against ESG goals. We believe this aligns management's actions with PrairieSky's core values, corporate objectives and the long-term interests of shareholders. All of PrairieSky's employees are also shareholders, with executive management investing a substantial portion of their net worth in PrairieSky shares. As at December 31, 2021, PrairieSky's President and CEO held common shares valued at over 19 times his annual salary. We provide shareholders with a "Say on Pay" advisory vote at our annual general meeting ("AGM"). This non-binding vote on executive compensation provides shareholders with the opportunity to vote for or against our executive compensation approach. At our 2022 AGM, 91.8 per cent of votes were cast in favour of the "Say on Pay" resolution in line with 2021 when 93.3 per cent of votes were cast in favour. Our executive compensation practices are outlined in our Information Circular and Proxy Statement which, along with all plan documents, are available on our website at [www.prairiesky.com](http://www.prairiesky.com).



## Governance Practices

|   | 2019                               | 2020                               | 2021  |
|---|------------------------------------|------------------------------------|---|
| Board Independence  | 7 of 8                             | 7 of 8                             | <b>8 of 9</b>                                 |
| Separate Board Chair and CEO                                | Yes                                | Yes                                | <b>Yes</b>                                    |
| Independent Board Chair                                     | Yes                                | Yes                                | <b>Yes</b>                                    |
| Annual Board Evaluation Process                             | Yes                                | Yes                                | <b>Yes</b>                                    |
| Average Meeting Attendance                                  | 96%                                | 100%                               | <b>100%</b>                                   |
| Annual Election of Directors                                | Yes                                | Yes                                | <b>Yes</b>                                    |
| Majority Voting Policy                                      | Yes                                | Yes                                | <b>Yes</b>                                    |
| Average Age of Directors <sup>(1)</sup>                     | 59.5                               | 60.5                               | <b>60.7</b>                                   |
| Average Director Tenure <sup>(1)</sup>                      | 3.7 years                          | 4.7 years                          | <b>5.1 years</b>                              |
| Women Directors   | 2                                  | 2                                  | <b>3</b>                                      |
| Board Diversity Target <sup>(2)</sup>                       | 25%                                | 25%                                | <b>over 30%</b>                               |
| Target Met (Yes/No)   | Yes                                | Yes                                | <b>Yes</b>                                    |
| Share Ownership Requirements                                | Directors, Officers & Senior Staff | Directors, Officers & Senior Staff | <b>Directors, Officers &amp; Senior Staff</b> |
| Anti-Hedging Policy   | Yes                                | Yes                                | <b>Yes</b>                                    |
| Say on Pay <sup>(3)</sup>                                   | Yes                                | Yes                                | <b>Yes</b>                                    |
| Shareholder Approval for Approach to Executive Compensation | 98.6%                              | 93.3%                              | <b>91.8%</b>                                  |
| Clawback Policy   | Yes                                | Yes                                | <b>Yes</b>                                    |

(1) Average tenure determined as of December 31, 2021. Average age of Directors is based on information disclosed in the Information Circular and Proxy Statement prepared for the Annual General Meeting held on April 19, 2022.

(2) In 2021, the Board adopted a 30% gender diversity target by 2025. PrairieSky exceeded this target in 2021. Please see Board Diversity on page 19.

(3) Results of voting at the April 19, 2022 Annual General Meeting and two prior Annual General Meetings.



## Ethical Business Practices and Related Corporate Policies

PrairieSky has the following Board approved ESG-related policies, which can be found on our website and are discussed in our *Information Circular and Proxy Statement*.



**Business Code of Conduct**

**Investigations Practice Policy  
and Whistleblower Hotline**

**Shareholder Engagement Policy**

**Board Diversity Policy**

## Our Approach to Corporate Responsibility

Our core values define what is important to us, foster an ethical corporate culture and are at the foundation of how we operate. Our Code of Business Conduct (the “Code”) is integrated into our business practices and we approach all aspects of our business with integrity and a culture of respect for each other and the environment.

## Business Code of Conduct and Ethics

Honesty and integrity are fundamental values to our business. The Board has adopted the Code that guides the culture of ethical business conduct required of all directors, management, employees and consultants. We have zero tolerance for fraud, bribery, corruption, self-dealing, or misuse of confidential information and company property.

Our Code also applies to third-party service providers, such as information technology providers, consultants or other professional service firms. Annually, every employee and internal service provider must read and certify compliance with the Code. In 2021, we introduced mandatory training for all staff on the Code. In addition, compliance with the Code was added to the employee performance appraisal process and is now included on the performance management scorecard which is used to assess employee remuneration.

PrairieSky has a robust process of controls to monitor for corruption which is managed by our human resources and internal legal team. The Board believes that providing a standard procedure for employees and third parties to raise concerns and treating all complaints with a high degree of seriousness fosters a culture of ethical conduct.

PrairieSky reviews the Code at least annually as part of our Enterprise Risk Management Program. In 2021, PrairieSky had no controversies, incidents or breaches related to our business, governance or pay practices.

## Investigations Practice Policy

PrairieSky is committed to conducting our business ethically, responsibly and legally. In keeping with that commitment, the purpose of the *Investigations Practice Policy* is to provide an effective, consistent and appropriate procedure by which all incidents that potentially violate the Code and any related policies, practices and guidelines or statutes, regulations, rules and policies applicable to the Company or the workplace, are properly received, reviewed, investigated, documented and brought to an appropriate resolution.

Our anonymous *Whistleblower Hotline* is available to employees or third parties to report any unethical or improper business practices, grievances or complaints, directly to the Chair of the Board and the Chair of the Audit Committee. The Investigations Practice Policy (whistleblower) provides a consistent and appropriate procedure by which all incidents can be received, investigated and brought to an appropriate resolution without fear of retribution.

## Supplier Code of Conduct

In 2020, PrairieSky adopted a *Supplier Code of Conduct* ("Supplier Code"). Although our supply chain is small (see page 52), we are committed to seeking opportunities to work together to reduce environmental impacts, ensure alignment on health, safety and labor standards, and promote strong governance and social engagement. Our Supplier Code was developed in alignment with principles from the United Nations Global Compact, the Universal Declaration of Human Rights, the United Nation's Guiding Principles on Business and Human Rights, and the International Labor Organization's Declaration of Fundamental Principles and Rights at Work.

## Health and Safety, Discrimination, Harassment and Equal Opportunity Policies

In addition to the Code, PrairieSky's Board and executive have approved the following policies:

- > a Human Rights Policy;
- > a Respectful Workplace Policy;
- > an Environment, Climate Change, Health and Safety Policy; and
- > a Joint Worksite Health and Safety Committee Policy.

These policies provide the framework for the Company to maintain a safe working environment, free of discrimination and harassment, in which all individuals are treated with respect and dignity, are able to contribute fully and have equal opportunities. These policies also deal with harassment and workplace violence, for which PrairieSky has zero tolerance, and articulate our position with respect to:

- > diversity, equal opportunity, discrimination, harassment and threats or acts of violence;
- > ensuring a safe work environment for our employees;
- > our commitment to the protection of the environment;
- > reporting inappropriate conduct, harassment and workplace violence;
- > disciplinary measures; and
- > the development of procedures to prevent and address human rights issues.

PrairieSky supports the Ten Principles of the United Nations Global Compact with respect to human rights, labour, environment and anti-corruption and provides a communication on progress annually.

### Board Diversity

The Board has adopted the *Board Diversity Policy* that recognizes the beneficial impact of diversity on decision-making and overall Board performance. The Board Diversity Policy formally recognizes that the nomination and appointment of candidates with multiple perspectives, knowledge, skills, expertise, education, industry experience and personal characteristics such as age, gender, ethnicity and other distinctions will contribute to the continued success of the Company. The Board Diversity Policy includes a mandate to foster inclusivity across the organization, including at the Board level, for persons who identify as ethnic, racial or Indigenous.

In early 2021, the Governance and Compensation Committee and the Board approved certain amendments to the Board Diversity Policy including committing to a Board Gender Diversity Target to increase the Board composition to achieve at least thirty percent (30%) women directors by 2025. This was achieved in June 2021 with the appointment of Leanne Bellegarde, QC to the Board bringing our total number of women directors to 33% (38% of independent directors). Ms. Bellegarde is from Treaty 4 Territory in south Saskatchewan and is a proud member of the Peepeekisis Cree Nation.

### Disclosure Policy

PrairieSky's *Disclosure Policy* outlines the procedures and practical guidelines for the consistent, transparent, balanced, regular and timely public disclosure and dissemination of material information.



These policies provide the framework for the Company to maintain a **safe working environment, free of discrimination and harassment**, in which all individuals are treated with **respect and dignity**, are able to contribute fully and have **equal opportunities**.

## Securities Trading Policies

The *Securities Trading and Insider Reporting Policy* applies to employees, contractors, officers, and directors of PrairieSky. This policy is intended to safeguard against illegal or inappropriate trading or dealing, and against the appearance of such trading or dealing or potential conflicts of interest, by:

- > restricting the trading activities of employees, contractors or directors that may know, or be presumed to know, of undisclosed material information;
- > prohibiting derivative transactions by directors and officers; and
- > requiring reporting insiders, as defined in the policy, to comply with the reporting requirements applicable to certain trading activities as required by applicable securities laws.

The Board has also adopted the *Restricted Securities Trading Policy*, pursuant to which all employees, contractors, officers and directors of the Company are prohibited from trading in any securities of an issuer who is engaged in the crude oil and natural gas or natural resources business in Western Canada (including the Company), without receiving prior authorization from the Corporate Secretary. This policy is meant to ensure that illegal or inappropriate trading violations are avoided when PrairieSky is engaged in active business negotiations with third parties or where PrairieSky may have material information about such parties' business which is not generally available to the public.

## Managing Potential Conflicts of Interest

In addition to the Code and strict adherence to legal and regulatory obligations, the Board has adopted additional policies and procedures to ensure potential conflicts of interest are avoided or managed appropriately and in the best interests of PrairieSky stakeholders.

The Board has also implemented management approval and authorization levels to ensure certain types of transactions receive Board review and approval before being agreed to or completed. In particular, the Board's independent directors ensure increased scrutiny on certain types of transactions where there may be a perceived or potential conflict of interest.

## Information Security

We rely on information technology to store our data and process information. Our Audit Committee oversees our information security policies and our Chief Operating Officer has been designated as the executive responsible for information technology and security. We recognize cyber security as a principal risk to our business and that we could be subject to a cyber security event. A breach to our system could expose our business to a loss, misuse or interruption to our business processes. We have comprehensive policies in place including a cyber security and incident response plan and a business continuity plan to mitigate this risk. PrairieSky has not had a material cyber security breach in its history but recognizing the risk, we carry cybersecurity risk insurance.

In 2021, PrairieSky provided mandatory cyber security awareness training to all staff to educate and inform on potential risks.

# Industry **Advocacy**

## **Lobbying and Political Contributions**

The Code sets out our approach to lobbying and political activities. The Company may, from time to time, participate in public policy discussions on a wide range of issues relevant to our business, including through our participation in and support of industry organizations. These activities are planned, coordinated, recorded and must be conducted by senior management of the Company. For further information please see page 31 of our *Information Circular and Proxy Statement*. PrairieSky did not conduct any direct lobbying activities or make any political contributions in 2021 and we are committed to disclosing any donations or lobbying expenditures.

|||||

Our **core values** define what is important to us and are at the **foundation of how we carry on business.**

## Our Relationship **With Operators**

### **Environmental, Social, Governance and Corporate Responsibility**

Our core values define what is important to us and are at the foundation of how we carry on business. While PrairieSky does not operate, develop or produce any hydrocarbons from our lands, we recognize that our business model is dependent on the industry operating in a responsible fashion. We are committed to conducting our business in an economically, socially and environmentally sustainable and responsible manner and encourage our clients and service providers to do the same. By conducting our business responsibly through actively managing risk and upholding the highest standards of governance and ethics, we aim to provide long-term shareholder and stakeholder value. PrairieSky approaches our relationships with all stakeholders with integrity and respect, and we take care to select operators that share our core values. Because of the long duration of our assets, successful execution of this strategy is only possible if PrairieSky's lands are developed ethically and responsibly.

### **Operator Selection Process**

PrairieSky does not conduct any oil and gas exploration and development activities and is not a licensed operator. PrairieSky selects companies, in our sole discretion, with whom we enter into lease agreements and these third parties conduct all oil and gas exploration and development activities associated with our royalty revenues. Key to PrairieSky's ongoing success is developing and maintaining long-term relationships with industry partners based on mutual benefit and adhering to all contractual and legal requirements.

We have a responsibility to our shareholders and stakeholders to make sure our assets are financially productive and are developed in a sustainable and responsible manner. We take great care in selecting operators on our properties. Our selection process has three important components:



PrairieSky approaches our relationships with all stakeholders with **integrity and respect** and we take care to **select operators that share our core values.**

**Regulatory due diligence:** All of PrairieSky's royalty properties are in Canada, one of the most highly regulated jurisdictions in the world. We do not enter into new leases or contracts with companies that fail to operate in compliance with all federal, provincial and municipal laws and regulations.

We conduct due diligence investigations, and review industry compliance and enforcement records with provincial oil and gas regulators. We take note of any operational enforcement activities and non-compliance such as failure to remediate previously leased land.

**Financial capacity evaluation:** We review a potential operator's financial standing based on their existing operations and evaluate their capacity to undertake additional investment and to pay future royalties. We review several factors, including the potential operator's capitalization, liquidity, liability rating and financial track record.

**Reputation of the potential operator:** We consider our operators as partners in developing our resources so we want to understand the reputational implications and risks related to working with certain companies. We conduct background checks, review current news, attend industry association events and conferences, and monitor operator activities.

Before any new lease can be finalized, our senior executive team conducts a final review of our assessment in conjunction with our Chief Operating Officer.

Our leases and contracts require that third-party operators meet all environmental laws and regulations and maintain good operating practices as defined by provincial and federal regulators.



We are proud to work in Canada,  
one of the **most highly regulated  
jurisdictions in the world** for oil  
and gas development.

In 2021, PrairieSky's **top 25 payors**  
represented over **70%** of our revenue.

Approximately half of these payors are publicly traded companies that provide sustainability reports available on their websites. We encourage readers to explore these reports and discover more information on the responsible development taking place in Canada.



- Baytex Energy Corp.
- Canadian Natural Resources Limited
- Cenovus Energy Inc.
- Crescent Point Energy Corp.
- International Petroleum Corp.
- NuVista Energy Ltd.
- Ovintiv Inc.
- Tamarack Valley Energy Ltd.
- Tourmaline Oil Corp.
- Vermilion Energy Inc.
- Whitecap Resources Inc.

## Managing Existing Relationships with Operators



Once a lease is in place, **we continuously monitor** operator behavior.

In 2021, we collected revenue from approximately 330 different operators. We manage operator relationships through:

**Contract terms:** Our contracts include requirements for operators to develop the land in a diligent and careful manner using Canadian oil and gas industry best practices, and in compliance with all applicable laws and regulations.

**Weekly operations meetings:** We review potential issues related to compliance, reputation and payments at weekly operations meetings. During this process, we flag and proactively resolve issues to our satisfaction before entering into new business relationships with existing operators. These meetings convene leaders and representatives from different internal groups to ensure efficient coordination of internal resources and an understanding of issues and their implications.

**Lease and Royalty Compliance Department:** Our compliance department focuses on monitoring and ensuring adherence to lease terms, contractual obligations and payment of royalties. This team takes a proactive approach to compliance and engages in early resolution discussions with operators. In 2021, the royalty compliance department sent 671 notices to lessees and recovered \$4.2 million in compliance revenue. Since PrairieSky's IPO, we have collected over \$65 million in compliance revenue. In addition, we served 2,473 lease compliance notices and saw over 100,000 acres returned to inventory in 2021. Lands returned to inventory can be re-leased.

**Audits:** We have the right to audit the operators of our leases and how they conduct their business. Several factors contribute to the selection of companies to audit: slow payment of royalties; financial distress; suspected or persistent unresolved miscalculation of royalties; environmental or operational concerns; breaches of contract; or new operators on a site previously leased by another party. In 2021, issues were resolved within the lease and royalty compliance department processes discussed above.

## Risk Management

PrairieSky is subject to risks that directly affect our business and operations, as well as indirect risks that affect third parties that lease our lands and the oil and gas industry generally.

Through our internal process, we continually identify, assess, monitor and manage risks associated with our business. Three areas of risk that represent common shareholder inquiries are as follows:

**Operator receivership:** The oil and gas industry is constantly changing and involves companies of all sizes. Phases of low commodity prices can result in increases in companies entering creditor protection. Since the IPO, certain of PrairieSky's operators were involved in receivership or restructuring proceedings, during which PrairieSky appeared in court proceedings to ensure the integrity of our assets and our interests were protected.

**Acquisitions:** PrairieSky holds the largest independently owned royalty land position in Canada. PrairieSky considers acquisitions if they fit our strategy or complement our existing asset base.

**Reclamation and End-of-Life Liabilities:** PrairieSky does not have liabilities related to the activities required at the end-of-life of the wellbores, pipelines and associated assets. Operators own these assets and the corresponding liabilities. Once a lease is terminated, the operator is responsible for well abandonment and land reclamation. Reclamation and end-of-life liabilities are further discussed on page 44 of this report.

## Conflict Minerals

All of PrairieSky's royalties are exclusively from energy projects in Canada and PrairieSky does not directly or indirectly receive any revenues from conflict minerals. Conflict minerals, according to the Securities Exchange Commission, refers to: tin, tantalum, tungsten and gold that may have originated in the Democratic Republic of the Congo and the adjoining countries of Angola, Burundi, the Central African Republic, the Republic of the Congo, Rwanda, South Sudan, Tanzania, Uganda and Zambia. The term conflict minerals may appear in our peers' corporate responsibility disclosures since many royalty or streaming companies receive revenues from mining operations in developing nations or conflict zones.

## Financial Transparency (Responsible Tax)

We support global efforts to increase transparency and accountability in the mining and oil and gas industries. The Government of Canada enacted the Extractive Sector Transparency Measures Act (ESTMA) effective on June 1, 2015, delivering on Canada's international commitments to contribute to global efforts to increase transparency and deter corruption in the extractive sector. ESTMA requires extractive entities active in Canada to publicly disclose, on an annual basis, specific payments made to all governments in Canada and abroad. We report all payments made to governments (in Canada or abroad) as required by ESTMA. Our annual *ESTMA report* is posted on our website and describes all gross cash payments made to governments which were all in Canada.

PrairieSky's *approach to tax* is also included on our *website*.

# Environment



We are committed to **environmental protection and awareness**, and believe that Canada is one of the best jurisdictions in the world with respect to regulations and laws to uphold the highest environmental standards.

## Topics in this section

|  |    |
|--|----|
| Climate Change                               | 26 |
| PrairieSky's Energy Use and Carbon Emissions | 28 |
| Climate Scenario Analysis                    | 30 |
| Energy Transition Projects                   | 39 |
| Land Stewardship                             | 41 |

## Climate Change

PrairieSky is committed to communicating with stakeholders regarding how we assess and manage climate related risks and opportunities in our business, and with respect thereto we have prepared the disclosures below based on the TCFD. Refer to our *TCFD Report 2021* for further details.

### Governance

The Board of Directors provides oversight and direction in the strategic planning process. Our Board of Directors has ultimate responsibility for overseeing the Company's ESG reporting and continuous improvement efforts, which is codified throughout our Directors' Mandate, Board Chair Guidelines, President & CEO Guidelines, Business Code of Conduct, Environment, Climate Change and Health and Safety Policy, and other subject specific policies, each of which is available on our website at [www.prairiesky.com/governance/](http://www.prairiesky.com/governance/).

Refer to page 13 of this report for our governance around climate-related risks and opportunities and management's role in assessing and managing these.

### Strategy

At PrairieSky, we believe every company and individual has a responsibility to monitor and reduce its impact on the environment. PrairieSky has identified climate change risks, both physical and transition, as principal risks through our ERM program, which are discussed in further detail in our *TCFD Report 2021*. Over the short, medium and long-term, climate change has the potential to impact our business strategy and performance. Through this same process, a number of opportunities have been identified as discussed on page 39.

### Risk Management

Through our ERM framework, PrairieSky proactively identifies, assesses and manages risks inherent or evolving in our business and industry. This includes the evaluation of both potential impacts and opportunities generated by environmental and climate change risk, along with the knock-on effects of other principal risks and ESG considerations. Risks, including environmental and climate change-related risk, are assessed on a short-term, medium-term and long-term basis and include climate scenario analysis as discussed on pages 30-38.

Our exposure to operator-specific risks is mitigated by the fact that no one single operator accounted for more than 10% of our royalty production revenues in 2021. Although we have significant exposure to crude oil, the perpetual ownership of our Fee Lands provide opportunities to participate in energy transition projects that will allow PrairieSky to remain competitive throughout the transition to a low-carbon economy as discussed on page 39.



We are committed to **reducing our carbon footprint** at PrairieSky. We have set an **absolute target** to reduce our Scope 1 and Scope 2 emissions by no less than 50% by 2025\*

\*(using 2017 as our base year).

### Metrics and Targets

We are committed to reducing our carbon footprint at PrairieSky. We have set an absolute target to reduce our Scope 1 and Scope 2 emissions by no less than 50% by 2025 (using 2017 as our base year). We also purchase renewable energy to offset all remaining Scope 1 and 2 emissions.

See information below and refer to pages 59-60 of this report for our Scope 1, Scope 2 and Scope 3 emissions.

PrairieSky is also tracking metrics related to climate change-related risks and opportunities. We anticipate that these will evolve over time but key items we identified in 2021 and prior years are as follows:

|   | Units      | 2019          | 2020          | 2021        |
|---|------------|---------------|---------------|-------------|
| <b>Transition Risk</b>  |            |               |               |             |
| Revenue from crude oil  | Percentage | 70            | 58            | 62          |
| <b>Climate-Related Opportunities</b>  |            |               |               |             |
| Revenue from natural gas  | Percentage | 11            | 21            | 21          |
| Revenue from CCUS   | Amount     | Not disclosed | Not disclosed | \$1,500,000 |
| Bonus consideration from resource gasification leasing  | Amount     | —             | —             | \$45,000    |
| Bonus consideration from helium leasing   | Amount     | —             | —             | \$700,000   |
| <b>Capital Deployment</b>   |            |               |               |             |
| Investment in renewable energy  | Amount     | 21,982        | 21,332        | 24,256      |
| <b>Remuneration</b>   |            |               |               |             |
| Weighting of performance share units against measurable corporate goals, including ESG objectives | Weighting  | 0.5           | 0.5           | 0.5         |
| Weighting of performance against ESG and sustainability targets for corporate scorecard           | Weighting  | Not disclosed | Not disclosed | 0.214       |

## PrairieSky's Energy Use and Carbon Emissions

PrairieSky's head office is in the First Canadian Centre building in downtown Calgary, Alberta, Canada. This is our only business location. Our team of 56 employees typically collaborate in this building and create a direct environmental impact through: carbon emissions related to energy consumption, water use, and waste generation. As all of our staff began working from home in March 2020 due to COVID-19, and the majority of staff continued to do so for most of 2021, we have seen a positive impact on our carbon emissions and our overall environmental footprint over this two-year period. We will be evaluating how we can continue to have a positive environmental impact into the future.

Although PrairieSky's direct environmental footprint is small, we remain committed to reducing our resource consumption including a commitment to reducing emissions, energy consumption and water usage. We also have an impact on the environment through employee commuting and business travel.

First Canadian Centre is part of GWL Realty Advisors' office portfolio. GWL Realty Advisors is committed to environmental leadership and First Canadian Centre has achieved BOMA Best Platinum Certification for building environmental standards (see Boma Canada website [www.bomacanada.ca](http://www.bomacanada.ca)). BOMA Best is Canada's largest environmental assessment and building certification program, with more than 7,000 certified buildings. GWL's Sustainability Benchmarking and Conservation Program sets targets for reducing energy averages and water intensity as well as waste diversion.

### Renewable Energy

PrairieSky is committed to reducing our carbon footprint. In addition to our efforts to reduce our total greenhouse gas emissions where possible, since 2019, PrairieSky has invested in green natural gas with Bullfrog Power to offset every unit of natural gas used by putting a gigajoule of green natural gas on the pipeline on our behalf. We have also invested in Bullfrog Power to offset every kWh of electricity PrairieSky used by putting a kWh from a pollution-free, renewable source on the grid on PrairieSky's behalf. Both green energy projects from which PrairieSky purchased offsets were based in Alberta.



Scope 1 Emissions  
**0.0**

**Purchased green natural gas certificates**  
(market-based approach).

Scope 2 Emissions  
**0.0**

**Purchased green electricity certificates**  
(market-based approach).

## Waste Generation

PrairieSky participates in our office building's extensive recycling program, which includes composting in all kitchens, paper recycling in all offices and electronics recycling. In 2021, waste was down 46 per cent in our building, with 52 per cent of waste diverted from the landfill. Additionally, PrairieSky has an internal program to track and reduce the amount of paper it uses on an annual basis, which is part of a larger effort to move to a paperless system over time. In 2021, we saw paper use remain much lower than 2019, 59 per cent, in large part due to increased remote work. We expect that process updates, including software investments that were implemented to facilitate remote work, will result in a positive long-term reduction in paper usage.

## Water Usage

PrairieSky's water use is only at its one office location in downtown Calgary. In 2021, due to most staff working remotely, there was a decrease in water usage to 494 cubic meters, a decrease of 38 per cent.

## Promoting Healthy Lifestyles and Employee Commuting

Annually, PrairieSky asks our employees to complete a survey on how they commute to work and we track Scope 3 emissions incurred through employee-related bus, rail and automobile travel. Employee-related commuting and the resulting Scope 3 emissions decreased dramatically due to the impact of COVID-19 in 2020 and 2021. PrairieSky provides in-office shower facilities and the building offers a secure bike storage facility to promote alternative transportation to work, and exercise such as running, walking or cycling. During 2021, 18 per cent of our employees who worked in the office walked, car-shared or biked to work and approximately 27 per cent took public transit.



## Business Travel

PrairieSky's executive and certain staff are, from time to time, required to travel for investor meetings, presentations and field site visits. In addition, out-of-town Board members travel to attend Board and Committee meetings in person. PrairieSky has tracked Scope 3 emissions incurred through air travel since 2019. In 2020 and 2021, there has been a dramatic decrease in Scope 3 emissions related to business travel primarily due to the impact of COVID-19 and associated travel restrictions.



# Climate Scenario Analysis

PrairieSky initiated climate scenario analysis in late 2020 as part of our ESG reporting process and initiatives. We have updated our scenarios to reflect more recent global and Canadian studies. Our scenarios include: *Deep Decarbonization Now*, *Moderate Mitigation* and *Powering On*

PrairieSky uses scenario analysis as a tool to enhance our understanding of climate-related risks and opportunities. This informs our strategic planning to address impacts posed over our business operations.

Scenarios are used in setting our business strategy and for analyzing risks. Our scenarios cover three possible contrasting climate futures. These three scenarios were selected to assess the resiliency of our business and opportunities and they consider multiple aspects including economics, environment, population and technology. We chose the International Energy Agency's scenarios and added Canadian insights using information prepared by the Canadian Energy Regulator and the Institut de l'énergie Trottier. We chose the IEA scenarios as they are widely recognized in our sector providing comparability. Because all of our royalties are in Canada, we believe providing a Canadian lens is also important.

## Transition Risks

### Deep Decarbonization Now: towards global net-zero emissions by 2050

This scenario is aligned with the Paris Agreement ambition to limit global warming to 1.5°C by 2100 by achieving net zero global CO<sub>2</sub> emissions by 2050. It references the International Energy Agency (IEA)'s Net Zero by 2050: A Roadmap for the Global Energy Sector and World Energy Outlook (WEO) 2021 Net Zero by 2050 (NZE2050) scenario. Approximate equivalent projections under a Canadian-lens come from the Institut de l'énergie Trottier (IET)'s 2021 Net Zero by 2050 (NZ50) scenario as described in 2021 Canadian Energy Outlook (CEO)<sup>2</sup>.

Global energy systems undergo significant transformation across advanced and developing economies with major investments in the renewable energy sector. Global population grows from 7.7 billion in 2020 to 9.7 billion by 2050 while primary energy demand decreases up to 2050 given changes in how we consume energy. Fossil fuels decline from being 80% of our energy use mix in 2019 to just over 20% in 2050. As a result, global energy-related and industrial process CO<sub>2</sub> emissions fall to around 21 Gt CO<sub>2</sub> in 2030 and to net zero by 2050. In Canada, net zero GHG emissions are achieved by 2050 and energy production from fossil fuels follows a similar trend, declining to 9% by 2050.

#### Oil

Global oil demand drops by 75% between 2019 and 2050, or 88 million barrels per day (MMbbl/d) in 2020 to 72 MMbbl/d in 2030 and 24 MMbbl/d in 2050. No further exploration or fields are required for development beyond those already approved. Projections of future energy prices are subject to a high degree of uncertainty, set largely by the operating costs of the marginal projects required to meet demand. In Canada, primary energy production for crude oil decreases almost 95%. In the energy mix, the share of energy supplied by crude oil drops from 35% in 2016 to just 2% in 2050. Most of this decline is from increased production from renewables (including hydro, biomass, and others) as well as nuclear energy.

#### Natural Gas

Similar to oil, no new natural gas fields are required beyond those already approved for development. Production of natural gas declines by about 3% per year between 2020 and 2050. In Canada, natural gas represented about 29% of Canada's primary energy production in 2016. By 2050, this percentage drops to about 3%.

| Global Signposts                                     | 2050               |
|--|--------------------|
| Global average temperature increase by 2100          | 1.5°C              |
| Population   | 9.7 billion        |
| GDP (\$US 2019 trillion)                             | \$316.4            |
| Carbon dioxide (Gt CO <sub>2</sub> /year)            | Net zero           |
| Energy supply for fossil fuels <sup>1</sup>          | 22%                |
| Energy demand for renewables                         | 67%                |
| % of renewables in electricity generation            | 88%                |
| Crude oil demand (MMbbl/d)                           | 24                 |
| Crude oil price (2019US\$/barrel)                    | \$24               |
| Natural gas demand (bcm)                             | 1,610              |
| U.S. natural gas price (US\$/Mbtu)                   | \$2.00             |
| Annual energy sector investment (2019 US\$ billions) | 2030: \$5 trillion |

Source: IEA Net Zero by 2050 (unless otherwise specified)



### Methane Emissions

Methane emissions from fossil fuels fall by around 75% between 2020 and 2030, resulting in decreased GHG emissions of about 2.5 Gt CO<sub>2</sub>e. A third of this decline is attributed to decreases in global fossil fuel consumption, but a majority is from the rapid scaling and deployment of emissions reduction measures and technologies.

### Carbon Capture Utilization and Storage Technology (CCUS)

Policies favouring global GHG emissions reductions support a range of measures to establish markets for CCUS investment. Global capture volumes experience rapid expansion between 2020 and 2050 growing from 40 Mt to 7,600 Mt in 2050. By 2030, 24 Mt CO<sub>2</sub>e are estimated to be captured in Canada and by 2050, 140 Mt CO<sub>2</sub>e.

### Hydrogen

Hydrogen-based fuels account for about 13% of global final energy demand in 2050, relative to about 5% in 2020, being mostly used in heavy industry (i.e., steel and chemicals production) and the transportation sector. In Canada, most new hydrogen use appears after 2040 and is concentrated in industry and transport with biomass accounting for over 90% of production at the national level.

### Carbon Pricing

Carbon prices are estimated to be deployed across many regions. Prices in advanced economies rise to \$130 per tonne CO<sub>2</sub> by 2030 and to \$250 by 2050 (2019US\$). As part of its updated climate plan, carbon prices in Canada are expected to rise \$15 per tonne annually from \$65 in 2023, reaching \$170 per tonne CO<sub>2</sub>e in 2030. Beyond carbon pricing, the cost of abating the last tonne of CO<sub>2</sub>e remains under \$210 to reach Canada's 40% target for 2030 but increases significantly to get to net zero.

- 1 Fossil fuels include natural gas (unabated and with CCUS), oil and coal (unabated and with CCUS). Renewables include solar, wind, hydro, bioenergy and biomass.
- 2 This scenario has been updated from referencing the IEA's WEO 2020 Sustainable Development Scenario and Canadian Energy Regulator's Canada's Energy Future 2018 Technology Case previously used by PrairieSky as we believe this change better aligns with current global and Canadian decarbonization ambitions.
- 3 Canadian climate data pulled from Canada's Changing Climate Report (2019), *Canada's Changing Climate Report (nrcan.gc.ca)*. RCP 1.9 comparison is 1.4°C from IPCC AR6.
- 4 Fossil fuels include crude oil, natural gas, and coal.
- 5 Renewable sources considered include hydroelectric, biomass, wind, solar and, others.

### Canadian Signposts

|   | 2050                    |
|---|-------------------------|
| National average temperature increase by 2100 <sup>3</sup>  | 1.8°C                   |
| National GHG emissions (Mt CO <sub>2</sub> e)               | Net Zero                |
| % of renewables in national electricity generation          | 82%                     |
| Energy production from fossil fuels (%) <sup>4</sup>        | 9%                      |
| Energy production from renewables (%) <sup>5</sup>          | 43%                     |
| Crude oil price (Western Canada Select 2019 US\$/bbl value) | Estimates not available |
| Natural gas price (Henry Hub 2019 US\$/Mbtu value)          | Estimates not available |

Source: IET Canadian Energy Outlook 2021 (unless otherwise specified)

## Moderate Mitigation: Reduction measures close-in on the Paris Agreement

This scenario acts as a middle ground between the drastic reduction measures required in Deep Decarbonization Now versus the little progress to curb GHG emissions in Powering On. In this scenario, global warming is limited to 2.6°C by 2100 and references the IEA's WEO 2021 Stated Policies Scenario (STEPS)<sup>7</sup>, providing a global perspective, with approximate equivalent projections under a Canadian-lens from the IET's 2021 Net Zero by 2060 (NZ60) scenario as described in the 2021 CEO<sup>8</sup>.

Global energy systems diversify but transformations across advanced and developing economies are small with a moderate increase in investment for renewables and continued but declining investment in fossil fuels. Global population rises the same as in the Deep Decarbonization Now scenario while primary energy demand increases to 2050. Fossil fuels decline in demand from 80% in 2019 to 66% in 2050. As a result, global energy-related and industrial process CO<sub>2</sub> emissions fall slowly, to around 36 Gt CO<sub>2</sub> in 2030 and to 34 Gt CO<sub>2</sub> in 2050. In Canada, GHG emissions decrease from 511 Mt CO<sub>2</sub>e in 2030 to 146 Mt CO<sub>2</sub>e by 2050 while primary energy production from fossil fuels declines from 69% in 2016 to 18% by 2050.

### Oil

Global oil demand increases minimally by 7% between 2019 and 2050, or 97 MMbbl/d in 2019 to 103 MMbbl/d in 2050. In Canada, the primary energy production of crude oil in the energy mix declines from 35% in 2016 to 5% by 2050, in terms of a percent change this represents an 86% decrease from 2016 to 2050. Similar to the trends outlined in Deep Decarbonization Now, most of this decline is from increased production from renewables (including hydro, biomass and others) as well as uranium.

### Natural Gas

Unlike oil, global natural gas demand grows by 25% between 2019 and 2050, however, the scenario notes that demand in advanced economies begins to slowly decline from about the mid-2020's. In Canada, natural gas represented about 29% of Canada's primary energy production in 2016, by 2050, this percentage drops to 5%.

### Methane Emissions

Total global CO<sub>2</sub> and methane emissions reach 39 Gt CO<sub>2</sub>e in 2030, up from around 38 Gt in 2020. To decline methane emissions, the IEA's Announced Pledges Scenario (APS) predicts it can close the emission gap between STEPS and NZE by 20%, leaving an "ambition gap" of 14 Gt CO<sub>2</sub>e (including fossil fuel methane emissions) to reach global net zero emissions by 2050.

| Global Signposts                            | 2050          |
|---|---------------|
| Global average temperature increase by 2100 | 2.6°C         |
| Population                                  | 9.7 billion   |
| GDP (\$US 2019 trillion)                    | Not available |
| Carbon dioxide (Gt CO <sub>2</sub> /year)   | 34            |
| Energy supply for fossil fuels <sup>6</sup> | 66%           |
| Energy demand for renewables                | 28%           |
| % of renewables in electricity generation   | 60%           |
| Crude oil demand (MMbbl/d)                  | 103           |
| Crude oil price (2020US\$/barrel)           | \$88          |
| Natural gas demand (bcm)                    | 5,113         |
| U.S. natural gas price (US\$/Mbtu)          | \$4.30        |
| Annual energy sector investment             | Not available |

Source: IEA Net Zero by 2050 (unless otherwise specified)



### Carbon Capture Utilization and Storage Technology (CCUS)

Global implementation momentum for CCUS is growing, driven by strengthened climate commitments from governments and industry. Operational projects or projects under construction have the capacity to capture over 40 Mt CO<sub>2</sub> per year. In Canada, around 3.0 Mt CO<sub>2</sub>e of emissions are captured in 2030 and by 2050 this number has risen to around 109 Mt CO<sub>2</sub>e<sup>9</sup>.

### Hydrogen

After 2030, global low-carbon hydrogen production continues to expand and demand in 2050 is equivalent to around 15% of today's total hydrogen use in industrial feedstocks and oil refining. Most low-carbon hydrogen in 2030 is produced via electrolysis to take advantage of renewable energy resources. Canadian trends are like those previously discussed in Deep Decarbonization Now.

### Carbon Pricing

Global carbon prices are estimated to increase across many regions. Prices in Canada are predicted to rise from \$55 in 2030 to \$75 by 2050 while in the EU, prices are predicted to rise from \$65 in 2030 to \$90 by 2050 (2020US\$). Under current policies, carbon prices in Canada are expected to rise \$15 per tonne annually from \$65 in 2023, reaching \$170 per tonne CO<sub>2</sub>e in 2030.

- 6 Fossil fuels include natural gas (unabated and with CCUS), oil and coal (unabated and with CCUS). Renewables include solar, wind, hydro, bioenergy and biomass.
- 7 This scenario has been added to reflect on the global trajectory we are on now, based on enacted policies, assuming each country sticks to those policies and assuming similar action after 2030.
- 8 In Canada, this scenario reflects the prior Canadian targets (30% reduction by 2030 and an 80% reduction by 2050, with respect to 2005), extended to reach net zero in 2060.
- 9 Environment and Climate Change Canada (2021). Clean Fuel Standard: Proposed Regulatory Approach.
- 10 Climate data pulled from IPCC AR6, SSP2-4.5.
- 11 Fossil fuels include crude oil, natural gas, and coal.
- 12 Renewable sources considered include hydroelectric, biomass, wind, solar and, others.

### Canadian Signposts

2050

|   |                         |
|---|-------------------------|
| National average temperature increase by 2100 <sup>10</sup> | 2.7°C                   |
| National GHG emissions (Mt CO <sub>2</sub> e)               | 146                     |
| % of renewables in national electricity generation          | 81%                     |
| Energy production from fossil fuels (%) <sup>11</sup>       | 18%                     |
| Energy production from renewables (%) <sup>12</sup>         | 37%                     |
| Crude oil price (Western Canada Select 2019 US\$/bbl value) | Estimates not available |
| Natural gas price (Henry Hub 2019 US\$/Mbtu value)          | Estimates not available |

Source: IET Canadian Energy Outlook 2021 (unless otherwise specified)

## Powering On: Current policies make limited progress on curbing global emissions

In this scenario, there is low decarbonization at the global scale and average warming exceeds 4°C by 2100. This scenario references the IEA's WEO 2019 Current Policies Scenario (CPS) and has been expanded with best estimates for equivalent projections in Canada using the IET's Reference scenario from the 2021 CEO<sup>15</sup>. Global assumptions for this scenario rely on existing policies announced by policy makers<sup>16</sup>. Limited policies to curb emissions allow fossil fuels to continue to dominate fuel markets, with limited growth in the renewable energy sector.

Energy systems undergo very little transformation across advanced and developing economies with continued investments in non-renewable energy. Global population rises to 9.2 billion by 2040, but global energy demand increases by about 1.3% each year to 2040, in the absence of energy efficiency improvements.

In Canada, energy consumption increases by about 28% between 2016 and 2050. The percentage of renewables in global electricity generation grows only slightly from 29% in 2020 to 36% in 2040. Fossil fuels continue to represent about 80% of the energy mix in 2020 and 2040 (with fluctuations in total primary demand sources). In Canada, energy production from fossil fuels increases from 69% in 2016 to 75% by 2050.

### Oil

Global oil demand increases by 1.1 MMbbl/d on average every year, from 96.9 MMbbl/d in 2018 to 121 MMbbl/d in 2040. Without strengthened policies on fuel efficiency or the use of alternative fuels, road transport increases demand, along with increases in demand for petrochemicals and aviation fuels. Global prices increase from \$68 US in 2018 to

\$134 US by 2040. In Canada, primary energy production of crude oil increases by 69% between 2016 and 2050 and final energy consumption of oil products across sectors (including energy production) increases by 30% over the same period.

### Natural Gas

Natural gas grows more intensely than oil, especially between 2030 and 2040, meeting a third of total energy demand growth, and more than any other energy source. Global demand increases by 46% between 2019 and 2040. In Canada, natural gas consumption increases between 2016 and 2050 by about 16%. Canadian production follows a similar trend and results in a 22% increase between 2016 and 2050.

### Methane Emissions

The fossil fuel sector, oil and gas extraction, processing, and distribution account for about 23% of human-caused methane emissions. In Canada, methane emissions accounted for about 13% of national GHG emissions in 2021<sup>17</sup>. Under current policies, and with the continued production of many fossil fuels, methane emissions are expected to continue to grow in this scenario with exact estimations largely unknown.

### Global Signposts 2040

|   |  |
|---|--|
| Global average temperature increase by 2100             | > 4.0°C  |
| Population  | 9.2 billion  |
| GDP (\$US 2019 trillion)                                | Pre-COVID-19 levels by 2021 (3+% growth/year up to 2040) |
| Carbon dioxide (Gt CO <sub>2</sub> /year) <sup>13</sup> | 2050: >80  |
| Energy supply for fossil fuels <sup>14</sup>            | 78%  |
| Energy demand for renewables                            | 17%  |
| % of renewables in electricity generation               | 36%  |
| Crude oil demand (MMbbl/d)                              | 121  |
| Crude oil price (2020US\$/barrel)                       | \$134  |
| Natural gas demand (bcm)                                | 5,891  |
| U.S. natural gas price (US\$/Mbtu)                      | \$5.10   |
| Annual energy sector investment                         | 2019-2030: \$29,011<br>2031-2040: \$29,732               |

Source: IEA Net Zero by 2050 (unless otherwise specified)



### Carbon Capture Utilization and Storage Technology (CCUS)

Lack of progress with CCUS to date stems from the significant additional capital and operating costs it entails, being greater than the revenue streams that can be generated from the captured CO<sub>2</sub>. Under current policies, CCUS uptake remains largely hindered by limited investments. Similarly, in Canada, CCUS sees little capture through CCUS, expected to be 0 Mt CO<sub>2</sub>e in 2030 and 0.118 Mt CO<sub>2</sub>e in 2050.

### Hydrogen

Global demand for hydrogen was 70 million tonnes per year in 2018, most used for oil refining, chemicals production, or blending in existing natural gas networks. In 2020, Canada was one of the top ten global producers of hydrogen, generating an estimated 3 million tonnes annually<sup>18</sup>. Under current policies, global and Canadian hydrogen remain comparable to recent production levels with natural gas reforming acting as a major supply source and limited CCUS investments limiting clean hydrogen production.

### Carbon Pricing

According to the World Bank, about 45 countries had carbon pricing mechanisms as of 2021, covering 11.65 GT CO<sub>2</sub>e, representing about 21.5% of global GHG emissions<sup>19</sup>. Under current policies, carbon prices in Canada are expected to rise \$15 per tonne annually from \$65 in 2023, reaching \$170 per tonne CO<sub>2</sub>e in 2030.

13 International Governmental Panel on Climate Change (IPCC) (2021): Sixth Assessment Report. *IPCC\_AR6\_WGL\_SPM.pdf*. Based on IPCC SSP5-8.5 scenario.

14 Fossil fuels include natural gas (unabated and with CCUS), oil and coal (unabated and with CCUS). Renewables include solar, wind, hydro, bioenergy and biomass.

15 The IET's Reference scenario from the 2021 Canadian Energy Outlook was informed using Canada's Energy Future Reference Case 2020, published by the Canadian Energy Regulator. This is the same scenario used by PrairieSky in its 2021 TCFD Report as an estimate for a high emissions scenario.

16 While the Paris Agreement was signed in 2016, national carbon reduction actions that have not been implemented prior to 2019 globally, and to 2020 in Canada, are not considered as estimations for future energy markets in this scenario.

17 Environment and Climate Change Canada (2021). 2021 Greenhouse gas inventory.

18 Natural Resources Canada (2020, December). Hydrogen Strategy for Canada.

19 The World Bank (2021). Carbon pricing dashboard. Retrieved December 2021.

20 Climate data pulled from Canada's Changing Climate Report (2019), *Canada's Changing Climate Report (nrcan.gc.ca)*. *RCP 8.5 comparison* is 4.4°C from IPCC AR6.

21 Fossil fuels include crude oil, natural gas, and coal.

22 Renewable sources considered include hydroelectric, biomass, wind, solar and, others.

### Canadian Signposts

2050

|   |         |
|---|---------|
| National average temperature increase by 2100 <sup>20</sup> | 6.0°C   |
| National GHG emissions (Mt CO <sub>2</sub> e)               | 850     |
| % of renewables in national electricity generation          | 55%     |
| Energy production from fossil fuels (%) <sup>21</sup>       | 75%     |
| Energy production from renewables (%) <sup>22</sup>         | 9%      |
| Crude oil price (Western Canada Select 2019 US\$/bbl value) | ~\$55   |
| Natural gas price (Henry Hub 2019 US\$/Mbtu value)          | ~\$3.00 |

Source: IET Canadian Energy Outlook 2021 (unless otherwise specified)

# Physical Risks

## Deep Decarbonization Now

Global, macro-level trends in North America have been updated based on the IPCC's Sixth Assessment Report (AR6) using the SSP1-1.9 scenario. Climate hazards may be reduced and better managed under Deep Decarbonization Now than in Powering On, however, despite efforts to curb emissions, the frequency of once in 50-year heatwaves are still expected to increase by 8 times by 2050. The average frequency of once in 10-year extreme precipitation and agricultural/ecological droughts in drying regions is likely to occur 1.5 times in the prior and 2 times in the later.

## Moderate Mitigation

Global, macro-level trends in North America have been updated based on the IPCC's AR6 using the SSP2-4.5 scenario. Despite moderate efforts to curb emissions, this scenario is not enough to prevent physical impacts of climate change. For example, the frequency of once in 50-year heatwaves are still expected to occur 14 times<sup>23</sup>. In comparison, the average frequency of once in 10-year extreme precipitation events are likely to occur 1.7 times while the frequency of once in 10-year extreme agricultural and ecological droughts in drying regions is likely to occur 2.4 times.

## Powering On

Global, macro-level trends in North America have been updated based on the IPCC's AR6 using the SSP5-8.5 scenario. The frequency of once in 50-year heatwaves is 39 times as likely to occur. In comparison, the average frequency of once in 10-year extreme precipitation events are likely to occur 2.7 times while the frequency of once in 10-year extreme agricultural and ecological droughts in drying regions are 4 times as likely to occur. In Canada, the frequency of large fire events is predicted to increase in north eastern British Columbia and northern Alberta as a result of climate change<sup>24</sup>.

<sup>23</sup> Moderate Mitigation emissions result in 2.7°C degrees of warming as per the IPCC SSP2-4.5, however, frequency data aligns to a 2°C scenario, so the anticipated physical risks would likely be slightly more severe than what is described.

<sup>24</sup> Boulanger, Y., Gauthier, S., et al. 2014. A refinement of models projecting future Canadian fire regimes using homogeneous fire regime zones. Canadian Journal of Forest Research 44, 365–376. Natural Resources Canada. Available online at: <https://open.canada.ca/data/en/dataset/ed8aa69f-8580-4c10-a8d9-eb2dea487d96>.

# Learnings from **Scenario Analysis** at PrairieSky



We believe we are **strategically positioned to participate in a lower carbon economy.**

Our portfolio of Royalty Properties provide a balanced mix of oil and natural gas reserves that can be developed responsibly in a leading jurisdiction with some of the strictest environmental regulations in the world. The perpetual ownership of our Fee Lands provides opportunities to participate in energy transition projects as discussed on pages 39-40. While there is a high degree of uncertainty in developing climate scenarios, **we believe there is value in using scenario analysis to inform our corporate strategy**, including our **Enterprise Risk Management Program**.



Our three climate scenarios were developed using **distinct and relevant global trajectories** prepared by international agencies and further adjusted to consider our Canadian context.

In preparing the scenarios, a number of aspects are considered including demographics, economics, environment, geopolitics, legal, social and cultural, and technology. Our scenarios are used by the executive and the Board of Directors to assess business and growth strategy and identify strategic risks and opportunities. This process is a useful tool for stress-testing our business on climate risk.

For example, because we own our Fee Lands in perpetuity, considering different future scenarios helps frame our thinking around royalty acquisitions and the importance of acquiring royalties at the best part of the cost curve as these royalty opportunities will displace higher cost barrels into the future.

Under each of these scenarios, we believe both oil and natural gas will be required as the international community transitions to meet its global climate ambitions. The scenarios are differentiated by the pace and scale with which carbon emissions are reduced.

## Energy Transition Projects

PrairieSky is participating in a number of projects, at various stages, with an overall goal to provide energy with lower associated greenhouse gas emissions. As these projects evolve, we expect to provide additional information, including with respect to the project's positive contribution to reducing overall carbon intensity of energy production and ensuring ethical and sustainable development of resources. Select additional information is set forth below:

### *Carbon Capture, Utilization, and Storage*

Alberta was the first jurisdiction in North America to direct dedicated funding to implement carbon capture, utilization and storage (CCUS) technology across industrial sectors. Alberta has committed \$1.24 billion through 2025 to fund two commercial-scale carbon capture and storage projects. Both projects will help reduce the CO<sub>2</sub> emissions from industrial emitters and the fertilizer sector and reduce GHG emissions by 2.76 million megatonnes per year. The Alberta Carbon Trunk Line project will supply pure carbon dioxide, for permanent sequestration, to where PrairieSky has partnered with the proponents of these innovative projects. These sequestration projects have typically focused on enhanced oil recovery across PrairieSky's land base with the goal to increase the ultimate recovery of oil pools while reducing the overall carbon footprint of oil and gas operations. In 2021, PrairieSky collected \$1.5 million in royalty revenue related to CCUS.

More recently PrairieSky has partnered with several early-stage companies focused on CCUS, both for in-situ stimulation and optimization of hydrocarbon reservoirs and to assist other industrial emitters to eliminate or reduce the quantum of greenhouse gases released into the atmosphere. For example, we are proud to partner with Bison Low Carbon Ventures Inc. (operator), Enerflex Ltd. and IRC Enterprises Inc. (Indian Resource Council of Canada) on the Meadowbrook CCUS Hub Project which was selected by Alberta Energy as one of six successful applicants for carbon storage tenure in the industrial heartland near Edmonton, Alberta. The Meadowbrook CCUS Hub Project is being designed to provide safe, cost effective, permanent CO<sub>2</sub> sequestration, on a multi-client basis, to existing and new Alberta industries seeking to reduce their emissions through adoption of carbon capture, utilization, and storage. We expect that the project partners will enter into an evaluation permit with the Government of Alberta that will allow the Meadowbrook partnership to conduct site specific evaluation activities and commence detailed consultation in the near term to support a commercial CCUS lease application within 12-24 months.

### *Hydrogen*

Both the Federal and Alberta Provincial governments are building a national strategy for hydrogen. There are a number of early-stage projects in Alberta, and PrairieSky has entered into several commercial arrangements with hydrogen companies to seed the development of these projects on our lands. While these projects are at an early stage and significant investment is required to scale infrastructure and provide energy delivery options to end users, PrairieSky is in a unique position to work with creative technical teams for the development of our natural gas resources in combination with sub-surface CCUS, with the goal of creating integrated and commercially viable "blue" hydrogen solutions.

### *Resource Gasification*

PrairieSky has partnered with a private company in Alberta, Cvictus Inc., to explore the potential for sub-surface gasification of mineral resources, in combination with CCUS, with the end goal of producing carbon neutral or carbon negative hydrogen, methanol and other products ultimately used to create single cell proteins that displace more energy intensive animal feedstock sources. This process has the added potential for electricity co-generation and creation of carbon/GHG credits through one or more emissions reduction protocols established by the Government of Alberta.

PrairieSky served as project sponsor for Cvictus Inc. in the *Clean Resource Innovation Network* Reducing Environmental Footprint technology competition, wherein Cvictus was awarded \$10,000,000 in early 2022 for its Mannville Enhanced Hydrogen Recovery Project on PrairieSky lands. In 2021, PrairieSky collected \$45,000 in bonus consideration related to resource gasification.

### *Helium, Lithium, and Other Minerals*

PrairieSky's fee mineral title lands throughout Alberta and Saskatchewan include perpetual ownership of other mines and minerals, the vast majority of which are underexplored and unexploited. Minerals such as Helium and Lithium have broad applications in the technology and battery storage sectors, respectively, and are relatively scarce in economic quantities in other parts of the world. PrairieSky has executed on early-stage exploration and development Helium leasing with industry participants, including a large-scale Helium exploration program in Southern Alberta. In 2021, PrairieSky collected \$0.7 million in bonus consideration related to Helium leasing.

While Lithium extraction is at an early and experimental stage in Western Canada, PrairieSky believes that as direct lithium extraction technologies are refined, these processes may provide additional commodity diversification and new leasing opportunities for PrairieSky. In early 2022, PrairieSky completed a large-scale Lithium leasing arrangement in Saskatchewan covering over 100,000 acres of PrairieSky lands. This arrangement is expected to result in near term exploration, drilling and delineation activity in this previously unexplored area. In early 2022, PrairieSky collected \$0.6 million in bonus consideration related to Lithium leasing.

### *Carbon Pricing*

All of PrairieSky's lands and operations are in Canada where carbon pricing is regulated by both the Federal and Provincial governments. On April 1, 2022, the Federal carbon tax increased by \$10 per tonne to \$50 per tonne in Alberta and Saskatchewan. The provincial carbon tax in British Columbia increased by \$5 per tonne to \$50 per tonne on April 1, 2022. The Federal government has set a proposal to increase the carbon price by \$15 per year until it reaches \$170 per tonne in 2030. Although carbon pricing does not have a significant direct impact on PrairieSky due to the nature of our operations, it does and will impact third-party operators on our Royalty Properties. Carbon prices and anticipated increases to the price per tonne have been incorporated into our Climate Scenario Analysis in this report.

## Land Stewardship

PrairieSky owns only the subsurface minerals and not the surface rights. As an owner in perpetuity of subsurface minerals, we understand the value of ensuring they are developed, managed and protected for the long-term. In addition to any environmental impact, any long-term damages to the land affect our ability to generate future value for shareholders and stakeholders. As a result, we believe we have a role in overseeing development on our lands even though we do not have direct legal or financial liability related to the environmental protection of lands where we own the mineral rights and other royalty interests.

Our royalty ownership business model differs significantly from a working interest or lease position in the oil and gas industry. A working interest owner is responsible for its share of operating costs, capital costs, environmental liabilities and reclamation obligations, usually in proportion to its ownership percentage. In contrast, PrairieSky has no obligation for operating costs, capital costs, environmental liabilities or reclamation obligations. These are the obligations of independent, third-party oil and gas producers that operate the wells drilled into our mineral title or other royalty interests.

PrairieSky is a pure-play royalty company and has no oil and gas operations. Third-party crude oil and natural gas operators are responsible for regulatory reporting of their emissions. PrairieSky does not generate any crude oil and natural gas emissions and therefore does not have policies or procedures for reporting any emissions from the drilling or operations of crude oil and natural gas exploration and development as further discussed below.



### Oil and Gas Operations Summary Table

PrairieSky does not have field operations. To ensure understanding and to provide transparency, we have included a field activity table below:

| Field & Facilities                                 | Units        | 2019 | 2020 | 2021 |
|--|--------------|------|------|------|
| Number of offshore sites & terrestrial sites       | count        | 0    | 0    | 0    |
| Active wells (net – operated & non-operated)       | number       | 0    | 0    | 0    |
| Inactive wells (net – operated & non-operated)     | number       | 0    | 0    | 0    |
| Facilities and pipelines (operated & non-operated) | number       | 0    | 0    | 0    |
| <b>Water</b>                                       |              |      |      |      |
| Total fresh water withdrawn                        | cubic meters | 0    | 0    | 0    |
| Total fresh water consumed                         | cubic meters | 0    | 0    | 0    |
| Volume of produced water and flowback generated    | cubic meters | 0    | 0    | 0    |
| Water discharged, injected, recycled               | percent      | n.a. | n.a. | n.a. |
| <b>Biodiversity Impacts</b>                        |              |      |      |      |
| Number of hydrocarbon spills                       | number       | 0    | 0    | 0    |
| Volume of hydrocarbon spills                       | cubic meters | 0    | 0    | 0    |
| Number of fines and penalties                      | number       | 0    | 0    | 0    |



We are committed to advancing responsible development of oil and natural gas in Canada.

### Environmental Rights and Responsibilities

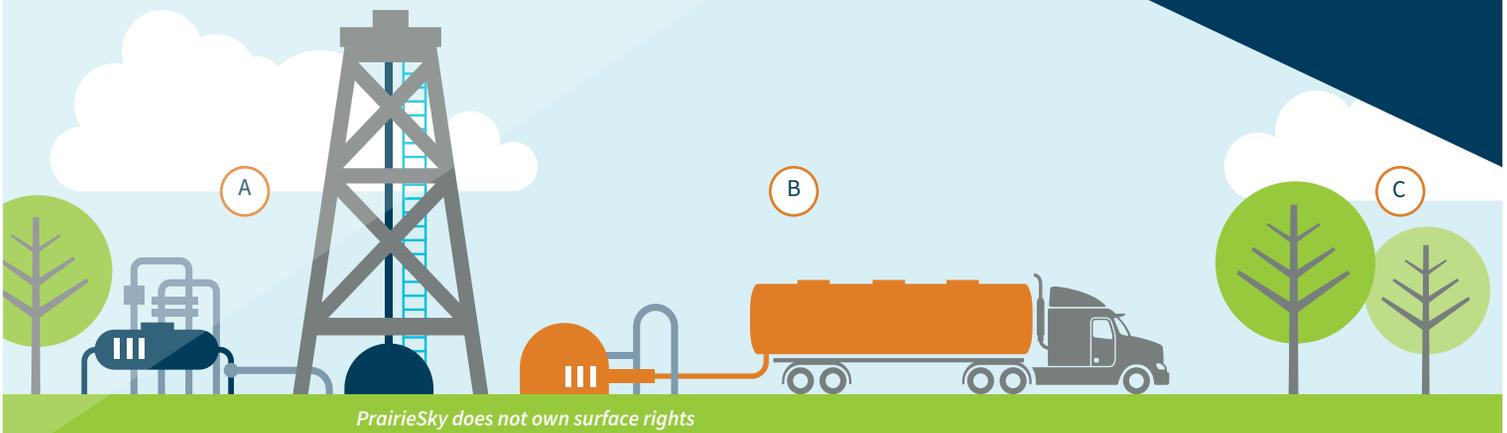
Although PrairieSky does not develop, explore for, operate or control operator activities, we are committed to advancing responsible development of oil and natural gas in Canada. We comply with all federal and provincial laws and regulations regarding the environment and contractually require our operators to conduct activities in accordance with these laws and regulations. Our lands are in one of the world's most transparent and robust regulatory environments and we believe development of resources in Canada can provide safe and reliable energy to the world. Our focus on land stewardship is evident through:

**Contract Obligations:** PrairieSky includes several provisions in our royalty arrangements to ensure operators comply with or exceed all applicable environmental laws as well as industry best practices. These requirements are supported by an explicit allocation of all environmental liability to the lessee, as well as an indemnity clause and a requirement to hold a suite of insurance coverage in accordance with best industry practices.

### Environmental rights and responsibilities

Lessees and operators work to develop the lands and are responsible for all costs to:

**A** develop, **B** operate and **C** reclaim and abandon.



PrairieSky owns the mineral rights below the surface

**Field Inspections:** PrairieSky has the right to physically inspect operations on our royalty lands. PrairieSky has the ability to terminate a lease should the lessee fail to adhere to contractual provisions, including non-compliance with environmental laws. Non-compliance can lead to reporting to the government regulator. In 2020 and 2021, management visited 17 and 38 individual lease sites, respectively. Based on observations during these visits, no report to government regulators was required.

**Audits:** PrairieSky periodically audits third-party operators to ensure regulatory compliance, including regulations relating to good oilfield practices and the environment.

PrairieSky has the ability to terminate a lease where an operator is not in compliance. We have not had to terminate any leases due to non-compliance with good operating practices, including environmental practices, in recent years. This is due to the strict environmental regulations in the jurisdictions where we own our royalty properties. The last time leases were terminated for non-compliance related to environmental reasons was in 2017 when PrairieSky terminated leases issued to a third party that failed to adhere to good oilfield practices and applicable regulations and was not, in PrairieSky's view, operating in a safe and environmentally responsible manner. As a result, the wells were shut-in and the operator was referred to the Alberta Energy Regulator. PrairieSky worked with the provincial regulator, the local municipality, other stakeholders and reputable oil and gas companies with a credible history to have the wells transferred to a new operator and put back on production.

PrairieSky actively participates in the Canadian Association of Petroleum Landmen and the Canadian Association of Petroleum Land Administration to inform industry of issues that are important to PrairieSky and to remain at the forefront of industry developments.

## Land Access and Landowners

PrairieSky does not own any surface land rights. PrairieSky owns only the minerals, including petroleum and natural gas, below the surface of the land. Lessees must secure surface access to the land, legally and physically, and manage their relationship with surface landowners. We understand the importance of positive relationships with landowners and minimizing land disturbance during land access; however, we are not involved in these activities nor do we have control over these activities.

Oil and natural gas development and operations occur in diverse locations which are home to many different species of animals and plants. As a result, there can be impacts to habitat and animal movement. Managing biodiversity is guided by the Canadian Biodiversity Strategy<sup>25</sup> and the federal Species Risk Act. In addition, there are also provincial policies and legislation in place. It should be noted that all levels of government continue to establish protected areas so protection of both biodiversity and species is continually advancing. Protecting biodiversity is a priority for the Canadian oil and gas industry and advancements have been made to minimize impacts.

<sup>25</sup> The World Conservation Union (IUCN) has developed a system for classifying protected areas. According to this system, about eight percent of Canada is classified as protected and about four percent removed from all commercial extractive activities. The National Conservation Areas Data Base (NCADB) developed by Environment Canada, the Canadian Council on Ecological Areas and others, identify approximately 3,500 publicly-owned protected areas covering about 800,000 km<sup>2</sup> and approximately 10,000 km<sup>2</sup> held by non-government groups. <https://biodivcanada.chm-cbd.net/documents/canadian-biodiversity-strategy>.



**Protecting biodiversity is a priority for the Canadian oil and gas industry and advancements have been made to minimize impacts.**

## Reclamation and End-Of-Life Liabilities

PrairieSky does not have liabilities related to the activities required at the end-of-life of wellbores, pipelines, facilities, and associated assets. Third-party operators own these assets. Once a lease is terminated, PrairieSky notifies the provincial regulator that the operator no longer has a lease agreement and the operator is responsible for well abandonment and land reclamation and the provincial regulator is in charge of monitoring the fulfillment of that obligation. According to current regulations, operators are required to abandon within 120 days. PrairieSky also monitors progress to ensure that all regulatory requirements are met.

In the oil and gas industry, an orphan well is defined as a well or any related pipeline or facility that is deemed as not having any legally responsible and/or financially able party to deal with its abandonment and reclamation. In Alberta, oil and gas producers pay a levy to the Alberta Orphan Oil and Gas Abandonment and Reclamation Association based on their number of wells and estimated future liabilities. PrairieSky is not a producer or operator and therefore is not required to contribute to the fund. When orphan wells are on PrairieSky lands, PrairieSky works with the provincial regulator to ensure these wells are properly abandoned and reclaimed through the Alberta Orphan Oil and Gas Abandonment and Reclamation Association in accordance with regulatory requirements.

The Alberta Energy Regulator (“AER”) operates a voluntary area-based closure program which is designed to reduce the cost of abandonment and reclamation operations through industry collaboration and economies of scale. PrairieSky works with the AER on its strategy to encourage the decommissioning, remediation and reclamation of inactive or marginal crude oil and natural gas infrastructure. This collaboration is important as areas of the province are “checkerboard” with PrairieSky owning every second section to the Crown. This joint effort ensures best practices are applied across the province for the long-term benefit of all stakeholders.

## Water Usage

Sustainable water usage is fundamental to the crude oil and natural gas industry in Canada. PrairieSky does not have any field operations and has no direct water usage in generating revenues. Third-party operators on PrairieSky’s royalty lands may use water in their oil and gas production activities. Any water used for drilling and completions is reported by third-party operators.

Third-party operators endeavor to use non-potable water, generally from saline source wells, in their operations as well as the reuse of water wherever possible through water treatment and recycling.



**Sustainable water usage is fundamental to the crude oil and natural gas industry in Canada.**



All of PrairieSky's Royalty Properties are in **Canada**, a **world leader** in **environmental standards** and **innovation**.



Sustainalytics ranks PrairieSky as **#1 out of 283** global oil and gas producers and in the **top 0.5%** of all companies globally across all industries with a "negligible risk" rating of 8.2.

(February 7, 2022)

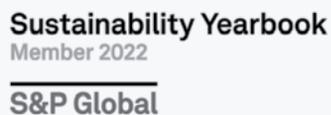


In 2021, PrairieSky completed our submission to CDP, the non-profit global environmental disclosure platform, and received an **"A-"** score in the 2021 Climate Change survey, which is **significantly above the North American average score** of "D" and the global average score of "C".

In 2021, PrairieSky completed our submission to the CDP Water Security survey and received a **"B-"** score which is in line with the North American and global average score.



PrairieSky received an **"AA"** rating from MSCI in 2021 which is a measurement of resilience to long-term, industry material environmental, social and governance risks.



PrairieSky ranked in the **83rd** percentile on the S&P Corporate Sustainability Assessment (CSA) and in February 2022 was included in The Sustainability Yearbook 2022 for corporate sustainability excellence.

# Social



PrairieSky has a dedicated team of 56 employees that are focused on **delivering value to shareholders** and driving our success.

## Topics in this section

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| Community Investment  | 53 |
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## Our People

PrairieSky is committed to providing employees with challenging work and fair compensation, a safe work environment, and opportunities for development and career growth.

PrairieSky has one office location in downtown Calgary. Due to COVID-19 protocols, substantially all of PrairieSky's staff worked from home from March 2020 through 2021. We were pleased to welcome our staff back to the office in 2022.



### Employee Satisfaction

PrairieSky uses an annual employee engagement survey to assess our cultural health and to identify potential areas for improvement. PrairieSky targets 85 per cent employee satisfaction. In 2021, PrairieSky achieved a 93 per cent employee satisfaction score (greater than 95% participation).



**93%**  
**employee**  
**satisfaction**  
**score.**

PrairieSky aims to **attract and retain talented people** who contribute to our team environment and long-term success. Our efforts in employee attraction and retention include:



### Employee Compensation & Benefits

PrairieSky aims to attract top talent by providing competitive compensation and benefits that reward performance and allow all employees to share in PrairieSky's success. We provide benefits for all employees, full-time and part-time, which includes company-paid comprehensive medical coverage, educational opportunities, and wellness programs, including access to mental health and employee assistance programs.

### Employee Share Ownership

PrairieSky promotes a culture of employee ownership and alignment with shareholders. PrairieSky provides a non-dilutive stock savings plan in which employees can contribute up to 12 per cent of their salary, which is matched on a dollar-for-dollar basis by PrairieSky, with the aggregated funds being used to purchase PrairieSky common shares in the open market which are then subject to an escrow for two years.

## Health and Safety

PrairieSky is committed to a safe and healthy work environment. Because PrairieSky does not engage in crude oil and natural gas operations and has no field operations, we do not have the same health and safety risks typically associated with the crude oil and natural gas industry. All of PrairieSky's operations take place at our corporate head office, our only business location.

PrairieSky's health and safety procedures and policies for our corporate head office are outlined in our [Environment, Climate Change, Health and Safety Policy](#), [Respectful Workplace Policy](#), and our Drugs and Alcohol Policy and Joint Work Site Health and Safety Policy ("JWHSC") which are available on our intranet. All employees and contractors are required to read and sign that they understand and will comply with the Code as well as these other policies.

We encourage our employees to maintain a safe and healthy workplace by following established rules and practices. Management is responsible for the administration of health and safety procedures and reports to the Board of Directors. The JWHSC outlines health and safety measures for PrairieSky's business which includes an emergency evacuation plan and a business continuity plan for our corporate head office.

Health and safety training is used to raise awareness and understanding of the processes for identifying and reporting issues including reporting accidents, injuries, unsafe equipment, and conditions or practices to managers, executives or directly to our Board through our anonymous whistleblower hotline. In 2020, the JWHSC set a target to have all committee members receive Health and Safety Committee and Representative training through Energy Safety Canada by Q1 2021, a goal which was completed. In 2021, all staff attended a mandatory health and safety training session.

The Health and Safety section of our Company intranet provides detailed information to employees and contractors on emergency procedures, including fire and evacuation procedures, and maps that provide a floor layout and the location of emergency exits, fire extinguishers, first aid kits and AED machines. Our designated floor wardens and additional staff are trained in First Aid and CPR/AED use.

We prioritize health and safety and have not had any workers' compensation claims, lost time injuries and/or fatalities since our inception.



**We prioritize  
health and safety**

We have not had any workers' compensation claims,  
lost time injuries and/or fatalities since our inception.

## Training and Development

We recognize that performance management is an essential element in maintaining an organizational culture that promotes high quality performance, teamwork and accountability. Performance management also helps to link Company objectives with employee goals through individualized performance plans that recognize achievements and identify potential gaps both individually and within a team. In 2021, all employees participated in performance evaluations.

We support opportunities for employee development through education and training. These opportunities range from internal lunch and learn sessions and industry group presentations to post-secondary education. Our training programs cover a breadth of topics to expand employee knowledge and develop skills. In 2021, we supported employees in their pursuit of certifications, professional designations and credentials in human resources, payroll and sustainability accounting. PrairieSky believes in advancing education in our community and provides post-secondary scholarship opportunities for our staff's immediate family members.

In 2021, our staff invested approximately 528 hours in training which equates to approximately 9.5 hours per full time equivalent employee. PrairieSky provided three hours of mandatory staff training covering the Code, diversity and inclusion, health and safety and cyber security. We anticipate offering this training on an annual basis. Employees also attended third-party training which was mostly hosted on-line. Overall training and education costs totaled \$29,000 or \$520 per full time equivalent employee.

We identify high-potential employees for leadership development and succession planning. These employees receive formal and informal training focused primarily on skill development and leadership which prepare our employees for career advancement. In 2021, we provided leadership opportunities by sponsoring mentorship through the Women's Executive Network and initiating a fellowship with Energy Futures Lab, which promotes energy innovation to transition to a sustainable global energy system. Since inception in 2014, we have had two of our five managers retire and each was replaced by an internal candidate. In 2021, we promoted an internal candidate to a newly created managerial position which oversees our geology and geosciences department.

*We foster a culture of employee engagement and innovation, where employees can develop and advance their careers.*

We operate an active summer student program whereby students from various universities and fields of study are hired across the Company, providing meaningful work experience for students. In 2021, we restarted our Women's Mentorship Program with the MBA students at the University of Calgary's Haskayne School of Business. This program is ongoing into 2022 and includes opportunities to meet senior leaders in business, attend presentations on topics such as ESG and develop leadership skills. In addition, PrairieSky provides lunch and learns for our senior women with the goal of development as well as a forum for mentorship and collaboration.

## Work-life balance

We promote work-life balance through workplace flexibility. The company has a flexible schedule in which employees need to be present daily at our offices (or online from their remote work location) for core business hours, contributing to work-life balance and job satisfaction.

Throughout COVID-19, PrairieSky has promoted flexibility for our employees, including enhanced work-from-home solutions, additional flexible hours and enhanced opportunities to ensure and promote mental health.

## Diversity and Inclusion

We maintain an inclusive work environment and are focused on providing advancement opportunities to persons of all genders, ethnicities and orientations, based on merit. Diversity and inclusion are important to PrairieSky, and we are committed to providing an environment where every one of our talented employees can succeed.

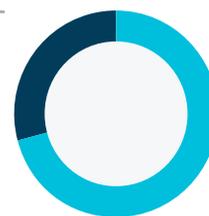
We have a relatively small workforce at PrairieSky. Of our 55 full and 1 part-time staff, 71% are women. Our three-person executive team includes one female member (CFO) and of our six managers, five are women (83%), including our Controller. We have three female leaders on the Board of Directors, representing 38% of the independent directors and meeting our Board Gender Diversity Target to increase the Board composition to achieve at least thirty percent (30%) women directors by 2025.



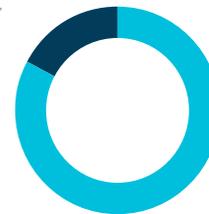
We maintain an **inclusive work environment** and are focused on providing advancement opportunities to persons of all **genders, ethnicities and orientations**, based on merit.

## Women Leaders

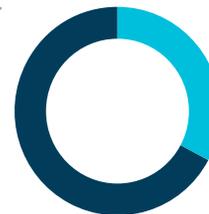
Total Workforce  
**71%**



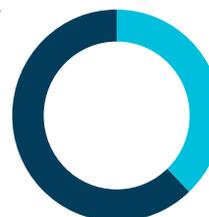
Managers  
**83%**



Senior Officers  
**33%**



Independent Board Members  
**38%**



In March 2022, PrairieSky was once again recognized in the

## Women Lead Here

survey by the Globe and Mail and Report on Business. This survey is the annual benchmark publication measuring gender diversity in corporate Canada. Since inception of the annual rankings, PrairieSky has been identified at the forefront of gender diversity with a significant percentage of women in leadership positions.



2021  
**REPORT ON BUSINESS**  
**WOMEN LEAD HERE**

## Discrimination and Harassment

PrairieSky is committed to providing a healthy and safe workplace where all employees are free from discrimination, harassment, and disrespectful behavior. Our Code provides the framework for an environment where all individuals are treated with dignity and respect, and our [Respectful Workplace Policy](#) outlines conduct that is prohibited and sets out a reporting process for violations of the policy along with PrairieSky's obligation to investigate and take appropriate action if complaints are received.

## Human Rights and Fundamental Freedoms

All of PrairieSky's business is conducted in Western Canada and is subject to Canadian human rights and labour laws which protect the rights of workers and provide for freedom of association.

Our commitment to human rights is outlined in our [Human Rights Policy](#), as well as our [Respectful Workplace Policy](#). Both policies provide information on reporting grievances or violations directly or anonymously.

## Relationships with Indigenous Peoples

We recognize and respect the constitutionally protected rights of Indigenous peoples in Canada. PrairieSky does not directly own any mineral rights that overlap with traditional Indigenous territories.

PrairieSky has gross overriding royalties on two thermal oil properties that are in or near traditional territories where Indigenous peoples are partnering with industry for the development of natural resources. The two operators of these properties, Strathcona Resources Ltd. and International Petroleum Corp., have agreements in place with the Frog Lake First Nation and Onion Lake Cree Nation, respectively, to work in partnership on certain operations and development of the projects, including a commitment to sustainable development and capacity building. In 2021, 4.9 per cent of our reserves were within one mile of Indigenous lands with approximately 36 per cent of these reserves associated with the Onion Lake thermal project. These reserves represent PrairieSky's royalty interest share of production from third-party owned and operated wells.

PrairieSky also has certain gross overriding royalties in the Province of British Columbia, and specifically within the Treaty 8 area where the Blueberry River First Nations, the Province of British Columbia and operators have reached an initial agreement regarding resource development, including oil and gas development, within this treaty territory. PrairieSky expects additional agreements will be negotiated between stakeholders in the area to allow for development of resources while protecting Indigenous rights and managing cumulative impacts.

PrairieSky is committed to truth and reconciliation efforts as it relates to Indigenous persons in the jurisdictions where PrairieSky conducts business. During 2021, PrairieSky promoted awareness with respect to Indigenous history and provided staff with resources for their self-guided learning journeys in connection with the National Day for Truth and Reconciliation in Canada. PrairieSky also supported the work of Indigenous non-profit organizations in 2021 by making donations to [Legacy of Hope Foundation](#) and [Indspire](#). Approximately 5% of our staff identify as Indigenous. One of our independent directors identifies as Indigenous.

## Supply Chain and Social Supplier Standards

A sustainable supply chain creates and grows long-term environmental, social and economic value for stakeholders. PrairieSky has a simple cost structure, we do not own any physical assets other than sub-surface mineral rights (our Royalty Properties), and our office contents. Our cost structure is limited to administrative expenditures and federal and provincial government payments which are disclosed in our [ESTMA](#) reporting. Administrative costs include salaries and benefits for employees as well as costs related to advisors, consultants, contractors, office rent and information technology.

In 2021, PrairieSky engaged 149 suppliers investing approximately \$6.7 million in goods and services. Of this investment, approximately 18% was for critical suppliers, all of which are information technology providers. We define critical suppliers as those whose procurement has a significant impact on our competitive advantage. All of PrairieSky's operations are within Canada, which is one of the most highly regulated jurisdictions in the world. All of PrairieSky's business relationships are conducted under the umbrella of our Code and in accordance with federal and provincial laws and regulations. PrairieSky also has a [Supplier Code of Conduct](#) in place and engages with its suppliers to promote best practices.

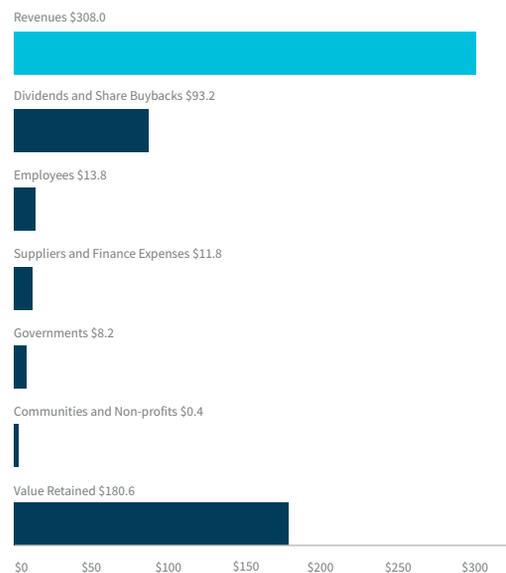
## Economic Contribution



Canada's crude oil and natural gas industry makes a significant, positive impact on Canadian and provincial economies. PrairieSky contributes to our local, provincial and federal economies by **providing employment, supporting economic activities** and **paying taxes**. The wealth that is generated positively impacts all of our stakeholders.



2021 Economic Value Generated and Distributed (millions)



# Community Investment

We encourage employees to give back to our communities and we direct our efforts to areas of interest to our employees. Our employees are active in supporting causes that make a significant and positive impact in the community and, like our employees, PrairieSky is committed to giving back to the communities where we work and live through sponsorships, donations, and volunteering.

## We believe our success depends on the social and economic health of communities.

Our community investment program aims to:

- > promote healthy communities;
- > give back to our communities; and
- > engage our employees in the community.

## We have focused our giving in five areas:

- > community and social services;
- > health and wellness;
- > sport and recreation;
- > education; and
- > environmental stewardship



# Social Responsibility

We believe that by **investing in the community**, we can contribute to a **better society** and **improve opportunities for all**. Our social investments help advance sustainable development goals and are focused on promoting healthy communities, giving back to our communities, and engaging our employees in the community.

In 2021, PrairieSky invested **\$420,800** into our community with a focus in the following five areas:



## Our key **community partners** are:



### Alberta Children's Hospital Foundation

The Alberta Children's Hospital Foundation ("ACHF") supports excellence in child and youth mental health initiatives through the proposed Child and Youth Mental Health Centre. Child and Adolescent Mental Health Inpatient Services at the ACHF offer mental health assessments and treatments for children with serious emotional, behavioural and/or psychiatric problems that cannot be treated in the community, day patient or outpatient settings. The ACHF services also involve the child's family to create a holistic approach to treatment. To help promote youth and family health and wellness, in 2018, PrairieSky committed to a \$500,000 gift over five years to be used for child and youth mental health initiatives.



### University Of Saskatchewan

PrairieSky is a proud supporter of the Edwards School of Business at the University of Saskatchewan, whose mission is to serve the public good by connecting discovery, teaching and outreach by promoting diversity and meaningful change to prepare students for enriching careers and fulfilling lives as engaged global citizens. We share their desire to build a rich cultural community while supporting a long-standing and established educational institution and in 2017, PrairieSky committed to providing a \$250,000 gift over five years. The gift is to be used by the Dembroski Student Managed Portfolio Trust to deliver experiential learning opportunities to students as they put their core financial knowledge into practice managing funds in an investment account.

Below is a selection of **2021 community investment programs** and in-kind donations considered on an annual basis:



### Calgary Drop-In Centre

For more than 60 years, the Calgary Drop-In Centre (the DI) has been providing essential care as well as health services and housing support to adults experiencing or at risk of experiencing homelessness. Their programs and services connect people to permanent housing that meets their individual needs. In 2021, PrairieSky donated 93 Cisco VoIP phones and other computer and printer equipment to the DI.



### Renfrew Educational Services

Renfrew Educational Services offers a broad range of specialized programs in Alberta and is an acknowledged leader in program development for children with special needs. In 2021, PrairieSky donated to their early childhood services and programs which aim to nurture learning and social skills that last a lifetime.



### Wood's Homes

Wood's Homes is a children's mental health center that provides treatment and support to children, youth and families with mental health needs. Their continuum of services includes specialized treatment, assessments, leading-edge counselling services and education. Services are focused on early intervention and prevention, immediacy of response and family-centered, trauma-informed care. PrairieSky has sponsored the last four Never Give up and unGalas, which aim to raise awareness and funding for the critical, and often life-changing, support programs Wood's Homes provides.



### Lionheart Foundation

The Lionheart Foundation acts as a primary resource for adolescents with anxiety issues. Donations to the Foundation provide subsidized counselling for individuals and families who cannot afford to pay for the full cost of treatment, and training of therapists, doctors, nurses and other specialists to increase capacity in our community. PrairieSky has sponsored the last five Girl Power Hours that build awareness of the issues, including the 2021 virtual event 'Kids, Covid & the New Abnormal.'



### UNICEF Canada WASH

UNICEF leads innovative initiatives to bring life-saving water to all children. Since 2015, PrairieSky has sponsored the UNICEF Water for Life Gala in Calgary which supports UNICEF's global Water, Sanitation and Hygiene (WASH) programs. These programs help realize the rights of children by delivering safe water, sanitation and hygiene in their communities and schools.



### Centre for Suicide Prevention

The Centre for Suicide Prevention is an education centre based in Calgary, Alberta. They are a branch of the Canadian Mental Health Association focused on equipping Canadians with the information, knowledge, and skills necessary to respond to people considering suicide. PrairieSky was a diamond sponsor for the Centre's 2021 Run for Life, which was their biggest run yet with 425 participants and 47 teams participating.



### Friends of Fish Creek Provincial Park Society

Friends of Fish Creek looks to maintain a sustainable Fish Creek Provincial Park that improves the quality of life for present and future generations by engaging the community through activities and awareness to conserve a truly unique naturalized urban park. In 2021, PrairieSky donated funds for wire, water boxes, and trees for the Poplar Forest Stewardship Project.

## Volunteer Opportunities

Key to our commitment to communities is providing our staff with volunteer opportunities and hosting staff fundraising events. Although many of our annual volunteer programs were cancelled due to COVID-19, our staff was able to participate in the following events:

- > In February, PrairieSky staff volunteered for the Caring for Kids Radiothon which raised \$2.95 million for the Alberta Children's Hospital Foundation.
- > In April/May, PrairieSky had a 'Double Match the Donation' initiative where the Company double matched individual employee donations to a charitable/non-profit organization of their choosing up to a maximum \$500 corporate donation. In 2021, the initiative raised \$19,200 for 22 different non-profit and charitable organizations.
- > In November, PrairieSky held our "virtual" annual United Way Campaign in which we raised over \$44,600 to support non-profit organizations that serve to improve local lives in Calgary and surrounding communities. The Campaign included a collection drive for the Canadian Mental Health Association and employees donated much needed items including toiletries, socks, hats, mitts, and children's gifts.

Since IPO, PrairieSky staff have donated over 1,000 hours of time towards PrairieSky sponsored community investment initiatives.



Community  
Investment  
Highlights  
**\$420,800** in  
sponsorship  
and donations.

# Performance Summary Table

|  | Units         | 2019   | 2020    | 2021    | Verification |
|--|---------------|--------|---------|---------|--------------|
| <b>Company Context</b>   |               |        |         |         |              |
| Royalty production   | BOE/d         | 21,757 | 19,712  | 19,827  |              |
| Total acres  | million acres | 15.6   | 16.1    | 18.3    |              |
| Acres – fee title lands  | million acres | 7.8    | 8.0     | 9.8     |              |
| Acres – gross overriding royalties   | million acres | 7.8    | 8.1     | 8.5     |              |
| Seismic data (3-D)   | square km     | 13,000 | 16,700  | 19,900  |              |
| Seismic data (2-D)   | km            | 46,000 | 49,200  | 54,200  |              |
| Operators/lessees  | count         | 325    | 310     | 330     |              |
| Revenues   | million \$    | 268.4  | 171.4   | 308.0   |              |
| <b>Taxes</b>   |               |        |         |         |              |
| Total global taxes paid (or collected)   | \$            | 32.2   | 25.8    | 18.9    |              |
| Corporate income tax   | \$            | 10.7   | 6.0     | 3.8     |              |
| Property tax   | \$            | 0.1    | 0.1     | 0.1     |              |
| Sales tax  | \$            | 1.5    | 0.8     | (0.2)   |              |
| Payroll tax, including employee income tax remitted                                    | \$            | 4.7    | 3.2     | 4.3     |              |
| Production and mineral taxes   | \$            | 15.2   | 15.7    | 10.9    |              |
| <b>Anti-Corruption</b>   |               |        |         |         |              |
| Number of incidents of corruption confirmed in the year, but related to previous years | count         | 0      | 0       | 0       |              |
| Number of corruption incidents confirmed in the year not related to previous years     | count         | 0      | 0       | 0       |              |
| Breaches of the code of conduct  | count         | 0      | 0       | 0       | PwC          |
| <b>Relationship with Operators</b>   |               |        |         |         |              |
| Sites visited by senior management   | count         | 33     | 17      | 38      |              |
| Audits of lessees  | count         | 859    | 780     | 671     |              |
| Enforcement actions  | count         | -      | -       | -       |              |
| Notices issued to lessees  | count         | 3,578  | 4,254   | 2,473   |              |
| Acres "recycled"   | acres         | 99,840 | 128,000 | 100,500 |              |
| <b>Employees</b>   |               |        |         |         |              |
| Total employees  | count         | 64     | 59      | 56      |              |
| Full-time  | count         | 61     | 58      | 55      |              |
| Part-time  | count         | 3      | 1       | 1       |              |

|  | Units                           | 2019    | 2020    | 2021    | Verification |
|--|---------------------------------|---------|---------|---------|--------------|
| <b>Women</b>   |                                 |         |         |         |              |
| Total workforce  | percent                         | 73      | 73      | 71      | PwC          |
| Total workforce  | count                           | 47      | 43      | 40      |              |
| Managers   | percent                         | 80      | 80      | 83      | PwC          |
| Managers   | count                           | 4       | 4       | 5       |              |
| Junior managers  | percent/count                   | -       | -       | -       |              |
| Middle managers  | percent/count                   | 75 / 3  | 75 / 3  | 80 / 4  |              |
| Top managers   | percent/count                   | 100 / 1 | 100 / 1 | 100 / 1 |              |
| Executive  | percent                         | 33      | 33      | 33      | PwC          |
| Independent Board members  | percent                         | 29      | 29      | 38      | PwC          |
| <b>Age groups</b>  |                                 |         |         |         |              |
| Below 30   | percent                         | 6       | 5       | 2       |              |
| 30-50  | percent                         | 63      | 61      | 59      |              |
| Above 50   | percent                         | 31      | 34      | 39      |              |
| <b>Retention</b>   |                                 |         |         |         |              |
| Turnover rate, total   | percent                         | 9.7     | 17.9    | 12.2    |              |
| Turnover rate, voluntary   | percent                         | 4.8     | 6.5     | 10.4    |              |
| <b>Human Rights</b>  |                                 |         |         |         |              |
| Number of discrimination and harassment incidents                    | count                           | 0       | 0       | 0       |              |
| Incidents closed   | count                           | n.a.    | n.a.    | n.a.    |              |
| Monetary losses from discrimination and harassment legal proceedings | \$                              | 0       | 0       | 0       |              |
| Grievances reported  | count                           | 0       | 0       | 0       |              |
| <b>Facilities – PrairieSky’s Office</b>                              |                                 |         |         |         |              |
| Resource use, prorated to PrairieSky                                 |                                 |         |         |         |              |
| Natural gas use  | gigajoules                      | 2,644   | 2,762   | 1,730   |              |
| Natural gas use (Scope 1 emissions location-based approach)          | metric tonnes CO <sub>2</sub> e | 137.4   | 143.5   | 91.5    | PwC          |
| Natural gas use (Scope 1 emissions market-based approach)            | metric tonnes CO <sub>2</sub> e | 0       | 0       | 0       | PwC          |
| Electricity use  | gigajoules                      | 1,673   | 1,502   | 934     |              |
| Electricity use (Scope 2 emissions location-based approach)          | metric tonnes CO <sub>2</sub> e | 315.9   | 279.8   | 166.1   | PwC          |
| Electricity use (Scope 2 emissions market-based approach)            | metric tons CO <sub>2</sub> e   | 0       | 0       | 0       | PwC          |

|   | Units   | 2019      | 2020      | 2021      | Verification |
|---|---|-----------|-----------|-----------|--------------|
| Scope 3 emissions   |   |           |           |           |              |
| Employee commuting  | metric tonnes<br>Co <sub>2</sub> e            | 59.5      | 28.6      | 29.5      | PwC          |
| Business travel   | metric tonnes<br>Co <sub>2</sub> e            | 32.1      | 6.0       | 0.5       | PwC          |
| Scope 1, 2, and 3 emissions                                     | metric tonnes<br>Co <sub>2</sub> e            | 544.9     | 457.9     | 287.6     |              |
| Intensity   | metric tonnes<br>Co <sub>2</sub> e/\$ revenue | 0.0000020 | 0.0000027 | 0.0000009 |              |
| Energy intensity  | gigajoules/\$<br>revenue                      | 0.000016  | 0.000025  | 0.000009  |              |
| Water use   | cubic meters                                  | 959       | 792       | 494       | PwC          |
| Water use, prorated per PSK<br>employee                         | litres  | 14,980    | 13,429    | 8,817     |              |
| Water intensity   | cubic meters/\$<br>revenue                    | 0.000004  | 0.000005  | 0.000002  |              |
| Waste generated   | metric tonnes                                 | 14.2      | 6.2       | 2.1       | PwC          |
| Waste diverted from landfill                                    | percent                                       | 79        | 64        | 52        | PwC          |
| Hazardous waste generated                                       | metric tonnes                                 | 0         | 0         | 0         | PwC          |
| Environmental Violations  | count   | 0         | 0         | 0         |              |
| <b>Communities and Society</b>                                  |   |           |           |           |              |
| Community Investment  | \$  | 400,100   | 298,300   | 420,800   | PwC          |
| By focus area   |   |           |           |           |              |
| Community and Social Services                                   | \$  | 109,000   | 83,500    | 127,600   |              |
| Education   | \$  | 50,000    | 50,000    | 58,100    |              |
| Health and Wellness   | \$  | 162,500   | 129,400   | 132,100   |              |
| Environmental Stewardship                                       | \$  | 8,850     | 2,900     | 8,000     |              |
| Sport and Recreation  | \$  | 69,750    | 32,500    | 95,000    |              |
| Economic Value Generated and Distributed                        |   |           |           |           |              |
| Revenues  | millions \$                                   | 268.4     | 171.4     | 308.0     |              |
| Distributed as follows:   |   |           |           |           |              |
| Dividends declared to shareholders<br>and share buybacks        | millions \$                                   | 201.2     | 177.0     | 93.2      |              |
| Employees (salaries, benefits and<br>cash long-term incentives) | millions \$                                   | 15.2      | 12.4      | 13.8      |              |
| Suppliers (operating expenses, other<br>G&A, finance expenses)  | millions \$                                   | 8.0       | 7.4       | 11.8      |              |
| Governments (production and<br>mineral taxes, cash taxes)       | millions \$                                   | 24.0      | 5.2       | 8.2       |              |

|  | Units                          | 2019 | 2020   | 2021  | Verification |
|--|--------------------------------|------|--------|-------|--------------|
| Communities & Non-Profits (charitable contributions) | millions \$                    | 0.4  | 0.3    | 0.4   |              |
| Value Retained at PrairieSky <sup>(1)</sup>          | millions \$                    | 19.6 | (30.9) | 180.6 |              |
| <b>Political Contributions</b>                       | millions \$                    | 0.0  | 0.0    | 0.0   |              |
| <b>Health and Safety</b>                             |                                |      |        |       |              |
| Lost-Time Injury Frequency Rate (LTIFR)              |                                |      |        |       |              |
| LTIFR – Employees                                    | cases per 200,000 hours        | 0.0  | 0.0    | 0.0   | PwC          |
| LTIFR - Contractors                                  | cases per 200,000 hours        | 0.0  | 0.0    | 0.0   | PwC          |
| Total Recordable Injury Frequency Rate (TRIFR)       |                                |      |        |       | PwC          |
| TRIFR – Employees                                    |                                | 0.0  | 0.0    | 0.0   | PwC          |
| TRIFR - Contractors                                  |                                | 0.0  | 0.0    | 0.0   | PwC          |
| Fatalities - Employee/Contractor                     | count                          | 0.0  | 0.0    | 0.0   | PwC          |
| Tier 1 process safety events                         | cases per million hours worked | 0.0  | 0.0    | 0.0   | PwC          |

Notes:

1. Value retained is simply value generated minus value distributed. This is not a financial reporting indicator and should not be confused with retained earnings.

PricewaterhouseCoopers LLP has provided limited assurance over indicators marked PwC. Verification of the data reported and assumptions made can be found in the *PwC Assurance Statement* on our website.

# GRI, SASB and WEF Index

This 2021 Sustainability Report has been prepared in accordance with the Core option of the Global Reporting Initiative (GRI) Standards and the Sustainability Accounting Standards Board (SASB) Oil & Gas - Exploration & Production Industry Standard. In some cases, indicators suggested by the standards are not applicable, or the information is considered to be competitive and is therefore not disclosed. As the standards evolve, so will our reporting on the topics covered. We are committed to consistently improving our disclosure for stakeholders and support efforts to provide consistent and comparable sustainability performance data. To that end, we have added certain World Economic Forum (WEF) core and expanded metrics and disclosures.

The GRI, SASB and WEF Index below contains information and additional links that relate to specific content within the 2021 Sustainability Report and other annual PrairieSky disclosures. The scope of information covered in this Index, the 2021 Sustainability Report and supporting disclosures relates to our operations in the 2021 calendar year, unless otherwise noted. All of PrairieSky's operations are in Canada.

| SASB Code   | WEF Metric | GRI Code | Description  | Reference   |
|---|------------|----------|--|---|
| <b>General Disclosures — GRI 102: General Disclosures</b> |            |          |  |   |
|   |            | 102-1    | Name of organization   | PrairieSky Royalty Ltd.   |
|   |            | 102-2    | Activities, brands, products and services  | 2021 Sustainability Report (pages 2-3)  |
|   |            | 102-3    | Location of headquarters   | First Canadian Centre in Calgary, Alberta, Canada.  |
|   |            | 102-4    | Location of operations   | 2021 Sustainability Report (pages 2, 7)   |
|   |            | 102-5    | Ownership and legal form   | 2021 Annual Information Form (page 13)  |
|   |            | 102-6    | Markets served   | 2021 Sustainability Report (page 3)   |
|   |            | 102-7    | Scale of the organization  | 2021 Sustainability Report (page 2)   |
|   |            | 102-8    | Information on employees and other workers   | 2021 Sustainability Report (pages 50, 58-59)  |
|   |            | 102-9    | Supply chain   | 2021 Sustainability Report (pages 18, 52)   |
|   |            | 102-10   | Significant changes to the organization and its supply chain   | Not applicable.<br>There has been no significant changes to the organization and its supply chain |
|   |            | 102-11   | Precautionary Principle or approach  | 2021 Sustainability Report (pages 5, 11, 26)  |
|   |            | 102-12   | External initiatives   | 2021 Sustainability Report (pages 7, 11, 24, 76-77)   |
|   |            | 102-13   | Membership or associations   | 2021 Sustainability Report (pages 43, 76)   |
|   |            | 102-14   | Statement from senior decision-maker   | 2021 Sustainability Report (page 1)   |
|   | ■          | 102-15   | Key impacts, risk, and opportunities   | 2021 Sustainability Report (pages 9, 13, 24, 26, 30-40)   |
|   |            | 102-16   | Values, principles, standards, and norms of behavior   | 2021 Sustainability Report (pages 9, 17-18, 20)   |
|   | ■          | 102-17   | Mechanisms for advice and concerns about ethics  | 2021 Sustainability Report (pages 18, 20)   |
|   |            | 102-18   | Governance structure   | 2021 Sustainability Report (pages 13-14)  |
|   |            | 102-19   | Delegating authority   | 2021 Sustainability Report (pages 13-14)  |
| EM-EP-530a.1  |            | 102-20   | Discussion of corporate positions related to government regulations and/or policy proposals that address environmental and social factors affecting the industry | 2021 Sustainability Report (pages 13, 21)   |
|   | ■          | 102-21   | Consulting stakeholders on economic, environmental, and social topics  | 2021 Sustainability Report (pages 4, 6)   |

| SASB Code | WEF Metric | GRI Code | Description  | Reference   |
|-----------|------------|----------|--|---|
|           | ■          | 102-22   | Composition of the highest governance body and its committees  | 2021 Sustainability Report (page 14)  |
|           |            | 102-23   | Chair of the highest governance body   | 2022 Information Circular and Proxy Statement (pages 13, 20)  |
|           |            | 102-24   | Nominating and selecting the highest governance body   | 2022 Information Circular and Proxy Statement (pages 12, 38)  |
|           |            | 102-25   | Conflicts of interest  | 2021 Sustainability Report (page 20)  |
|           |            | 102-26   | Role of highest governance body in setting purpose, values, and strategy   | 2021 Sustainability Report (page 13)  |
|           | ■          | 102-26   | The company's stated purpose, as the expression of the means by which a business proposes solutions to economic, environmental and social issues.<br>How the company's stated purpose is embedded in company strategies, policies and goals. | 2021 Sustainability Report (pages 2-3, 9)   |
|           |            | 102-27   | Collective knowledge of the Board of Directors   | 2022 Information Circular and Proxy Statement (pages 43-44)   |
|           |            | 102-28   | Evaluating the highest governance body's performance   | 2022 Information Circular and Proxy Statement (pages 42-43)   |
|           |            | 102-29   | Identifying and managing economic, environmental, and social impacts   | 2021 Sustainability Report (pages 9, 13, 27, 30-40)   |
|           |            | 102-30   | Effectiveness of risk management processes   | 2021 Sustainability Report (pages 13, 24, 26)   |
|           |            | 102-31   | Review of economic, environmental, and social topics   | 2021 Sustainability Report (pages 5, 9-10)  |
|           |            | 102-32   | Highest governance body's role in sustainability reporting   | 2021 Sustainability Report (pages 13-14)  |
|           | ■          | 102-35   | Remuneration policies  | 2022 Information Circular and Proxy Statement (starting on page 45)   |
|           |            | 102-36   | Process for determining remuneration   | 2022 Information Circular and Proxy Statement (starting on page 45)   |
|           |            | 102-37   | Stakeholders' involvement in remuneration  | 2021 Sustainability Report (page 15)  |
|           |            | 102-40   | List of stakeholder groups   | 2021 Sustainability Report (page 4)   |
|           |            | 102-41   | Collective bargaining agreements   | None of PrairieSky's 56 employees is unionized.   |
|           |            | 102-42   | Identifying and selecting stakeholders   | 2021 Sustainability Report (pages 4, 15)  |
|           | ■          | 102-43   | Approach to stakeholder engagement   | 2021 Sustainability Report (pages 4, 15)  |
|           |            | 102-44   | Key topics and concerns raised   | 2022 Information Circular and Proxy Statement (pages 32-36)   |
|           |            | 102-45   | Entities included in consolidated financial statements   | 2021 Consolidated Financial Statements (page 11)  |
|           |            | 102-46   | Report content   | 2021 Sustainability Report (pages 6, 7)   |
|           | ■          | 102-47   | Material topics  | 2021 Sustainability Report (page 5)   |
|           |            | 102-48   | Restatements of information  | Restatements of information from previous reporting periods can be found in the 2021 Sustainability Report notes supporting our performance summary table. There were no significant changes in 2021.                                   |
|           |            | 102-49   | Changes in reporting   | Significant changes from previous reporting periods in scope, boundary or measurement methods can be found in the 2021 Sustainability Report notes supporting our performance summary table. There were no significant changes in 2021. |
|           |            | 102-50   | Reporting period   | 2021 Sustainability Report (page 7)   |
|           |            | 102-51   | Most recent Responsibility Report  | 2021 Sustainability Report (page 7)   |
|           |            | 102-52   | Reporting cycle  | 2021 Sustainability Report (page 7)   |

| SASB Code   | WEF Metric | GRI Code | Description   | Reference  |
|---|------------|----------|---|--|
|   |            | 102-53   | Contact point for questions regarding the report  | 2021 Sustainability Report (page 79)   |
|   |            | 102-54   | Claims of reporting in accordance with the GRI standards  | 2021 Sustainability Report (pages 7, 62)   |
|   |            | 102-55   | GRI content index   | 2021 Sustainability Report (pages 62-75)   |
|   |            | 102-56   | External assurance  | An independent third-party has provided assurance on selected key performance indicators for our 2021 PwC assurance statement. |
|   | ■          |          | Disclosure of the material strategic economic, environmental and social milestones expected to be achieved in the following year, such milestones achieved from the previous year, and how those milestones are expected to or have contributed to long-term value. | 2021 Sustainability Report (pages 10-11)   |
|   | ■          |          | How the highest governance body considers economic environmental and social issues when overseeing major capital allocation decisions, such as expenditures, acquisitions and divestments.  | 2021 Sustainability Report (pages 13-14)   |
| <b>Material Topics</b>                                      |            |          |   |  |
| <b>Management Approach</b> — GRI 103: Management Approach   |            |          |   |  |
|   |            | 103-1    | Explanation of the material topic and its Boundary  | 2021 Sustainability Report (pages 5-7)   |
|   |            | 103-2    | The management approach and its components  | 2021 Sustainability Report (pages 5-7, 13-20)  |
|   |            | 103-3    | Evaluation of the management approach   | 2021 Sustainability Report (pages 5-7, 27, 58-61)  |
| <b>Economic Performance</b> — GRI 201: Economic Performance |            |          |   |  |
|   | ■          | 201-1    | Direct economic value generated and distributed   | 2021 Sustainability Report (pages 52, 60-61)   |
|   | ■          | 201-1    | The total global tax borne by the company, including corporate income taxes, property taxes, non-creditable VAT and other sales taxes, employer-paid payroll taxes, and other taxes that constitute costs to the company, by category of taxes.                     | 2021 Sustainability Report (pages 24, 60-61)   |
|   | ■          |          | The total additional global tax collected by the company on behalf of other taxpayers, including VAT and employee-related taxes that are remitted by the company on behalf of customers or employees, by category of taxes.   | 2021 Sustainability Report (pages 24, 60-61)   |
|   | ■          |          | Total tax paid and, if reported, additional tax remitted, by country for significant locations.   | 2021 Consolidated Financial Statements (pages 8, 10, 29, 32)<br>2021 Sustainability Report (pages 24, 60-61)                   |
|   |            | 201-2    | Financial implications and other risks and opportunities due to climate change  | 2021 CDP Climate Disclosure<br>TCFD Report 2021<br>2021 Sustainability Report (pages 30-40)                                    |
|   | ■          | 201-4    | Financial assistance received from the government: total monetary value of financial assistance received by the organization from any government during the reporting period.   | 2021 Management's Discussion and Analysis (page 8)   |

| SASB Code   | WEF Metric | GRI Code | Description   | Reference  |
|---|------------|----------|---|--|
|   | ■          |          | <p>1. Total capital expenditures (CapEx) minus depreciation, supported by narrative to describe the company's investment strategy.</p> <p>2. Share buybacks plus dividend payments, supported by narrative to describe the company's strategy for returns of capital to shareholders.</p>   | <p>As a royalty company, PrairieSky does not have capital expenditure requirements, which enhances its financial flexibility.</p> <p>2021 Sustainability Report (pages 3, 52)</p> <p>2021 Management's Discussion and Analysis (pages 15-16)</p> |
|   | ■          |          | Total costs related to research and development.  | <p>Not applicable.</p> <p>PrairieSky is a royalty company and does not directly produce any products (no operational or capital investment). As such, we have no costs related to research and development.</p>                                  |
| <b>Indirect Economic Impact - GRI 203: Indirect Economic Impacts 2016</b> |            |          |   |  |
|   | ■          | 203-1    | <p>Qualitative disclosure to describe the below components:</p> <p>1. Extent of development of significant infrastructure investments and services supported.</p> <p>2. Current or expected impacts on communities and local economies, including positive and negative impacts where relevant.</p> <p>3. Whether these investments and services are commercial, in-kind or pro bono engagements.</p> | Not applicable. PrairieSky does not own or operate any infrastructure.   |
|   | ■          | 203-2    | <p>1. Examples of significant identified indirect economic impacts of the organization, including positive and negative impacts.</p> <p>2. Significance of the indirect economic impacts in the context of external benchmarks and stakeholder priorities (e.g national and international standards, protocols, policy agendas).</p>  | 2021 Sustainability Report (pages 52, 60-61)   |
|   | ■          |          | Percentage of revenue from products and services designed to deliver specific social benefits or to address specific sustainability challenges.   | <p>2021 Sustainability Report (pages 27, 39-40)</p> <p>Revenue from energy transition projects represents less than 1% of total revenue. PrairieSky expects this percentage to grow over time.</p>   |
|   | ■          |          | Total Social Investment (TSI)   | 2021 Sustainability Report (pages 53-57)   |

| SASB Code   | WEF Metric | GRI Code | Description  | Reference   |
|---|------------|----------|--|---|
| <b>Business Ethics and Transparency – GRI 205: Anti-corruption 2016</b> |            |          |  |   |
| EM-EP-510a.1  |            | 205-1    | Percentage of (1) proved and (2) probable reserves in countries that have the 20 lowest rankings in Transparency International's Corruption Perception Index   | 0%<br>All of PrairieSky's proved and probable reserves are in Canada and relate to our royalty interest share of production from third-party owned and operated wells. PrairieSky does not own or operate any well bores or infrastructure. For more information on our proved and probable reserves, please see our <i>2021 Annual Information Form</i> starting on page 19.   |
|   | ■          |          | Total amount of monetary losses as a result of legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behaviour, market manipulation, malpractice or violations of other related industry laws or regulations. | \$0<br>No legal proceedings associated with fraud, insider trading, anti-trust, anti-competitive behavior, market manipulation, malpractice or violations of other industry laws and regulations occurred.  |
| EM-EP-510a.2  |            | 205-2    | Description of the management system for prevention of corruption and bribery throughout the value chain   | Honesty and integrity are fundamental values to our business. PrairieSky's Board of Directors has adopted a written Business Code of Conduct (the "Code") that guides the culture of ethical business conduct required of all directors, management, employees and consultants. We have zero tolerance for fraud, bribery, corruption, self-dealing, or misuse of confidential information and company property. Our Code also applies to third-party service providers, such as information technology providers, consultants or other professional service firms. Annually, every employee and internal service provider must read and certify compliance with the Code. The Board believes that providing a standard procedure for employees and third parties to raise concerns and treating all complaints with a high degree of seriousness fosters a culture of ethical conduct. Our Code is available at <a href="http://www.prairiesky.com">www.prairiesky.com</a> .<br>2021 Sustainability Report (pages 17-18, 58)<br>Each year, PrairieSky submits its <i>Extractive Sector Transparency Measures Act</i> ("ESTMA") report to the Canadian government and posts it on our website. ESTMA reporting delivers on Canada's international commitment to contribute to global efforts to increase transparency and deter corruption. See our website for further details. 2021 Sustainability Report (page 24)<br>We have also codified a lobbying framework within our Code of Conduct, expanding the concept of lobbying activities, associated protocols and required disclosures. 2021 Sustainability Report (page 21) |
|   | ■          | 205-2    | Discussion of initiatives and stakeholder engagement to improve the broader operating environment and culture, in order to combat corruption.  | 2021 Sustainability Report (pages 17-20, 24, 49, 58)  |
|   | ■          | 205-3    | a) Total number and nature of incidents of corruption confirmed during the current year, but related to previous years; and<br>b) Total number and nature of incidents of corruption confirmed during the current year, related to this year.  | 2021 Sustainability Report (pages 58)   |

| SASB Code   | WEF Metric | GRI Code       | Description   | Reference   |
|---|------------|----------------|---|---|
| <b>Energy — GRI 302: Energy</b>                             |            |                |   |   |
|   |            | 302-1          | Energy consumption within the organization  | 2021 Sustainability Report (pages 28, 59-60)  |
|   |            | 302-2          | Energy consumption outside of the organization  | 2021 Sustainability Report (page 28)  |
|   |            | 302-3          | Energy intensity  | 2021 Sustainability Report (page 60)  |
|   |            | 302-4          | Reduction of energy consumption   | 2021 Sustainability Report (pages 27-28, 59-60)   |
| <b>Valuation &amp; Capital Expenditures</b>                 |            |                |   |   |
| EM-EP-420a.1  |            |                | Sensitivity of hydrocarbon reserve levels to future price projection scenarios that account for a price on carbon emissions   | 2021 Sustainability Report (pages 30-35, 40)  |
| EM-EP-420a.2  |            |                | Estimated carbon dioxide emissions embedded in proved hydrocarbon reserves  | Not quantified at this time. PrairieSky has initiated a project to further understand full cycle scope 3 emissions related to our business and to create an inventory of scope 3 emissions. The downstream combustion emissions related to PrairieSky's royalty share of production (crude oil, natural gas, and NGL) is reported by third-party operators for the royalty lands. Royalty volumes are recorded as revenue by the operator and then paid as a royalty to PrairieSky.   |
| EM-EP-420a.3  |            |                | (1) Amount invested in renewable energy<br>(2) revenue generated by renewable energy sales  | (1) \$24,256<br>(2) \$0<br>2021 Sustainability Report (pages 27-28, 59)   |
| EM-EP-420a.4  |            |                | Discussion of how price and demand for hydrocarbons and/or climate regulation influences the capital expenditure strategy for exploration, acquisition, and development of assets | PrairieSky is a royalty company and does not own any well bores or infrastructure. We do collect royalties on third-party production of oil and natural gas so our business can be significantly impacted by low commodity prices; reduced demand for hydrocarbons which could lead to lower exploration and development, resulting in lower production volumes; and climate regulation which may increase costs for third-party operators making certain projects uneconomic. Lower pricing, reduced demand and/or higher regulation may lead to reduced capital investment and a higher cost of capital for companies in the oil and gas industry. Reduced activity and lower commodity prices could negatively impact PrairieSky's royalty revenue and cash flows. The influence of price and demand for hydrocarbons and/or climate regulation on the capital expenditure strategy for exploration, acquisition and development of assets is further discussed under Risk Factors in our <i>2021 Annual Information Form</i> starting on page 59. |
| <b>Water Management — GRI 303: Water and Effluents 2018</b> |            |                |   |   |
| EM-EP-140a.1  | ■          | 303-3<br>303-5 | (1) Total fresh water withdrawn<br>(2) Total fresh water consumed<br>(3) Percentage of each in regions with High or Extremely High Baseline Water Stress                          | (1) Not applicable as PrairieSky does not have any oil and gas exploration, development, production or field operations. PrairieSky's only operations are at head office in Calgary, Alberta.<br>(2) 494 cubic meters<br>(3) 0%<br>2021 Sustainability Report (pages 29, 41, 60) and our 2021 CDP Water Disclosure  |

| SASB Code   | WEF Metric | GRI Code | Description  | Reference   |
|---|------------|----------|--|---|
| EM-EP-140a.2  |            | 303-1    | Volume of produced water and flowback generated; percentage (1) discharged, (2) injected, (3) recycled; hydrocarbon content in discharged water  | Not applicable. PrairieSky does not have any oil and gas exploration, development, production or field operations. PrairieSky's only operations are at our office building in Calgary, Alberta.<br>2021 Sustainability Report (pages 41, 60)  |
| EM-EP-140a.3  |            |          | Percentage of hydraulically fractured wells for which there is public disclosure of all fracturing fluid chemicals used  | Not applicable. PrairieSky does not have any oil and gas exploration, development, production or field operations.<br>2021 Sustainability Report (pages 41, 60)   |
| EM-EP-140a.4  |            |          | Percentage of hydraulic fracturing sites where ground or surface water quality deteriorated compared to a baseline   | Not applicable. PrairieSky does not have any oil and gas exploration, development, production or field operations.<br>2021 Sustainability Report (pages 41, 60)   |
|   | ■          |          | Estimate and report wherever material along the value chain: metric tonnes of nitrogen, phosphorous and potassium in fertilizer consumed.  | Not applicable. PrairieSky does not consume fertilizer.   |
|   | ■          |          | Report wherever material along the value chain: the valued impact of water pollution, including excess nutrients, heavy metals and other toxins.   | Not applicable. PrairieSky does not have any oil and gas exploration, development, production or field operations. PrairieSky's operations include an office building in Calgary, Alberta.<br>2021 Sustainability Report (page 41)  |
|   | ■          |          | Impact of freshwater consumption and withdrawal. Report wherever material along the value chain: the valued impact of freshwater consumption and withdrawal.                               | Not applicable. PrairieSky does not have any oil and gas exploration, development, production or field operations. PrairieSky's operations include an office building in Calgary, Alberta.<br>2021 Sustainability Report (pages 41, 60)<br><br>Work is in progress to better interpret this indicator so that it may be included in future reports. |
| <b>Greenhouse Gas Emissions — GRI 305: Emissions 2016</b> |            |          |  |   |
| EM-EP-110a.1  | ■          | 305-1    | (1) Gross global Scope 1 GHG Emissions<br>(2) Percentage methane<br>(3) Percentage covered under emissions-limiting regulations  | (1) 91.5 metric tons of CO <sub>2</sub> e (tCO <sub>2</sub> e)<br>(2) 0.056%<br>(3) 0%<br><br>For more information, see our 2021 Sustainability Report (pages 28, 59-60) and our 2021 CDP Climate Disclosure.   |
| EM-EP-110a.2  | ■          | 305-1    | Amount of gross global Scope 1 emissions from:<br>(1) flared hydrocarbons,<br>(2) other combustion,<br>(3) process emissions,<br>(4) other vented emissions, and<br>(5) fugitive emissions | Not applicable. PrairieSky does not have any oil and gas exploration, development, production or field operations.<br>2021 Sustainability Report (pages 27-28, 41, 59-60)   |
|   | ■          | 305-2    | Energy indirect (Scope 2) GHG emissions  | 2021 Sustainability Report (pages 28, 59-60)  |
|   | ■          | 305-3    | Other indirect (Scope 3) GHG emissions   | 2021 Sustainability Report (pages 29, 60)   |
|   |            | 305-4    | GHG emissions intensity  | 2021 Sustainability Report (page 60)  |
| EM-EP-110a.3  |            | 305-5    | Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets                     | We are committed to reducing our carbon footprint. From 2019 to 2021, we purchased green renewable energy to offset the total amount of PrairieSky's Scope 1 emissions.<br>2021 Sustainability Report (pages 27-28, 59) and our 2021 CDP Climate Disclosure.  |

| SASB Code  | WEF Metric | GRI Code | Description   | Reference  |
|--|------------|----------|---|--|
|  | ■          |          | Fully implement the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).  | PrairieSky has prepared the disclosures based on the recommendations of the TCFD.<br>2021 Sustainability Report (pages 7, 26-28)<br><i>TCFD Report 2021</i><br><br>PrairieSky has set a target to reduce scope 1 and 2 emissions by 50% by 2025. PrairieSky does not currently have a target to achieve net-zero emissions by 2050, however, we are working on expanding our targets as we undertake a number of energy transition opportunities.                |
|  | ■          |          | Define and report progress against time-bound science-based GHG emissions targets that are in line with the goals of the Paris Agreement – to limit global warming to well below 2°C above pre-industrial levels and pursue efforts to limit warming to 1.5°C.                            | 2021 Sustainability Report (pages 7, 27-40, 59-60)<br><br>PrairieSky has set targets to reduce our Scope 1 and 2 emissions by 50% by 2025 and uses carbon offsets for all remaining Scope 1 and 2 emissions. PrairieSky is currently preparing an inventory of Scope 3 emissions.  |
|  | ■          |          | Report wherever material along the value chain (GHG Protocol Scope 1, 2 & 3) the valued impact of greenhouse gas emissions. Disclose the estimate of the societal cost of carbon used and the source or basis for this estimate.  | PrairieSky has set targets to reduce our Scope 1 and 2 emissions by 50% by 2025 and uses carbon offsets for all remaining Scope 1 and 2 emissions. PrairieSky is currently preparing an inventory of Scope 3 emissions. Additional information may be included in future reports.  |
| <b>Air Quality — GRI 305: Emissions 2016</b>     |            |          |   |  |
| EM-EP-120a.1                                     | ■          | 305-7    | Air emissions of the following pollutants: (1) NOx (excluding N2O), (2) SOx, (3) volatile organic compounds (VOCs), and (4) particulate matter (PM10)<br><br>Wherever possible estimate the proportion of specified emissions that occur in or adjacent to urban/densely populated areas. | (1) NOx 0.0743 metric tonnes of CO <sub>2</sub> e (tCO <sub>2</sub> e)<br>(2) SOx 0.0004 metric tonnes of CO <sub>2</sub> e (tCO <sub>2</sub> e)<br>(3) VOCs 0.0041 metric tonnes of CO <sub>2</sub> e (tCO <sub>2</sub> e)<br>(4) PM10 0.0056 metric tonnes of CO <sub>2</sub> e (tCO <sub>2</sub> e)<br><br>The estimated proportion of emissions that occur in or adjacent to urban/densely populated areas is 100%. See our <i>PwC assurance statement</i> . |
|  | ■          |          | Report wherever material along the value chain: the valued impact of air pollution, including nitrogen oxides (NOx), sulphur oxides (SOx), particulate matter and other significant air emissions.  | Not applicable to PrairieSky's direct operations. PrairieSky does not have any oil and gas exploration, development, production or field operations. PrairieSky's operations include an office building in Calgary, Alberta.<br><br>2021 Sustainability Report (pages 41, 69)<br><br>Work is in progress to better interpret this indicator through our value chain. Additional information may be included in future reports.                                   |
| <b>Effluents and Waste — GRI 306: Waste 2020</b> |            |          |   |  |
|  |            | 306-1    | Waste generation and significant waste-related impacts  | PrairieSky's only waste is generated from our head office, our only business operations. 2021 Sustainability Report (pages 29, 60).  |
|  |            | 306-2    | Waste by type and disposal method   | PrairieSky's only waste is generated from our head office, our only business operations. 2021 Sustainability Report (pages 29, 60).  |
|  | ■          |          | Report wherever material along the value chain: estimated metric tonnes of single-use plastic consumed.<br><br>Disclose the most significant applications of single-use plastic identified, the quantification approach used and the definition of single-use plastic adopted.            | Not applicable.<br><br>Single-use plastic consumed is not material to our value chain.   |
|  | ■          |          | Report wherever material along the value chain, the valued societal impact of solid waste disposal, including plastics and other waste streams.   | Not applicable, PrairieSky's solid waste disposal is not material to our value chain.  |

| SASB Code   | WEF Metric | GRI Code | Description  | Reference   |
|---|------------|----------|--|---|
| <b>Biodiversity Impacts</b> — GRI 306: Waste 2020; GRI 304: Biodiversity 2016 |            |          |  |   |
| EM-EP-160a.1  |            |          | Description of environmental management policies and practices for active sites  | Not applicable. PrairieSky does not own any well bores and has no exploration, development, production or field operations. As a result, PrairieSky does not have any “active” or “non-active” sites. PrairieSky has never incurred or paid a fine or penalty related to the environment or any ecological issue.<br>2021 Sustainability Report (pages 41-42)   |
| EM-EP-160a.2  |            | 306-3    | Number and aggregate volume of hydrocarbon spills, volume in Arctic, volume impacting shorelines with ESI rankings 8-10, and volume recovered  | Not applicable. PrairieSky does not own any well bores and has no exploration, development, production or field operations. As a result, PrairieSky does not have any “active” or “non-active” sites.<br>2021 Sustainability Report (pages 41-42)   |
| EM-EP-160a.3  |            | 304-1    | Percentage of (1) proved and (2) probable reserves in or near sites with protected conservation status or endangered species habitat   | Not quantified at this time. We are currently working on quantifying our percentage of proved and probable reserves (our royalty interest share of proved and probable reserves from third-party owned and operated wells) in or near sites with protected conservation status or endangered species habitat. We plan to quantify this figure within the next two years.  |
|   | ■          |          | Report for operations (if applicable) and full supply chain (if material):<br>(1) Area of land used for the production of basic plant, animal or mineral commodities (e.g. the area of land used for forestry, agriculture or mining activities).<br>(2) Year-on-year change in the area of land used for the production of basic plant, animal or mineral commodities.<br>(3) Percentage of land area in point 1 above or of total plant, animal and mineral commodity inputs by mass or cost, covered by a sustainability certification standard or formalized sustainable management program. Disclose the certification standards or description of sustainable management programs along with the percentage of total land area, mass or cost covered by each certification standard/program. | Not applicable. PrairieSky does not own any surface land rights. PrairieSky owns only the minerals, including petroleum and natural gas, below the surface of the land. PrairieSky does not own any well bores and has no exploration, development, production or field operations.<br>2021 Sustainability Report (pages 41-43)   |
|   | ■          |          | Report wherever material along the value chain: the valued impact of use of land and conversion of ecosystems.   | Not applicable to PrairieSky’s direct operations. PrairieSky does not own any surface land rights. PrairieSky owns only the minerals, including petroleum and natural gas, below the surface of the land.<br>PrairieSky does not own any well bores and has no exploration, development, production or field operations.<br>2021 Sustainability Report (pages 41-44)<br>Work is in progress to better interpret this indicator through our value chain. Additional information may be included in future reports. |

| SASB Code   | WEF Metric | GRI Code | Description   | Reference  |
|---|------------|----------|---|--|
| <b>Security, Human Rights &amp; Rights of Indigenous Peoples</b> — GRI 406: Non-discrimination 2016; GRI 407: Freedom of Association and Collective Bargaining 2016; GRI 411: Rights of Indigenous Peoples; GRI 412: Human Rights Assessment 2016 |            |          |   |  |
|   | ■          | 406-1    | Number of discrimination and harassment incidents, status of the incidents and actions taken, and the total amount of monetary losses as a result of legal proceedings associated with:<br>a) law violations; and<br>b) employment discrimination.  | PrairieSky has had no incidents of discrimination or harassment.<br>2021 Sustainability Report (pages 19, 51, 58-59)   |
|   | ■          | 407-1    | 1. Percentage of active workforce covered under collective bargaining agreements.<br>2. An explanation of the assessment performed on suppliers for which the right to freedom of association and collective bargaining is at risk, including measures taken by the organization to address these risks.                | Not applicable. PrairieSky has no unionized employees  |
|   | ■          | 412-1    | 1. Total number and percentage of operations that have been subject to human rights reviews or human rights impact assessments, by country.<br>2. Number and type of grievances reported with associated impacts related to a salient human rights issue in the reporting period and an explanation on type of impacts. | None of PrairieSky's operations have been subject to human rights impact assessments. All of PrairieSky's operations are within Canada and we adhere to all laws.<br>PrairieSky has had no human rights grievances. None to report.<br>2021 Sustainability Report (pages 51, 59)<br>PrairieSky's commitment to protecting human rights is outlined in our <i>Human Rights Policy</i> .   |
| EM-EP-210a.1  |            | 412-1    | Percentage of (1) proved and (2) probable reserves in or near areas of conflict   | 0%<br>None of PrairieSky's proved and probable reserves (our royalty interest share of proved and probable reserves from third-party owned and operated wells) are in or near areas of conflict. All of PrairieSky's lands are in Western Canada, from northeast British Columbia to southwest Manitoba.<br>2021 Sustainability Report (pages 2, 24)   |
| EM-EP-210a.2  |            | 412-1    | Percentage of (1) proved and (2) probable reserves in or near indigenous land.  | 4.9%<br>These reserves represent PrairieSky's royalty interest share of production from third-party owned and operated wells. At December 31, 2021, PrairieSky had 66,250 MBOE of proved plus probable reserves of which 4.9% are on or within 1 mile of Indigenous lands. Approximately 36% of these reserves are in the third-party owned and operated Onion Lake thermal project. For more information, please see our 2021 Sustainability Report (page 51). PrairieSky owns over 18 million acres of royalty lands across Western Canada. Annually, PrairieSky prepares its corporate reserves which are disclosed in our <i>2021 Annual Information Form</i> (starting on page 19). |

| SASB Code  | WEF Metric | GRI Code | Description  | Reference  |
|--|------------|----------|--|--|
| EM-EP-210a.3   |            | 411-1    | Discussion of engagement processes and due diligence practices with respect to human rights, Indigenous rights, and operations in areas of conflict. | PrairieSky does not have any oil and gas operations and we do not operate in areas of conflict. PrairieSky has a Business Code of Conduct, Human Rights Policy, and Environment, Climate Change, Health and Safety Policy which provide a framework to maintain a safe working environment, free of discrimination and harassment, in which all individuals are treated with respect and dignity, are able to contribute fully and have equal opportunities. These policies also deal with harassment and workplace violence, for which PrairieSky has zero tolerance, and articulate our position with respect to: diversity and inclusion, equal opportunity, discrimination, harassment and threats or acts of violence; ensuring a safe work environment for our employees; our commitment to the protection of the environment; reporting inappropriate conduct, harassment and workplace violence; disciplinary measures; and the development of procedures to prevent and address human rights issues. We recognize and respect the constitutionally protected rights of Indigenous peoples in Canada. PrairieSky does not directly own any mineral rights that overlap with contested Indigenous territories. For more information, please see our 2021 Sustainability Report (pages 19, 24, 50-51, 59). |
|  | ■          |          | Current wages against the living wage for employees and contractors in states and localities where the company is operating.                         | 100% of PrairieSky's employees earn a salary that on an hourly basis is above the hourly living wage for Calgary, Alberta, Canada (location of our only office). In addition to a salary, employees are provided with benefits, participate in the long-term incentive program and have the opportunity to earn an annual bonus upon meeting annual performance goals.   |
| <b>Community Relations — GRI 413: Local Communities 2016</b> |            |          |  |  |
| EM-EP-210b.1   |            | 413-1    | Discussion of process to manage risks and opportunities associated with community rights and interests   | <p>PrairieSky manages risks and opportunities associated with community rights and interests through the careful selection of property operators that value community relationships and development. Crucial to PrairieSky's ongoing success is developing and maintaining long-term relationships with industry partners based on mutual benefit and adhering to all contractual, ethical and legal requirements.</p> <p>We recognize and respect the constitutionally protected rights of Indigenous peoples in Canada. While we do not directly own any mineral rights that overlap with contested Indigenous territories, we have gross overriding royalties on two thermal oil properties that are in or near traditional territories where Indigenous peoples are partnering with industry for the development of natural resources. The two operators of these properties, Strathcona Resources Ltd. and International Petroleum Corp., have agreements in place with the Frog Lake First Nation and Onion Lake Cree Nation, respectively, to work in partnership on certain operations and development of the projects, including a commitment to sustainable development. 2021 Sustainability Report (pages 21-24, 51).</p>   |
| EM-EP-210b.2   |            |          | <p>(1) Number of non-technical days</p> <p>(2) Duration of non-technical delays</p>  | <p>(1) 0</p> <p>(2) 0</p> <p>PrairieSky does not have any oil and gas exploration, development, production or field operations. As a result, there have been no non-technical delays.</p>  |

| SASB Code   | WEF Metric | GRI Code | Description   | Reference  |
|---|------------|----------|---|--|
| <b>Workforce Health &amp; Safety</b> – GRI 403: Occupational Health and Safety 2018 |            |          |   |  |
| EM-EP-320a.2  |            | 403-1    | Discussion of management systems used to integrate a culture of safety throughout the exploration and production lifecycle  | Health and safety is a priority and our policies and procedures cover our operations which includes our head office in Calgary, Alberta. Health and safety protocols are covered under our Joint Work Site Health and Safety Policy. PrairieSky does not own any well bores and has no exploration, development, production or field operations. 2021 Sustainability Report (pages 41, 48, 61).  |
|   |            | 403-2    | Hazard identification, risk assessment, and incident investigation  | <i>Environment and Climate Change, Health and Safety Policy</i>  |
|   |            | 403-3    | Occupational health services  | <i>Environment and Climate Change, Health and Safety Policy</i>  |
|   |            | 403-4    | Worker participation, consultation, and communication on occupational health and safety   | <i>Environment and Climate Change, Health and Safety Policy</i><br>2021 Sustainability Report (pages 7, 10, 38-39)   |
|   |            | 403-5    | Worker training on occupational health and safety   | <i>Environment and Climate Change, Health and Safety Policy</i><br>2021 Sustainability Report (pages 48-49)  |
|   | ■          | 403-6    | Promotion of worker health  | <i>Environment and Climate Change, Health and Safety Policy</i><br>2021 Sustainability Report (pages 8, 19, 48-49)   |
|   |            | 403-7    | Prevention and mitigation of occupational health and safety impacts directly linked by business relationships   | <i>Environment and Climate Change, Health and Safety Policy</i>  |
| EM-EP-320a.1  |            | 403-9    | (1) Total recordable incident rate (TRIR),<br>(2) fatality rate,<br>(3) near miss frequency rate (NMFR), and<br>(4) average hours of health, safety, and emergency response training for (a) full-time employees, (b) contract employees, and (c) short-service employees   | (1) 0<br>(2) 0<br>(3) 0<br>(4) 0<br><br>PrairieSky does not have any field operations. Health and safety policies and procedures cover our head office location in Calgary, Alberta. Health and safety protocols and training are covered under our Joint Work Site Health and Safety Policy. PrairieSky had no work-related health and safety incidents in 2021, or in any prior year.<br>2021 Sustainability Report (pages 41, 48, 61) |
|   | ■          | 403-9    | The number and rate of fatalities as a result of work-related injury, high-consequence work-related injuries (excluding fatalities); recordable work-related injuries; main types of work-related injury; and the number of hours worked.   | PrairieSky does not have any field operations. Health and safety policies and procedures cover our head office location in Calgary, Alberta. Health and safety protocols and training are covered under our Joint Work Site Health and Safety Policy. PrairieSky had no work-related health and safety incidents in 2021, or in any prior year.<br>2021 Sustainability Report (pages 41, 48, 61)   |
|   | ■          | 403-10   | 1. The number of fatalities as a result of work-related ill-health, recordable work-related ill-health injuries, and the main types of work-related ill-health for all employees and workers.<br>2. a) Percentage of employees participating in “best practice” health and well-being programs, and b) Absentee rate (AR) of all employees. | PrairieSky does not have any field operations. Health and safety policies and procedures cover our head office location in Calgary, Alberta. Health and safety protocols and training are covered under our Joint Work Site Health and Safety Policy. PrairieSky had no work-related health and safety incidents in 2021, or in any prior year.<br>2021 Sustainability Report (pages 19, 48, 61)   |

| SASB Code   | WEF Metric | GRI Code | Description   | Reference  |
|---|------------|----------|---|--|
|   | ■          |          | Monetized impacts of work-related incidents on organization. By multiplying the number and type of occupational incidents by the direct costs for employees, employers per incident (including actions and/or fines from regulators, property damage, healthcare costs, compensation costs to employees).   | PrairieSky does not have any field operations. Health and safety policies and procedures cover our head office location in Calgary, Alberta. Health and safety protocols and training are covered under our Joint Work Site Health and Safety Policy. PrairieSky had no work-related health and safety incidents in 2021, or in any prior year.<br>2021 Sustainability Report (pages 19, 41, 48, 61) |
| <b>Critical Incident Risk Management</b>  |            |          |   |  |
| EM-EP-540a.1  |            |          | Process Safety Event (PSE) rates for Loss of Primary Containment (LOPC) of greater consequence (Tier 1)   | Not applicable. PrairieSky is not a licensed operator. PrairieSky owns no well bores and does not operate in the field. As a result, PrairieSky has no process safety event rates for loss of primary containment.<br>2021 Sustainability Report (pages 41-43, 61)   |
| EM-EP-540a.2  |            |          | Description of management systems used to identify and mitigate catastrophic and tail-end risks   | Not applicable. PrairieSky is not a licensed operator. PrairieSky owns no well bores and does not operate in the field. As a result, PrairieSky has no management systems to identify and mitigate catastrophic and tail-end risks.<br>2021 Sustainability Report (pages 41-43)  |
| <b>People — GRI 401: Employment 2016; GRI 404: Training and Education 2016; GRI 405: Diversity and Equal Opportunity 2016</b> |            |          |   |  |
|   | ■          | 401-1    | New employee hires and employee turnover<br>1. Total number and rate of new employee hires during the reporting period, by age group, gender, other indicators of diversity and region.<br>2. Total number and rate of employee turnover during the reporting period, by age group, gender, other indicators of diversity and region.   | 2021 Sustainability Report (pages 47, 58-59)<br>In 2021, 95% of our employees responded to our employee engagement survey. Of those that responded, 93% of our employees indicated high employee satisfaction, exceeding our internal target of 85%.<br>2021 Sustainability Report (pages 58-59)   |
|   |            | 401-2    | Benefits provided to full-time employees that are not provided to part-time employees   | 2021 Sustainability Report (page 47)   |
|   | ■          | 404-1    | Average hours of training per person that the organization's employees have undertaken during the reporting period, by gender and employee category (total number of hours of training provided to employees divided by the number of employees).<br>Average training and development expenditure per full time employee (total cost of training provided to employees divided by the number of employees). | 2021 Sustainability Report (page 49)   |
|   | ■          |          | 1. Investment in training as a percentage (%) of payroll.<br>2. Effectiveness of the training and development through increased revenue, productivity gains, employee engagement and/or internal hire rates.  | 2021 Sustainability Report (page 49).<br>Overall training and education costs totaled \$29,000, which equates to approximately \$520 per FTE, and represents less than 1% of total payroll costs.  |
|   |            | 404-2    | Programs for upgrading employee skills and transition assistance programs   | 2021 Sustainability Report (page 49)   |
|   | ■          |          | 1. Number of unfilled skilled positions (#).<br>2. Percentage of unfilled skilled positions for which the company will hire unskilled candidates and train them (%).  | PrairieSky has no unfilled skilled positions.  |

| SASB Code  | WEF Metric | GRI Code       | Description  | Reference   |
|--|------------|----------------|--|---|
|  |            | 404-3          | Percentage of employees receiving regular performance and career development reviews   | 2021 Sustainability Report (page 49)  |
|  | ■          | 405-1          | Diversity of governance bodies and employees   | 2021 Sustainability Report (pages 19, 50-51, 58-59)   |
|  | ■          | 405-1          | Percentage of employees per employee category, by age group, gender and other indicators of diversity (e.g. ethnicity).  | 22021 Sustainability Report (pages 50, 58-59)   |
|  | ■          |                | Ratio of the basic salary and remuneration for each employee category by significant locations of operation for priority areas of equality: women to men, minor to major ethnic groups, and other relevant equality areas.   | Not disclosed at this time due to confidentiality as PrairieSky has only one business location with a small number of employees.  |
| <b>Forced Labour</b> — GRI 408: Child Labor 2016; GRI 409: Forced or Compulsory Labor 2016 |            |                |  |   |
|  | ■          | 408-1<br>409-1 | An explanation of the operations and suppliers considered to have significant risk for incidents of child labour, forced or compulsory labour. Such risks could emerge in relation to:<br>a) type of operation (such as manufacturing plant) and type of supplier; and<br>b) countries or geographic areas with operations and suppliers considered at risk. | PrairieSky does not have operations or suppliers that are considered to have significant risk for incidents of child labour, forced or compulsory labour.<br>2021 Sustainability Report (pages 18, 51)  |
| <b>Public Policy</b>   |            |                |  |   |
|  |            | 415-1          | Political Contributions  | In accordance with our <i>Business Code of Conduct</i> , PrairieSky does not make political contributions.<br>2021 Sustainability Report (page 21)  |
|  | ■          | 415            | The significant issues that are the focus of the company's participation in public policy development and lobbying; the company's strategy relevant to these areas of focus; and any differences between its lobbying positions and its purpose, stated policies, goals or other public positions.   | 2021 Sustainability Report (page 21)  |
| <b>Activity Metrics</b>  |            |                |  |   |
| EM-EP-000.A  |            |                | Production of:<br>(1) oil<br>(2) natural gas<br>(3) synthetic oil<br>(4) synthetic gas   | Oil: 7,541 bbl/d<br>Natural gas liquids: 2,436 bbl/d<br>Natural gas: 59.1 MMcf/d<br>Total production: 19,827 BOE/d<br>PrairieSky is allocated royalty production from approximately 43,000 third-party owned and operated wells. PrairieSky does not own any well bores and has no field operations. For more information, see our <i>2021 Management's Discussion and Analysis</i> (page 2). |
| EM-EP-000.B  |            |                | Number of offshore sites   | Not applicable. PrairieSky does not own any well bores and has no field operations.<br>2021 Sustainability Report (page 41)   |
| EM-EP-000.C  |            |                | Number of terrestrial sites  | Not applicable. PrairieSky does not own any well bores and has no field operations.<br>2021 Sustainability Report (page 41)   |

# UNGC Communication on Progress

## Statement of Continued Support from PrairieSky's CEO

We are committed to operating our business responsibly and with integrity. We believe that our governance and management approach is consistent with the principles set forth in the UN Global Compact on human rights, labour, environment and anti-corruption and we are dedicated to incorporating these principles into our strategies, policies and procedures. We are providing this Communication on Progress (COP) to demonstrate the advancement initiatives that we have implemented and to provide information on plans to advance the UN Global Compact principles within our business and sphere of influence. In this CoP, we have provided information on our strategies, policies and procedures and how they relate to the UN Global Compact Principles for the calendar year ended December 31, 2021.



Andrew Phillips, President & Chief Executive Officer

| Topic        | Principles  | Progress   |
|--------------|---|--|
| Human Rights | <p><b>Principle 1</b> Businesses should support and respect the protection of internationally proclaimed human rights.</p> <p><b>Principle 2</b> Businesses should make sure that they are not complicit in human rights abuses.</p>  | <p>2021 Sustainability Report (pages 19, 51, 59)</p> <p>We have a separate Human Rights Policy in place, which along with our <i>Code of Business Conduct</i> and <i>Respectful Workplace Policy</i>, underscore our commitment.</p> <p>We also have a <i>Supplier Code of Conduct</i> to further integrate our commitment to the Ten Principles of the UN Global Compact to include our core service providers and suppliers.</p> <p>We have demonstrated our commitment through our human rights metrics in our performance summary table.</p>   |
| Labour       | <p><b>Principle 3</b> Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.</p> <p><b>Principle 4</b> Businesses should uphold the elimination of all forms of forced and compulsory labour.</p> <p><b>Principle 5</b> Businesses should uphold the effective abolition of child labour; and</p> <p><b>Principle 6</b> Businesses should uphold the elimination of discrimination in respect of employment and occupation.</p> | <p>2021 Sustainability Report (pages 19, 51, 59)</p> <p>In 2021, our business employed 56 full and part-time staff. We do not have any unionized workers. We have a Human Rights Policy in place which underscores our commitment to adhering to all applicable domestic laws and best practices within Canada, including those concerning freedom of association and collective bargaining, non-discrimination, forced labour and underage workers in the workplace.</p> <p>In addition to our <i>Code of Business Conduct</i> and <i>Human Rights Policy</i>, both of which are discussed above, PrairieSky has adopted:</p> <ul style="list-style-type: none"> <li>• a <i>Respectful Workplace Policy</i>;</li> <li>• an <i>Environment, Climate Change, Health and Safety Policy</i>; and</li> <li>• a <i>Joint Worksite Health and Safety Committee Policy</i>.</li> </ul> <p>We have a <i>Supplier Code of Conduct</i> to further integrate our commitment to the Ten Principles of the UN Global Compact to include our core service providers and suppliers.</p> <p>We have demonstrated our commitment through our human rights metrics in our performance summary table.</p> |

| Topic           | Principles   | Progress   |
|-----------------|--|--|
| Environment     | <p><b>Principle 7</b> Businesses should support a precautionary approach to environmental challenges.</p> <p><b>Principle 8</b> Businesses should undertake initiatives to promote greater environmental responsibility.</p> <p><b>Principle 9</b> Businesses should encourage the development and diffusion of environmentally-friendly technologies.</p> | <p>2021 Sustainability Report (pages 11, 26-27, 39-40)</p> <p>Our corporate policies include environmental, social and governance as part of our long-term strategy and goals.</p> <p>We have demonstrated our commitment through our resource use metrics in our performance summary table.</p> <p>We are also participating in a number of energy transition projects which are at various stages with an overall goal to provide energy with lower associated greenhouse gas emissions. As these projects evolve, we expect to provide additional information, including with respect to the project's positive contribution to reducing overall carbon intensity of energy production and ensuring ethical and sustainable development of resources.</p> |
| Anti-Corruption | <p><b>Principle 10</b> Businesses should work against corruption in all its forms, including extortion and bribery.</p>  | <p>2021 Sustainability Report (pages 18-19, 24, 58)</p> <p>We have demonstrated our commitment through our anti-corruption metrics in our performance summary table. In 2021, we added mandatory Business Code of Conduct training for all staff.</p>  |

## Statement of Continued Support from PrairieSky's CEO

Refer to pages 11 and 54 for examples of how PrairieSky is contributing to advancing the 17 Sustainable Development Goals.

## Measurement of Outcomes

Refer to our performance summary table starting on page 58 which includes metrics used to measure the outcomes of our commitment.

## Additional Information

### 58-101 – Definition of Independence

Disclosure of Corporate Governance Practices (as implemented by the Canadian Securities Administrators). According to NI 58-101, a Board member is independent if he or she has no direct or indirect material relationship with the issuer. A "material relationship" is a relationship which could, in the view of the issuer's board of directors, be reasonably expected to interfere with the exercise of a member's independent judgement. The following individuals are considered to have a material relationship with an issuer and are therefore not independent:

- an individual who is, or has been within the last three years, an employee or executive officer of the issuer; an individual whose immediate family member is, or has been within the last three years, an executive officer of the issuer;
- an individual who: (i) is a partner of a firm that is the issuer's internal or external auditor, (ii) is an employee of that firm, or (iii) was within the last three years a partner or employee of that firm and personally worked on the issuer's audit within that time;
- an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual: (i) is a partner of a firm that is the issuer's internal or external auditor, (ii) is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or (iii) was within the last three years a partner or employee of that firm and personally worked on the issuer's audit within that time;
- an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the issuer's current executive officers serves or served at that same time on the entity's compensation committee;
- an individual who received, or whose immediate family member who is employed as an executive officer of the issuer received, more than \$75,000 in direct compensation from the issuer during any 12 month period within the last three years;
- an individual who accepts, directly or indirectly, any consulting, advisory or other compensatory fee from the issuer or any subsidiary entity of the issuer, other than as remuneration for acting in his or her capacity as a member of the board of directors or any board committee, or as a part-time chair or vice-chair of the board or any board committee; and
- an individual who is an affiliated entity of the issuer or any of its subsidiary entities.

# Forward-Looking **Statements**

Certain statements and information contained in this Sustainability Report may constitute forward-looking information and forward-looking statements (collectively referred to herein as “forward-looking statements”) within the meaning of applicable securities laws, including, but not limited to, statements regarding: PrairieSky’s plans, objectives and strategies to continue to look for ways to reduce our impact on the environment; PrairieSky’s commitment to continuous improvement with respect to ESG topics; PrairieSky’s initiatives and participation in energy transition opportunities; PrairieSky’s monitoring of the impacts of oil and gas operations on the environment; the belief that Canadian energy is subject to one of the highest regulatory and legal standards in the world for the protection of the environment, good governance and human rights; PrairieSky’s business outlook, such as our ability to remain financially profitable and resilient, create value for shareholders and retain our competitive advantage; PrairieSky’s initiatives to continually develop our environmental, social and governance objectives, including CDP reporting, advancing certain disclosures to include standards outlined by the Task Force on Climate -Related Financial Disclosures, and the Sustainability Accounting Standards Board, as well as World Economic Forum core and expanded metrics and disclosures; and providing third-party assurance of certain key ESG performance indicators; and other statements that are not historically facts. Readers are cautioned that the forgoing list is not exhaustive and readers should not place undue reliance on forward-looking statements as they are subject to a number of assumptions and known and unknown risks and uncertainties that may cause the actual results, performance or achievements of PrairieSky to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Please refer to PrairieSky’s most recent Annual Information Form and Management’s Discussion and Analysis both of which are available at [www.prairiesky.com](http://www.prairiesky.com) for a discussion of the material assumptions and risks that could cause actual results or events to differ materially from our expectations expressed in, or implied by, the forward-looking statements contained in this Sustainability Report. The forward-looking statements contained herein are made as of the date of this document, and except to the extent required by applicable securities laws and regulations, PrairieSky disclaims any intention or obligation to update or revise forward-looking statements made herein or otherwise, whether as a result of new information, future events, or otherwise. The forward-looking statements contained in this document are expressly qualified by this cautionary note.

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