Sustainability Report

HIGH MARGINS
ZERO CAPITAL
CARBON NEUTRAL

2022

TSX | PSK

PRAIRIESKY ROYALTY LTD

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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 32 and 81 of this report as well as our *PwC Assurance Statement* located on our website.

Message to our **Stakeholders**

2022 was an exceptional year for our business.

We generated record revenues, funds from operations and leasing across our royalty properties. During the year, we fully incorporated the $1 billion in royalty acquisitions completed in 2021 which enhance our business today and will provide exceptional opportunities into the future. **Our focus when making acquisitions is to invest in low-cost oil and natural gas projects** which contribute to a reliable and responsible source of energy for Canada and the world.

Global events have highlighted the importance of energy security and responsible development and 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 also continue to participate in energy transition projects, 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 over the long term.

We participate in a global industry but we are most impactful in our own community. We believe in making a positive impact in the communities where we work and live and we do so by contributing our time and financial support to organizations looking to affect positive change. We also make an economic impact through our production and mineral tax payments to provincial governments and income tax payments to governments.

We continue to promote and advance diversity and inclusion in our business and are proud to have strong female leadership at the Board, Executive and Senior Management levels and our workforce continues to be predominantly women (69%) and has been since inception of the business in 2014. Our team of managers are 83% women, 33% of our executive is female and female representation on our Board was 33% (38% of independent directors) in 2022. Further, we provide diversity and inclusion training to all staff annually, and in 2022 we initiated blind recruiting to our hiring process to aid in removing unconscious bias from the process and to further diversify our workforce.

The history of our fee simple mineral title dates back to the 1880s, with such mineral rights granted in perpetuity. As custodians of these lands, we understand the importance of responsible development. Our strategy is built around a sustainable business approach that ensures our lands are developed efficiently and ethically while prioritizing the environment and our stakeholders in an effort to advance projects in a responsible manner for the benefit of future generations of stakeholders.

Andrew Phillips
President & Chief Executive Officer

James Estey
Chairman of the Board

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

Sustainalytics ranks PrairieSky as **#1 out of 271** global oil and gas producers and in the **top 0.5%** of all companies globally across all industries with a "negligible risk" rating of 7.3.

(February 3, 2023)

In 2022, PrairieSky completed our submission to CDP, the non-profit global environmental disclosure platform, and received an **"A-"** score in the 2022 Climate Change survey, which is **significantly above the North American average score** of "C" and the global average score of "C".

PrairieSky received an **"AAA"** rating from MSCI in 2022 which is the highest measurement of resilience to long-term, industry specific and material environmental, social and governance risks.

S&P Global CSA – Increased score to **70/100**, and included in The Sustainability Yearbook 2022 for corporate sustainability excellence.

(February 7, 2023)

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

> The scope of information covered in this report relates to PrairieSky's operations and quantitative performance for the period January 1, 2022 to December 31, 2022, unless otherwise noted. When relevant and available, historical data is provided for 2020 and 2021. This report was published on May 17, 2023. We prepare a Sustainability Report on an annual basis and all reports are available on our *website*. (In years prior to 2021, 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 80–83. 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:

- PrairieSky has reported in accordance with the **Global Reporting Initiative (GRI) Standards** for the period January 1, 2022 to December 31, 2022. 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 84.
- 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 84. 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 84.
- **Task Force on Climate-Related Financial Disclosure (TCFD)** recommendations are included in this report, with prior year reports available on our *website*.
- **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 103.

As the standards evolve, so will our reporting on the topics covered. We are committed to continually 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, 2022 which is available on our *website*.
- 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's Discussion and Analysis and PrairieSky's Annual Consolidated Financial Statements which are available on our *website*.

About
PrairieSky Royalty Ltd.

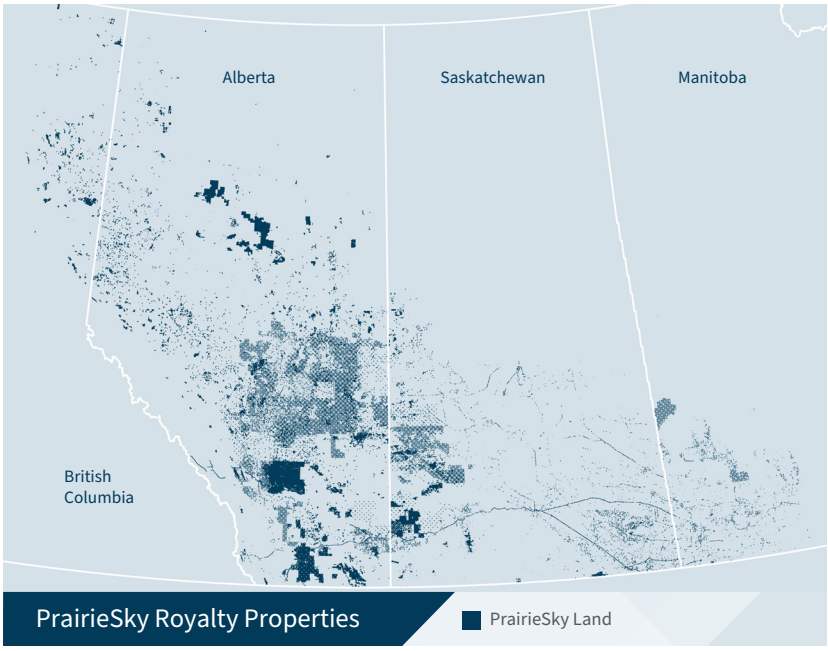
PrairieSky Royalty Ltd. is a pure-play royalty company with the largest independently-owned portfolio of fee simple mineral title and oil and gas royalty interests in Canada. Our royalty properties span Western Canada with 9.7 million acres of fee simple mineral title lands and 8.6 million acres of gross 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 18.3 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, 2022, PrairieSky has generated **over $2.6 billion** in revenues which we have converted to funds from operations of $2.2 billion, while returning over $1.3 billion to shareholders in dividends and approximately $247 million in share repurchases. PrairieSky currently pays a quarterly dividend of $0.24 per share or $0.96 per share annually.

PSK

PrairieSky's common shares trade on the Toronto Stock Exchange under the symbol PSK.



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 natural 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

High operating margins generate strong funds from operations per share

Return of cash flow through dividends and share repurchases

Exposure to all resource plays with commodity, geographic 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

Net zero scope 1 and scope 2 emissions

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 process to **identify**, **analyze** and **assess** material[1] **environmental**, **social** and **governance** ("ESG") topics.

Material topics are 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. Through this process and engagement, material topics are assessed annually to inform our business strategy and approach to ESG and reviewed with the Board of Directors.

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

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.

(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.

1 Identify

Through research (peer reviews, review of ESG rating agency topics, and reporting frameworks) identify an initial list of ESG topics for consideration.

Stakeholder engagement including shareholders, third-party operators, employees, provincial regulators, not-for-profits and other organizations in the communities where we have business interests. The opinions and perspectives of our stakeholders help us identify areas where we can deliver the greatest impact, as well as areas where we can improve.

Assess trends and conduct analysis of best practices including reporting best practices.

2 Analysis

Conduct internal and external engagement aimed at further understanding the importance of ESG topics to PrairieSky and its stakeholders in order to refine the list to material topics.

Evaluate within our enterprise risk management program.

Determine the relevance of topics, informed by a number of sustainability reporting frameworks.

3 Validate

Validate the results of our analysis with management team and prioritize topics which could have a significant impact on PrairieSky's ability to meet its objectives or that would substantively influence the assessments and decisions of stakeholders over the short and medium term.

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:

1 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.

2 Environment

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

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

3 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 2022.

Initiative	Progress	Status
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.	⇒
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 expanded and 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.	✓ updated scenarios in 2022
Continue to advance disclosures including continually monitoring updates to TCFD, SASB, 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 and specific subset information occur regularly.	✓
Advancing human resource policies to support employees and advance diversity and inclusion.	Rolled out a remote work policy to provide flexible work options for our employees. Implemented expanded mental health programs and awareness initiatives to further support employees and their families. To help address inflation, adjusted the employee stock savings plan to allow for employees to contribute up to 9% of salary to be matched 15% by PrairieSky, increasing employee take home salaries by 3% and expanding retirement programs. To support our diversity and inclusion initiatives, we implemented "blind hiring" processes to reduce unconscious bias during the hiring process.	⇒

✓ Completed ⇒ Ongoing

Looking **Forward**

In 2023, we are committed to the following initiatives:

> Continuing to advance our inventory of our Scope 3 emissions;

> Continuing to monitor the Supplier Code of Conduct process;

> Monitoring regulatory reporting changes contemplated in Canada;

> Continuing to advance disclosures identified by SASB as relevant to long-term value creation;

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

> To further support our diversity and inclusion initiatives, we have begun posting PrairieSky job openings on diverse hiring websites.

United Nations **Sustainable Development Goals**

PrairieSky is a member of the United Nations Global Compact and supports the 17 UN Sustainable Development Goals which mobilize efforts to end all forms of poverty, fight inequalities and tackle climate change. We are committed to advancing these goals and continually review our business strategy to ensure we are contributing to these goals. Below are the goals which we identified as being the most relevant to PrairieSky in 2022.

The UN Sustainable Development Goals		Our 2022 Progress
1 NO POVERTY	**SDG Target 1.2:** Reduce at least by half the proportion of people of all ages living in poverty.	PrairieSky supports agencies whose mission it is to protect vulnerable people in our community. Annually, we hold a corporate campaign in support of the United Way whose mission it is to solve complex social problems, with a focus on poverty, kids and community. See page 79 of this report.
3 GOOD HEALTH AND WELL-BEING	**SDG Target 3.8:** 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.	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, 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 and in 2022, we further enhanced mental health coverage. We also provide short-term and long-term disability insurance, paid and unpaid leaves of absences, maternity and paternity leave, vision and dental coverage and spousal and dependent support programs. See pages 68–69 of this report.
4 QUALITY EDUCATION	**SDG Target 4.3:** Ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university.	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. See page 70 of this report.
5 GENDER EQUALITY	**SDG Target 5.5:** Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life. **SDG Target 5.c:** 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.	Inclusion and diversity are important to us. Our PrairieSky team is 69% women and includes a leadership team which is 83% women managers, and one of our three executives is a woman. In 2021, PrairieSky implemented a gender diversity target for independent women directors of a minimum of 30% by 2025. We have exceeded the 30% target with 3 of our 9 directors women (3 of 8 independent directors) in 2022. In 2022, PrairieSky hosted a mentorship program with MBA students from the Haskayne School of Business at the University of Calgary. The program included presentations and discussion forums with women in industry as well as presentations and discussions chosen by the participants with a primary focus on leadership development. See pages 22, 70, 71 and 81 of this report.
6 CLEAN WATER AND SANITATION	**SDG Target 6.1:** Achieve universal and equitable access to safe and affordable drinking water for all.	PrairieSky supports UNICEF's global Water, Sanitation and Hygiene (WASH) programs which help realize the rights of children by delivering safe water and sanitation, and by improving the hygiene practices for some of the world's hardest to reach children and their families. See page 78 of this report.
8 DECENT WORK AND ECONOMIC GROWTH	**SDG Target 8.1:** Sustain per capita economic growth in accordance with national circumstances. **SDG Target 8.8:** Protect labour rights and promote safe and secure working environments for all.	PrairieSky contributes to the local community by providing jobs and economic development. Employment helps create economic growth, and as a profitable business, PrairieSky also contributes to our community through government payments of production and mineral taxes and corporate income tax. We invest in education and training of our employees, developing talent and providing career advancement opportunities. PrairieSky has policies in place to protect human rights as well as health and safety. PrairieSky discloses its health and safety record annually and has not had any health and safety related incidents or events. PrairieSky has a Supplier Code of Conduct which sets out our expectations for organizations which provide goods and supplies to us, including expectations regarding labour practices and health and safety. See pages 69, 70, 74 and 83 of this report.
13 CLIMATE ACTION	**SDG Target 13.2:** Integrate climate change measures into national policies, strategies and planning.	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% by 2025 in our direct operations. We are working with third-party operators to provide leasing terms to support the economics of CO_2 sequestration projects including participating in the Meadowbrook CCUS Hub Project. We are reporting on climate risk and providing Task Force on Climate-Related Financial Disclosures. See pages 31–33 and 39–66 of this report.

Governance of ESG

PrairieSky is committed to the **highest standards of corporate governance.** Our Board of Directors has oversight of ESG issues, including climate-change related risks and opportunities.

Topics in this section

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Governance **and Oversight**

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. PrairieSky's management is responsible for identifying principal 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. Further discussion of our approach to enterprise risk management can be found in our TCFD disclosure starting on page 39.

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.

Board of Directors

Board Mandate

Standing Board Committees' Mandates

Audit Committee	Governance and Compensation Committee	Reserves Committee

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.

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[1]. 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 40 of our *Information Circular and Proxy Statement*.

Board Chair & Board of Directors
Board Chair and Board of Directors are committed to our ESG strategy and outcomes with oversight responsibility.

Governance & Compensation Committee
Governance and Compensation Committee measures annual ESG performance criteria tied to annual and long-term compensation of Executives.

Audit Committee
Audit Committee oversees certain principal risks including financial risks, cyber-security, tax disclosure, government payments and whistleblower reports.

President and CEO
Accountable to the Board for ESG initiatives (strategy, implementation, progress)

COO

> Responsible for governance of broader ESG topics and advancing corporate ESG agenda.

> Responsible for operational implementation and execution of ESG specific matters, including alignment with contracting framework and counterparties.

CFO

> Responsible for Enterprise Risk Management program.

> Responsible for collecting and reporting on ESG and sustainability performance.

> Responsible for sustainability-linked credit facility.

Responsible for ESG and sustainability matters and overseeing efforts to meet corporate objectives, including reporting initiatives and investor requests.

Managers
Guide team efforts on ESG initiatives

Staff
Contribute individually to team efforts on ESG initiatives

Our responsibility matrix reflects our commitment to ESG and presents the tone at the top. Management 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. Detailed information on our management of climate-related risks can be found in the TCFD section of this report starting on page 39.

(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 105 for the full definition of independence.

Governance Practices	2020	2021	2022
Board Independence	7 of 8	8 of 9	**8 of 9**
Separate Board Chair and CEO	Yes	Yes	**Yes**
Independent Board Chair	Yes	Yes	**Yes**
Annual Board Evaluation Process	Yes	Yes	**Yes**
Average Meeting Attendance	100%	100%	**100%**
Annual Election of Directors	Yes	Yes	**Yes**
Majority Voting Policy	Yes	Yes	**Yes**
Average Age of Directors[1]	60.5	60.7	**61.7**
Average Director Tenure[1]	4.7 years	5.1 years	**6.1 years**
Women Directors	2	3	**3**
Board Diversity Target[2] Target Met (Yes/No)	25% Yes	25% Yes	**over 30%** **Yes**
Share Ownership Requirements	Directors, Officers & Senior Staff	Directors, Officers & Senior Staff	**Directors, Officers & Senior Staff**
Anti-Hedging Policy	Yes	Yes	**Yes**
Say on Pay	Yes	Yes	**Yes**
Shareholder Approval for Approach to Executive Compensation[3]	93.3%	91.8%	**92.8%**
Clawback Policy	Yes	Yes	**Yes**

(1) Average tenure and average age are determined for the Board of Directors as of December 31, 2022.

(2) In 2021, the Board adopted a 30% gender diversity target by 2025. This target was exceeded in 2021 and maintained through 2022. Please see Board Diversity on page 22. Following the 2023 Annual General meeting, women directors make up 38% of our board of Directors (43% of independent Directors).

(3) Results of voting at the April 18, 2023 Annual General Meeting and two prior Annual General Meetings.

Shareholder Engagement

Our Board recognizes 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. We have adopted policies and programs that ensure we understand and address shareholder concerns. We have a comprehensive program designed to engage with shareholders, which we believe aligns with best practice policies for director and shareholder engagement on governance matters.

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 2022 and related outcomes are described on pages 29-33 of our *Information Circular and Proxy Statement*.

Executive Compensation

PrairieSky's executive compensation framework is designed to align compensation with corporate performance. We believe by using a pay-for-performance framework and deferring compensation, we align management's actions with PrairieSky's core values, corporate objectives and performance, and the long-term interests of shareholders.

PrairieSky's executive compensation framework focuses on pay-for-performance with 75 to 85 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. All of PrairieSky's employees are also shareholders and our executive management has invested a substantial portion of their net worth in PrairieSky shares. For example, PrairieSky's President and CEO held common shares valued at 32 times his annual salary at December 31, 2022.

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 2023 AGM, 92.8 per cent of votes were cast in favour of the "Say on Pay" resolution, above 2022, when 91.8 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*.

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 and are at the foundation of how we operate. The Board has adopted a Code of Business Conduct (the "**Code**") that guides the culture of ethical business conduct required of all directors, management, employees and consultants. We have integrated the Code 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 and we foster an ethical corporate culture. 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 annual training for all staff on the Code which includes training on bribery and corruption. 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 teams. 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 2022, 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. No whistleblower complaints were received during 2022.

Honesty and integrity are fundamental values to our business and **we foster an ethical corporate culture**.

Supplier Code of Conduct

Although our supply chain is small (see page 74), 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. PrairieSky's *Supplier Code of Conduct* ("**Supplier Code**") sets out our expectations for the organizations which provide goods and services to us.

Suppliers are expected to follow requirements set out in three areas (with examples):

1. **Ethics and Integrity:**
   a. Conduct their business activities in compliance with laws and standards in the jurisdictions in which they operate;
   b. Have zero tolerance anti-corruption policies to prohibit any and all forms of bribery and corruption.
2. **Labour Practice and Standards**
   a. Afford equal opportunity to all people, respect the dignity of their own employees and others, adhere to principles of diversity and maintain a respectful workplace;
   b. Employ persons above the legal age of employment, not use forced or slave labour, meet minimum wage requirements and not exceed working hour and day regulations;
   c. Recognize freedom of association and the right to collective bargaining.
3. **Environment**
   a. Comply with environmental laws and conduct activities in an environmentally responsible manner;
   b. Suppliers are expected to have polices articulating their commitment to integrating environmental requirements into their products, processes and business activities, such as minimizing air emissions and conserving resources, including water and reducing waste.

The list of expectations above is not complete and is further detailed in the Supplier Code. Failure to comply with our Supplier Code of Conduct may result in termination of our relationship with the supplier.

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 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, K.C. 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, identifies as Indigenous Canadian and is a proud member of the Peepeekisis Cree Nation. Following the Annual General Meeting on April 18, 2023, the Board was reduced to eight members bringing the percentage of women on our Board to 38% (43% of independent directors) and the percentage of Directors who identify as a visible minority and/or Indigenous to 25% (29% of independent directors).

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**.

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.

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

Information technology plays a critical role in operating our business efficiently and has been a key reason we have been able to triple our royalty land base while reducing staffing requirements. We rely on information technology to store our data and process information. PrairieSky's Information Technology Policies and Procedures Manual sets out our principles for the protection of our information assets, cyber security and change management. 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. Our risk response strategies include implementing comprehensive policies to mitigate risk, including a cyber security and incident response plan and a business continuity plan. PrairieSky has not had a material cyber security breach in its history but recognizing the risk, we carry cybersecurity risk insurance.

In 2021, we initiated mandatory cyber security awareness training to all staff to educate and inform on potential risks. Training is done on an annual basis, including in 2022, and all employees must complete training.

Third-Party Operator Highlight

Committed to **Protecting People and the Environment**

Pacific Canbriam Energy

Pacific Canbriam Energy has achieved EO100™ Standard Certification

Equitable Origin (EO) certifies energy producers via third-party independent verification that evaluates their commitment to the highest environmental, social and governance standards. EO100™ certification provides a comprehensive analysis of ESG risks and inputs, demonstrates leadership in sustainability and aligns with international standards.

Pacific Canbriam Energy (PCE) was awarded the EO100™ Standard Certification after it demonstrated excellence and met performance targets in five areas: corporate governance and ethics; social impacts, human rights and community engagement; Indigenous Peoples' rights; occupational health & safety and fair labour standards; and environmental impacts, biodiversity and climate change.

C-RSG Explained

Under the umbrella of sustainability and building on the concept of ESG (Environment, Social and Governance), PCE uses the term Certified Responsibly Sourced Gas (C-RSG) throughout their reporting. C-RSG is used to describe natural gas that has been certified by a third party to ensure it is sourced through responsible practice. This includes a commitment to best practices that far exceed regulatory requirements throughout all operations.

PCE's C-RSG status has been verified in 2021 by Equitable Origin (EO), making them the **second natural gas producer in North America to achieve the EO100™ Standard for Responsible Energy Development**.

This milestone accomplishment sets the bar for regular measurement, benchmarking and continuous improvement of PCE.

Source: Pacific Canbriam Energy 2021 ESG Report
https://www.pacific-canbriam.ca/wp-content/uploads/PCE-2021-Sustainability-Report_1.pdf

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 28 of our *Information Circular and Proxy Statement*. PrairieSky did not conduct any direct lobbying activities or make any political contributions in 2022 and we are committed to disclosing any political donations or lobbying expenditures.

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

Our Relationship **With Operators**

Environmental, Social, Governance and Corporate Sustainability

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

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.

Throughout this report we have identified **ESG highlights from certain of our third-party operators reporting**. These are examples of the important ESG work ongoing in Canada and on our Royalty Properties.

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 2022, PrairieSky's **top 40 payors** represented approximately **80% of our royalty revenue**.

Approximately half of these payors are publicly traded companies which provide sustainability reports available on their websites. In addition, certain private companies are also providing sustainability reports on their websites which further highlights the importance Canadian oil and gas companies place on ESG, sustainability and TCFD reporting. We encourage readers to explore these reports and discover more information on the responsible development taking place in Canada. We have included a sample of companies, both public and private, operating on our lands with sustainability reports outlining their commitments to ESG:

Artis Exploration Ltd.
Baytex Energy Corp.
Bonavista Energy Corporation
Canadian Natural Resources Limited
Cenovus Energy Inc.
Crescent Point Energy Corp.
Ember Resources Inc.
Enerplus Corporation
International Petroleum Corp.
Pacific Canbriam Energy Limited
Ovintiv Inc.
Tamarack Valley Energy Ltd.
Tourmaline Oil Corp.
Vermilion Energy Inc.
Whitecap Resources Inc.

Throughout this report we have included excerpts from some of the third-party operators on our lands most recent ESG reporting to provide examples of the work being done in the Canadian oil and gas sector to support responsible development.

Managing Existing Relationships with Operators

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

In 2022, we collected revenue from approximately 325 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 2022, the royalty compliance department sent 692 notices to lessees and recovered $8.5 million in compliance revenue. Since PrairieSky's IPO, we have collected over $70 million in compliance revenue. In addition, we served over 4,000 lease compliance notices and saw over 78,000 acres returned to inventory in 2022. 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 legal or regulatory proceeds by third parties; persistent unresolved miscalculation of royalties; environmental or operational concerns; breaches of contract; or new operators on a site previously leased by another party. In 2022, 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 37 of this report.

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.

No Conflict Minerals

PrairieSky does not directly or indirectly receive any revenues from conflict minerals. All of PrairieSky's royalties are exclusively from energy projects in Canada.

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.

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	30
PrairieSky's Energy Use and Carbon Emissions	32
Land Stewardship	34

PrairieSky's management is responsible for environmental activities which include due diligence on acquisitions and review of contracts and leases to ensure that PrairieSky does not assume responsibility for any environmental risks on behalf of the operator. In addition, we incorporate ESG factors into our pre-leasing due diligence process before we select operators or counterparties, and enforce any non-compliance with laws and regulations through collaboration with provincial regulators.

Climate **Change**

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/*.

Refer to pages 40–43 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 though our ERM program which is discussed further in our TCFD disclosure starting on page 39. 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 pages 59–61.

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 beginning on page 50.

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 2022. Although we have significant exposure to crude oil and natural gas, the perpetual ownership of our Fee Lands provides 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 pages 59–61.

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.

While it is important for us to be carbon neutral in our operations, we acknowledge that our own total operational emissions are minor relative to the third-party operations on our Royalty Properties and much of our ability to have a positive impact on the climate relates to our capital allocation strategy and our rights under the existing leases and royalty contracts with third-party operators which are described in this Sustainability Report.

See information below and refer to pages 32–33 and 81–82 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. These opportunities, which include CCUS, helium and lithium projects, evolve over time and provide near and longer term optionality for stakeholders. See page 65 in our TCFD section for a breakdown of current and prior year metrics.

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. 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*). 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.

Our team of 65 employees create a direct environmental impact through carbon emissions related to energy consumption, water use, and waste generation in our office space. With a return to in-person work in 2022, we have seen an increase in our carbon emissions over 2021 but continue to show strong improvement over our base year of 2017. We continue to evaluate how we can 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 office waste generation, employee commuting and business travel.

Renewable Energy

We are 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.

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. Through these efforts, waste in tonnes was down 14 per cent in our building in 2022, with 61 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 2022, we saw paper use increase 6 per cent over 2021 due in part to the increased size of the business following approximately $1 billion in acquisitions in 2021 as well as staff returning to the office. Paper use remains much lower than 2019, 56 per cent lower due to our efforts to go paperless over time. We are continuing our efforts to update processes to support long-term reduction in paper usage.

Water Usage

PrairieSky's only water use is at its one office location in downtown Calgary. In 2022, our staff returned to the office resulting in an increase in water usage to 712 cubic meters, a 44 per cent increase from 2021 but down 63 per cent from 2017, our base year due to building upgrades.

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).

Promoting Healthy Lifestyles and Employee Commuting

We ask our employees to complete a survey twice per year on how they commute to work. Using this survey 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 in 2020 and 2021 when our staff worked almost exclusively from home due to the impact of COVID-19. With the return of all employees to the office in 2022, Scope 3 emissions have increased to 47.3 metric tonnes CO_2e, up 60 per cent over 2021.

To promote activity and alternative commuting options, PrairieSky provides in-office shower facilities and the building offers a secure bike storage facility. During 2022, approximately 27 per cent of our employees who worked in the office walked, car-shared or biked to work and approximately 35 per cent took public transit.

47.3 metric tonnes

Employee commuting Scope 3 emissions totaled 47.3 metric tonnes CO_2e

Business Travel

With the return to in person meetings in 2022, PrairieSky's executive and certain staff were once again required to travel for investor meetings, Board meetings and presentations. In addition, out-of-town Board members travelled to attend Board and Committee meetings in person, including a strategy session. PrairieSky has tracked Scope 3 emissions incurred through air travel since 2019. In 2020 and 2021, there was a dramatic decrease in Scope 3 emissions related to business travel due to the impact of COVID-19 and associated travel restrictions. In 2022, PrairieSky tracked both air travel and train travel which are included in the total emissions of 7.8 metric tonnes CO_2e.

7.8 metric tonnes

Scope 3 emissions related to business travel totaled 7.8 metric tonnes CO_2e in 2022

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.

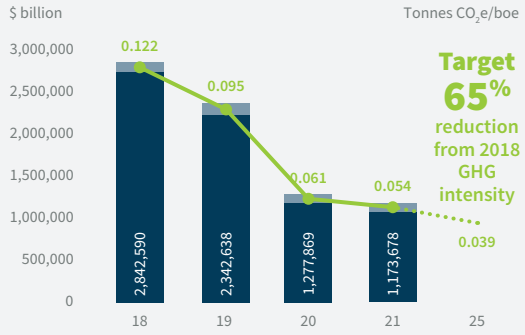
PrairieSky is a pure-play royalty company and has no oil and gas operations. Third-party crude oil and natural gas operators are responsible for regulatory reporting of their emissions. PrairieSky does not generate any crude oil and natural gas emissions and therefore does not have policies or procedures for reporting any emissions from the drilling or operations of crude oil and natural gas exploration and development as further discussed below, also see page 47 for further information. Canada is a highly regulated jurisdiction and third-party operators on our royalty lands and industry as a whole are working diligently to lower emissions, with significant improvements to date.

Third-Party Operator Highlight

Emissions **Reductions**

Baytex Energy Corp.

GHG **Reductions and Target**



Baytex Energy Corp. has **reduced its GHG intensity by 52%** as compared to 2018 and their **absolute annual GHG emissions by 1.7 million tonnes of CO_2e**. These reductions were primarily due to their Viking methane mitigation program.

Source: Baytex Energy Corp. 2021 ESG Report
https://www.baytexenergy.com/content/uploads/2022/09/2021-Baytex-ESG-Report-FINALweb-1.pdf

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

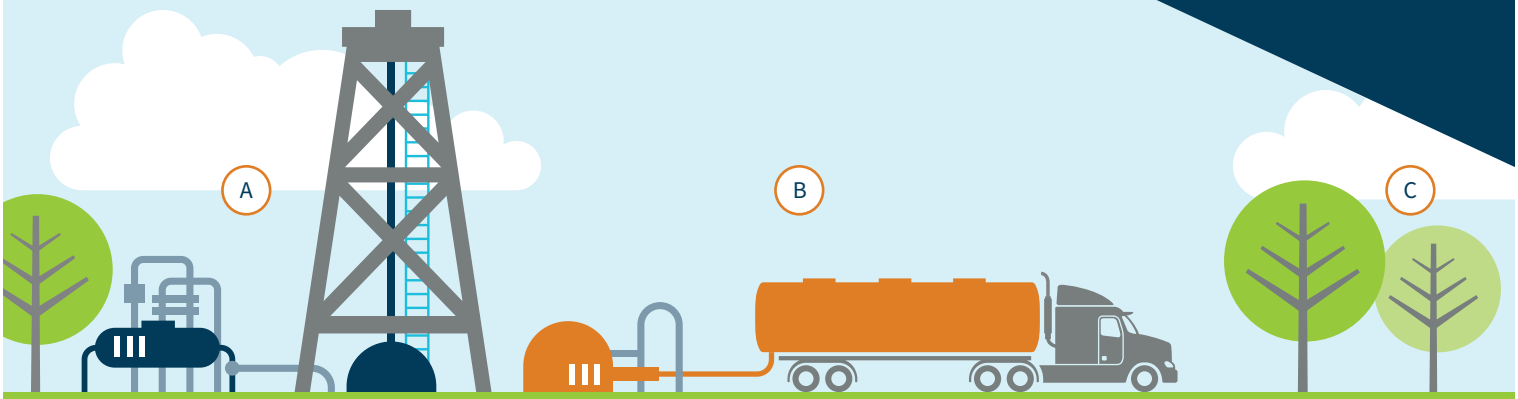
Environmental Rights and Responsibilities

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.

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 does not own surface rights

PrairieSky owns the mineral rights below the surface

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.

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 2021 and 2022, management visited 38 and 23 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[1] 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 and mitigate impacts.

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

(1) 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 km2 and approximately 10,000 km2 held by non-government groups. *https://www.biodivcanada.ca/national-biodiversity-strategy-and-action-plan*.

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 and operate 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.

Third-Party Operator Highlight

Reclamation Activities

Whitecap Resources Inc.

Well Abandonments

369
Wells Abandoned

Abandoned 197 more wells than drilled since 2019

Source: Whitecap Resources Inc. ESG Snapshot 2022
https://www.wcap.ca/application/files/9416/6924/6508/2022_Whitecap_ESG_Snapshots_Report_FINAL.pdf

Baytex Energy Corp.

In 2021, Baytex continued to make progress on its commitment to **restore its entire 2020 end-of-life well inventory completing 198 well abandonments in 2021**, the most in company history.

Source: Baytex Energy Corp. ESG Report 2021
https://www.baytexenergy.com/content/uploads/2022/09/2021-Baytex-ESG-Report-FINALweb-1.pdf

Water Usage

Sustainable water usage is fundamental to the crude oil and natural gas industry in Canada. 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. PrairieSky does not have any field operations and has no direct water usage in generating revenues.

Oil and gas operations can use significant quantities of water, especially when employing hydraulic fracturing. 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.

PrairieSky has made investments in royalty assets where third-party operators are targeting the Clearwater resource play. Completion techniques used in the Clearwater do not require hydraulic fracturing, reducing the use of water in operations. These techniques are now being applied in other areas of PrairieSky's portfolio reducing water usage and costs.

Third-Party Operator Highlight

Water Use **Reduction**

Ember Resources Inc.

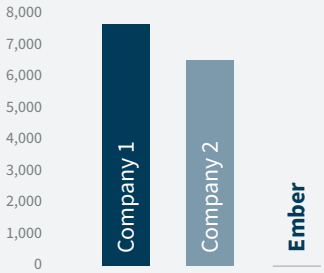
This is the only **water used** in operations.

Ember uses mobile truck-mounted units on site to stimulate shallow gas production without toxic components or additives. These well stimulations inject high-pressure nitrogen (N_2), the inert gas found naturally in the air, creating a limited impact on the land. Ember does not employ hydraulic fracking as part of its extraction processes at any of its operations.

Zero

Water, Proppants or Additives

Water Usage **Comparison (m³)**



Ember's operations don't require water, which also means **no use of any proppants or chemical additives.**

Source: Ember Resources Inc. 2021 ESG Report
http://emberresources.com/wp-content/uploads/2022/08/Ember-ESG-Report-April-2022-Final.pdf.pdf

Task Force on Climate-Related Financial Disclosures Report

HIGH MARGINS
ZERO CAPITAL
CARBON NEUTRAL

May
2023

TSX | PSK

PRAIRIESKY ROYALTY LTD

Governance

Disclose the organization's governance around **climate-related risks and opportunities.**

Describe the Board's oversight of climate-related risks and opportunities.

PrairieSky's Board of Directors provides oversight and direction in the strategic planning process and has ultimate responsibility for overseeing the Company's environmental, social and governance ("ESG") reporting and continuous improvement efforts. In addition, the Board has oversight responsibility for material risks which are managed through our Enterprise Risk Management ("ERM") framework and include environmental, social and climate-related risk. Our Board has three standing committees which are responsible for carrying out certain aspects of the Board's mandate: the Audit Committee, the Governance and Compensation Committee, and the Reserves Committee. Each Committee is comprised entirely of independent directors. The Governance and Compensation Committee evaluates PrairieSky's performance related to its ESG goals and annually recommends incentives for management based on measurable performance.

Board Chair & Board of Directors
Board Chair and Board of Directors are committed to our ESG strategy and outcomes with oversight responsibility.

Governance & Compensation Committee
Governance and Compensation Committee measures annual ESG performance criteria tied to annual and long-term compensation of Executives.

Audit Committee
Audit Committee oversees certain principal risks including financial risks, cyber-security, tax disclosure, government payments and whistleblower reports.

The Board's responsibility 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 these documents is available under the "Responsibility" section of our *website*.

Board oversight of climate-related risks and opportunities takes place at all Board meetings through various agenda items. PrairieSky includes materials to promote an open discussion on climate-related issues as part of our broader ESG agenda. This includes topics such as evolving policy frameworks and regulations, stakeholder engagement, capital markets developments and business trends. The Board also reviews the Company's climate-related performance, including with respect to operational improvements, carbon and waste reductions, water use, business strategy, and benchmarking. The Governance and Compensation committee will further measure and assess ESG performance, including climate-related performance, which is tied to annual and long-term executive compensation.

Twice per year, the Board provides oversight on reviewing and guiding risk management policies through the ERM framework which provides a consistent approach to identify, assess and manage risks to our business. This oversight responsibility covers a detailed review of the corporate risk register to assess the implications of environmental risks, including climate-related matters, mitigation measures to limit or reduce such risks, and Company strategies to maximize opportunities.

The Board's responsibility 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 these documents is available under the "Responsibility" section of our *website*.

Describe management's role in assessing and managing climate related risks and opportunities.

Management is responsible for developing and implementing corporate strategies to meet PrairieSky's strategic objectives. Led by our CEO who provides strategic oversight on climate-related matters, management integrates ESG considerations including assessing and managing climate-related risks and opportunities into our business planning and decision making. This includes overseeing our progress on short, medium and long-term goals and targets, as well as our corporate disclosures on climate-related governance, risks and opportunities, strategy, management and performance through our Sustainability Report, Annual Report, TCFD reporting (prior year TCFD disclosures can be found on our *website*), CDP Climate and Water submissions and stakeholder communications including our *website*.

The due diligence process for climate-related issues is undertaken by management with experience in evaluating risks and the impact to PrairieSky, which is then discussed with the Board of Directors to develop a thorough understanding of the integrated impacts of climate-related risks and opportunities on our business. Occasionally, PrairieSky will engage external consultants to provide additional insight and expertise on certain climate-related issues.

The CEO is accountable for ESG initiatives, including climate change matters, particularly with respect to strategy, implementation, and progress. Given the complexity and uncertainty of potential climate-related impacts on our business, we believe it is important for our CEO to provide strategic oversight on climate-related matters to ensure we are effectively and proactively managing potential risks and opportunities. In undertaking this responsibility, the CEO reports to the Board Chair, the Board and/or the Governance and Compensation Committee and/or Audit Committee, as necessary, on such matters.

Our COO and CFO have been appointed leads on ESG and Sustainability matters and have direct responsibility for overseeing efforts being taken to minimize the energy and carbon impacts of the Company, as well as responding to investor requests on ESG topics. More specifically, our COO is responsible for the governance of broader ESG topics including advancing the corporate ESG agenda and operational implementation and execution of ESG specific matters, including climate-related matters. Our CFO is responsible for the ERM program and for collecting and reporting on the Company's sustainability and climate performance in reports and surveys, including required reporting under our sustainability-linked credit facility. Our COO and CFO report to the CEO on these matters, as well as to the Board Chair and/or the Governance and Compensation Committee and Audit Committee of the Board of Directors.

The following table describes the executive framework and allocation of responsibility for ESG and climate-related matters:

Board Chair & Board of Directors
Board Chair and Board of Directors are committed to our ESG strategy and outcomes with oversight responsibility.

Governance & Compensation Committee
Governance and Compensation Committee measures annual ESG performance criteria tied to annual and long-term compensation of Executives.

Audit Committee
Audit Committee oversees certain principal risks including financial risks, cyber-security, tax disclosure, government payments and whistleblower reports.

President and CEO
Accountable to the Board for ESG initiatives (strategy, implementation, progress)

COO

> Responsible for governance of broader ESG topics and advancing corporate ESG agenda.

> Responsible for operational implementation and execution of ESG specific matters, including alignment with contracting framework and counterparties.

CFO

> Responsible for Enterprise Risk Management program.

> Responsible for collecting and reporting on ESG and sustainability performance.

> Responsible for sustainability-linked credit facility.

Responsible for ESG and sustainability matters and overseeing efforts to meet corporate objectives, including reporting initiatives and investor requests.

Managers
Guide team efforts on ESG initiatives

Staff
Contribute individually to team efforts on ESG initiatives

Potential climate-related risks and opportunities are integrated consistently along with other key factors that influence our business such as economic, environmental and social factors.

In addition to our ERM program, which is discussed further below, additional processes are in place to identify and monitor climate-related issues. For example, management is informed through:

- extensive reading and third-party reports and presentations on trends and emerging policies;
- engaging with third-party consultants to inform our strategy and reporting; and
- engaging with industry to work to develop and evolve projects to reduce GHG emissions.

PrairieSky constantly identifies, assesses, monitors and manages risks inherent in our business. Managing risks by their nature and type is embedded in our business processes. All levels of the business, from the Board of Directors to individual departments and functions identify, review and report on risks within their areas. Risks are monitored through assessing whether the risk profile has changed and whether new risks have emerged as well as control effectiveness and the progress of the treatment plan.

Through our engagement we develop our understanding and integrate our response to climate-related risks and opportunities:

Regulatory Developments

Emerging Policies

Trends

Technological Developments

Research on Regional Climate-Change Hazards

Transition Risks

Physical Risks

Climate-related risks and opportunities

Corporate actions to achieve corporate objectives

Corporate actions to participate in energy transition

Management reports to the Board of Directors at least quarterly on climate-related matters and more regularly as required.

Strategy

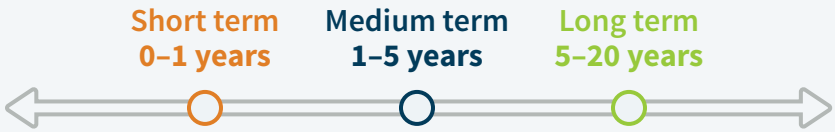
Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's business, strategy and financial planning where such information is material.

Describe the climate-related risks and opportunities on the organization's business, strategy and financial planning where such information is material.

Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term.

We review climate-related risks and opportunities over the short, medium and long-term. The medium and long-term horizons were determined with the expectation that climate-related issues will manifest over these periods. These timelines are incorporated into our ERM framework and are assessed through our climate scenario analysis.

Our Timeline



Although we use a 20-year horizon in our Enterprise Risk Management program, our climate scenario analysis extends beyond this time frame and provides PrairieSky with a longer-term view when considering risks and opportunities. This is important as we own our fee simple mineral title (Fee Lands) in perpetuity.

Transition **Risks**

Short term

In the short term (next 12 months), our focus will continue to be on assessing legal and regulatory frameworks in the jurisdictions in which we operate. This includes developments around greenhouse gas and carbon policies and pricing frameworks and incorporating these developments into our medium and longer-term strategy. These policies and frameworks have the potential to directly impact third-party exploration and production companies on our fee simple mineral title lands and gross overriding royalty lands (together, "Royalty Properties") by increasing operating costs and capital expenditures in order to comply with evolving regulations. In addition, the economic rates of return associated with exploration and development activities in Canada's oil and gas sector may be negatively impacted, influencing the pace of development of assets in the future. Reduced activity on our Royalty Properties could result in lower royalty production volumes which could negatively impact PrairieSky's revenue and resulting cash flow generation. All of our Royalty Properties are in Canada, one of the most highly regulated jurisdictions in the world and a known leader in responsible energy development and technological ingenuity. In the near term and beyond, we will continue to support policies that are transparent and promote sustainable and economically responsible oil and natural gas development for Canadians and the world. We are well positioned to participate in transition opportunities and policies directed at accelerating capital investment in alternative, lower carbon energy sources which can impact our assets over time. Our perpetual ownership of mines and minerals on our Fee Lands provides access to potential revenue streams at no additional cost to PrairieSky. Transition opportunities are available by investing in new opportunities and exploiting the organic opportunities within our existing business. Organic projects could include carbon capture utilization and storage ("CCUS") and "blue" hydrogen opportunities. We currently collect royalty production revenue from two CCUS projects on our lands. Although the amount of revenue is not material to our business at this time (see page 66), it is expected to grow as new projects are developed.

Medium term

Over the next 1–5 years, we anticipate that the demand for Canadian oil and gas will continue to evolve, including demand to source reliable energy. The demand for natural gas continues to increase as markets for electricity generation transition from coal to natural gas, Canadian LNG and petrochemical projects advance and "blue" hydrogen opportunities and technologies progress. We currently lease lands to third-party operators involved in enhanced recovery and CCUS projects which increase the recovery of energy from existing discoveries while permanently sequestering greenhouse gases from industrial emitters, thereby minimizing the environmental impact of hydrocarbon production and offsetting emissions from other industries. We believe CCUS projects, alone or in combination with enhanced recovery or in-situ energy technologies, represent a meaningful opportunity for PrairieSky. See pages 59–61 for a discussion of PrairieSky projects.

Long term

Over the next 5-20 years, we believe energy transition will take root in new, cost-effective technologies in combination with responsible and sustainable hydrocarbon development. We are focused on ensuring that we own royalties in the most economic oil and natural gas plays as we believe these are the projects that will continue to be developed over the long term, including oil plays that do not require fracking, have low or no freshwater water use, and have lower carbon footprints. This includes our 1.3 million-acre land position in the Clearwater oil play which does not require fracking. We dedicate considerable time and resources to monitoring trends in oil and natural gas supply and demand, as well as alternative energy technologies, to understand how we can optimize our existing assets and contribute to new projects with lower emission profiles over a longer duration. Transition opportunities available to PrairieSky may include development of minerals which we currently own, such as lithium, and include alternative low-carbon resource gasification and "blue" hydrogen projects combined with permanent sequestration of CO_2. PrairieSky owns its mines and minerals on Fee Lands in perpetuity, beyond the 20 years examined in our ERM framework. Through our climate change scenario analysis and work on energy transition projects, we do look beyond the 20-year time frame considered in our long-term risks. As this work evolves, we anticipate extending the time frame considered in our ERM to more closely align with the life expectancy of our assets.

Physical **Risks**

PrairieSky's Royalty Properties span the entire Western Canadian Sedimentary Basin and are diversified geologically and geographically. This diversity mitigates significant exposure to physical risks, including extreme weather events and natural disasters over the short, medium and long term. PrairieSky does not own or operate any oil and gas assets which reduces our direct exposure to physical risks and impacts of extreme weather and/or natural disasters as a result of climate change. 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, including any future energy transition opportunities. As a result, we believe we have a role in overseeing development on our lands even though we do not have a 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. Third-party oil and gas producers 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.

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	2020	2021	**2022**
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**
Water				
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.**
Biodiversity Impacts				
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**

PrairieSky's only operations are at our head office in downtown Calgary. 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).

Describe the impact of climate-related risks and opportunities on the organization's business, strategy and financial planning.

The prioritization of climate-related risks and opportunities are based on the magnitude and potential impact, including financial impact, on the business. We use this methodology to inform our corporate strategies and planning. PrairieSky is a royalty and land business. As discussed above, we do not conduct any oil and gas operations and we do not have any working interests in any of the infrastructure, assets and liabilities typically associated with hydrocarbon exploration and development. We have business partnerships with the upstream energy industry in Canada through leasing arrangements with third-party operators who explore for and develop oil, natural gas and other minerals on our royalty interest lands. Our Royalty Properties span Western Canada from northeast British Columbia to southwest Manitoba and our net royalty share of production was approximately 43 per cent natural gas and 57 per cent oil and liquids in 2022. The diversification of geography, geology and commodity mitigates certain risks, and has the potential to mitigate risks related to climate change as demand between different commodities shifts. Changing regulations, including those related to climate change such as carbon pricing and methane reductions, have the potential to improve the sustainability attributes of our energy industry, but also to increase costs for third-party operators and the associated economic returns of certain projects. PrairieSky owns its Fee Lands in perpetuity which includes the rights to all mines and minerals that are currently undeveloped or underexploited. The Company continues to form business partnerships with entities utilizing new and alternative technologies which have the potential to expand the intrinsic value of our business at no additional cost. Many of these opportunities lie outside of conventional oil and natural gas exploration and production, including lithium extraction and refining.

From a financial planning perspective, we maintain a simple and conservative capital structure and balance sheet and proactively mitigate counterparty credit risk to manage our exposure, including taking production in kind and/or letters of credit where appropriate. Risk management and mitigation has been, and continues to be, a pillar of our corporate culture. As part of our financial planning process, we monitor the potential impact of climate-related risks and opportunities on our revenue, direct costs, acquisitions and divestments, access to capital, and assets. For example, from a risk perspective, we consider the impact of increasing consumer demand for alternatives to crude oil and natural gas and how it could reduce the demand for crude oil, natural gas and natural gas liquids, which could in turn affect our revenues. Meanwhile, we have also been assessing the revenue potential associated with the mineral rights to lithium, and hydrogen production technologies from natural gas on our lands, as well as in-situ resource gasification and CCUS. Although these projects are early stage, they have the potential to provide energy with lower associated greenhouse gas emissions. See page 66 for a summary of revenues from these projects.

The Company continues to form **business partnerships with entities utilizing new and alternative technologies** which have the potential to expand the intrinsic value of our business at no additional cost.

Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2° Celsius or lower scenario.

The Board and management consider climate change scenarios as part of our strategic planning. Our climate scenario analysis includes three scenarios:

1) **Deep Decarbonization Now** which considers action to keep global temperature increases below 1.5°C;
2) **Moderate Mitigation** which reflects a global warming trajectory of 2.6°C; and
3) **Powering On** where little advancement is made to curb global temperatures.

Through our climate scenario analysis, we aim to understand the potential timeframe and likelihood of projects being developed on our royalty lands, and the factors which could positively and negatively impact the same. We also use this information to assess risks associated with potential acquisitions and to evaluate and advance projects with reduced carbon footprints including those that remove carbon that would otherwise be emitted into the atmosphere, such as CCUS projects. The Company continues to form business partnerships with entities utilizing new and alternative technologies which have the potential to expand the intrinsic value of our business at no additional cost.

Climate **Scenario Analysis**

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. Our scenarios include:

1) **Deep Decarbonization Now:** Towards global net zero emissions by 2050;
2) **Moderate Mitigation:** Reduction measures close-in on The Paris Agreement; and
3) **Powering On:** Current policies make limited progress on curbing global emissions.

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 to use the International Energy Agency (IEA) scenarios and added Canadian insights using information prepared by the Canadian Energy Regulator and the Institut de l'énergie Trottier. We chose the IEA's 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_2 emissions by 2050. It references the IEA's *Net Zero by 2050: A Roadmap for the Global Energy Sector* and *World Energy Outlook (WEO)* 2021 Net Zero by 2050 (NZE2050) scenarios. 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)*.

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 per cent of our energy use mix in 2019 to just over 20 per cent in 2050. As a result, global energy-related and industrial process CO_2 emissions fall to around 21 Gt CO_2 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 per cent by 2050.

Oil

Global oil demand drops by 75 per cent 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 per cent. In the energy mix, the share of energy supplied by crude oil drops from 35 per cent in 2016 to just 2 per cent in 2050. Most of this decline is from increased production from renewables (including hydro, biomass, and others) as well as nuclear energy.

Global Signposts	2050
Global average temperature increase by 2100	1.5°C
Population	9.7 billion
GDP ($US 2019 trillion)	$316.4
Carbon dioxide (Gt CO_2/year)	Net zero
Energy supply for fossil fuels[1]	22%
Energy demand for renewables	67%
% of renewables in electricity generation	88%
Crude oil demand (MMbbl/d)	24
Crude oil price (2019US$/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)

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 cent per year between 2020 and 2050. In Canada, natural gas represented about 29 per cent of Canada's primary energy production in 2016. By 2050, this percentage drops to about 3 per cent.

Methane Emissions

Methane emissions from fossil fuels fall by around 75 per cent between 2020 and 2030, resulting in decreased GHG emissions of about 2.5 Gt CO_2e. 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_2e are estimated to be captured in Canada and by 2050, 140 Mt CO_2e.

Hydrogen

Hydrogen-based fuels account for about 13 per cent of global final energy demand in 2020, relative to about 5 per cent 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 per cent 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_2 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_2e in 2030. Beyond carbon pricing, the cost of abating the last tonne of CO_2e remains under $210 to reach Canada's 40 per cent target for 2030 but increases significantly to get to net zero.

Canadian Signposts	2050
National average temperature increase by 2100[2]	1.8°C
National GHG emissions (Mt CO_2e)	Net Zero
% of renewables in national electricity generation	82%
Energy production from fossil fuels (%)[3]	9%
Energy production from renewables (%)[4]	43%
Crude oil price (Western Canada Select 2019 US$/bbl value)	Estimates not available
Natural gas price (Henry Hub 2019 US$/Mbtu value)	

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

(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) 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.

(3) Fossil fuels include crude oil, natural gas, and coal.

(4) Renewable sources considered include hydroelectric, biomass, wind, solar and others.

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)[5], 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[6].

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 per cent in 2019 to 66 per cent in 2050. As a result, global energy-related and industrial process CO_2 emissions fall slowly, to around 36 Gt CO_2 in 2030 and to 34 Gt CO_2 in 2050. In Canada, GHG emissions decrease from 511 Mt CO_2e in 2030 to 146 Mt CO_2e by 2050 while primary energy production from fossil fuels declines from 69 per cent in 2016 to 18 per cent by 2050.

Oil

Global oil demand increases minimally by 7 per cent 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 per cent in 2016 to 5 per cent by 2050; in terms of a per cent change this represents an 86 per cent 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 per cent 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 per cent of Canada's primary energy production in 2016, by 2050, this percentage drops to 5 per cent.

Methane Emissions

Total global CO_2 and methane emissions reach 39 Gt CO_2e 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 per cent, leaving an "ambition gap" of 14 Gt CO_2e (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 ($US 2019 trillion)	Not available
Carbon dioxide (Gt CO_2/year)	34
Energy supply for fossil fuels[7]	66%
Energy demand for renewables	28%
% of renewables in electricity generation	60%
Crude oil demand (MMbbl/d)	103
Crude oil price (2020 US$/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 World Energy Outlook 2021 (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_2 per year. In Canada, around 3.0 Mt CO_2e of emissions are captured in 2030 and by 2050 this number has risen to around 109 Mt CO_2e[8].

Hydrogen

After 2030, global low-carbon hydrogen production continues to expand and demand in 2050 is equivalent to around 15 per cent 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_2e in 2030.

Canadian Signposts	2050
National average temperature increase by 2100[9]	2.7°C
National GHG emissions (Mt CO_2e)	146
% of renewables in national electricity generation	81%
Energy production from fossil fuels (%)[10]	18%
Energy production from renewables (%)[11]	37%
Crude oil price (Western Canada Select 2019 US$/bbl value)	Estimates not available
Natural gas price (Henry Hub 2019 US$/Mbtu value)	

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

(5) This scenario reflects the global trajectory we are on now, based on enacted policies, assuming each country sticks to those policies and assuming similar action after 2030.

(6) In Canada, this scenario reflects prior Canadian targets (30% reduction by 2030 and an 80% reduction by 2050, with respect to 2005), extended to reach net zero in 2060.

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

(8) Environment and Climate Change Canada (2021). Clean Fuel Standard: Proposed Regulatory Approach.

(9) Climate data pulled from IPCC AR6, SSP2-4.5.

(10) Fossil fuels include crude oil, natural gas, and coal.

(11) Renewable sources considered include hydroelectric, biomass, wind, solar and, others.

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[12]. Global assumptions for this scenario rely on existing policies announced by policy makers[13]. 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 per cent each year to 2040, in the absence of energy efficiency improvements.

In Canada, energy consumption increases by about 28 per cent between 2016 and 2050. The percentage of renewables in global electricity generation grows only slightly from 29 per cent in 2020 to 36 per cent in 2040. Fossil fuels continue to represent about 80 per cent 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 per cent in 2016 to 75 per cent 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 US$68/bbl in 2018 to US$134/bbl by 2040. In Canada, primary energy production of crude oil increases by 69 per cent between 2016 and 2050 and final energy consumption of oil products across sectors (including energy production) increases by 30 per cent 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 per cent between 2019 and 2040. In Canada, natural gas consumption increases between 2016 and 2050 by about 16 per cent. Canadian production follows a similar trend and results in a 22 per cent increase between 2016 and 2050.

Methane Emissions

The fossil fuel sector, oil and gas extraction, processing, and distribution account for about 23 per cent of human-caused methane emissions. In Canada, methane emissions accounted for about 13 per cent of national GHG emissions in 2021[14]. 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	2050
Global average temperature increase by 2100	> 4.0°C
Population	9.2 billion
GDP ($US 2019 trillion)	Pre-COVID-19 levels by 2021 (3+% growth/year up to 2040)
Carbon dioxide (Gt CO_2/year)[15]	2050: >80
Energy supply for fossil fuels[16]	78%
Energy demand for renewables	17%
% of renewables in electricity generation	36%
Crude oil demand (MMbbl/d)	121
Crude oil price (2020US$/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 2031-2040: $29,732

Source: IEA World Energy Outlook 2019 (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_2. 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_2e in 2030 and 0.118 Mt CO_2e 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[17]. 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_2e, representing about 21.5 per cent of global GHG emissions[18]. Under current policies, carbon prices in Canada are expected to rise $15 per tonne annually from $65 in 2023, reaching $170 per tonne CO_2e in 2030.

Canadian Signposts	2050
National average temperature increase by 2100[19]	6.0°C
National GHG emissions (Mt CO_2e)	850
% of renewables in national electricity generation	55%
Energy production from fossil fuels (%)[20]	75%
Energy production from renewables (%)[21]	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)

(12) 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.

(13) 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.

(14) Environment and Climate Change Canada (2021). 2021 greenhouse gas inventory.

(15) International Governmental Panel on Climate Change (IPCC) (2021): Sixth Assessment Report. Retrieved from *IPCC_AR6_WGI_SPM.pdf*. Based on IPCC SSP5-8.5 scenario.

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

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

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

(19) 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.

(20) Fossil fuels include crude oil, natural gas, and coal.

(21) Renewable sources considered include hydroelectric, biomass, wind, solar and, others.

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[22]. 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[23].

(22) 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.

(23) 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 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 59–61. 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**.

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.
- Acute and extreme weather events, such as wildfires and/or floods, increase over time with more significant impacts in the Moderate Mitigation and Powering On scenarios. Weather events can impact oil and gas development and production, including delaying operations or shutting in production both of which would impact PrairieSky's royalty revenues.
- As technology and innovation advance, low-carbon energy alternatives may become more economic reducing the demand for fossil fuels and negatively impacting benchmark commodity prices. Lower pricing would negatively impact PrairieSky's oil and gas royalty revenues while improved economics for low-carbon energy projects may advance PrairieSky's energy transition projects.
- Changing regulations and new policies related to carbon pricing, oil and natural gas emissions caps and clean fuel standard regulations will add complexity and higher costs to third-party operators which could impact the level of investment on our Royalty Properties.

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.

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

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:

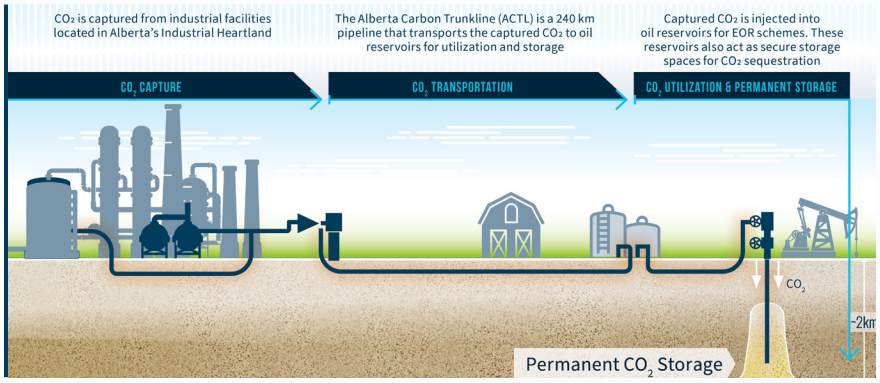
Carbon Capture, Utilization, and Storage

Alberta was the first jurisdiction in North America to direct dedicated funding to implement carbon capture, utilization and storage 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_2 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 2022, PrairieSky collected $2.5 million in royalty revenue related to CCUS.

Third-Party Operator Highlight

Carbon Capture **and Storage**

Enhance Energy Inc.



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 have partnered 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 the first 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_2 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. Project partners have entered 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 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 2022, PrairieSky collected $0.7 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, 2023, the Federal carbon tax increased by $15 per tonne to $65 per tonne in Alberta and Saskatchewan. The provincial carbon tax in British Columbia increased by $15 per tonne to $65 per tonne on April 1, 2023. 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.

Risk Management

Disclose how the organization identifies, assesses and manages climate-related risks.

Describe the organization's processes for identifying and assessing climate-related risks.

Our Board of Directors and management team are responsible for setting our corporate strategy, goals and objectives. Identifying and assessing risk is essential to this process and is managed through our corporate ERM program. Our ERM framework evaluates, ranks and prioritizes key risks with the potential to impact the business, including ESG factors, further filtering these risks into principal risks which have higher potential to impact our business and financial outlook. Environmental and climate change-related risk is identified as a principal risk to our business as well as a potential contributing factor to other principal risks such as access to capital for PrairieSky and third-party operators on our Royalty Properties. Management reports on environmental and climate change-related risk, along with all ESG matters, to the full Board at each quarterly meeting.

Describe the organization's processes for managing climate-related risks.

Through our ERM framework, we proactively identify, assess and manage risk inherent or evolving in our business and industry. We evaluate both the potential impacts and opportunities generated by environmental and climate-change risk, along with the knock-on effects of other principal risks and ESG considerations through our process. We identify and categorize risks using our corporate risk matrix on a grid based on the magnitude and potential impact, including financial impact, they may have on the business. Through this process, we measure the likelihood, impact, velocity (speed of onset) and potential consequences of these risks. We use this methodology to assess all risks in our risk register, including environmental and climate-related risk, which informs the development of our corporate strategies and planning efforts which are disclosed in our Sustainability Report, Information Circular and Proxy Statement, Annual Information Form and other disclosures on our *website*. Included in this assessment is an identification and analysis of the opportunities that potential risks may highlight.

Environmental and climate change-related risk is considered a principal risk for our business and is further segregated into the following physical and transition risks:

	Risks	Potential Financial Impact to PrairieSky	Mitigation/ Management Measures
Acute physical risks	Climate change may increase the frequency of acute or extreme weather events, including heavy rainfall, flooding and wildfires. Weather events may impact third-party operations on our Royalty Properties by restricting access to locations, causing operational delays or difficulties, ceasing operations, and/or disrupting transportation and infrastructure causing problems delivering products to sales points, increasing costs and disrupting supply chains.	Third-party operators on our Royalty Properties are responsible for the costs and response related to acute weather events. These costs are not passed on to PrairieSky. PrairieSky may be impacted by acute weather events if the event impacts the third-party operator's ability to explore for, develop and/or produce oil and natural gas on PrairieSky's Royalty Properties which could negatively impact PrairieSky's royalty revenues and cash flow.	The geographically and geologically diverse nature of our Royalty Properties and the operators mitigates the potential impacts of acute physical risks on PrairieSky.
	Acute weather events may impact operations at PrairieSky's office location.	Acute weather events may cause interruption to PrairieSky's operations at its one office location.	For our head office in Calgary, Alberta, our only business location, we have a Business Continuity Plan as well as insurance coverage in place for acute weather events that may impact our operations.
Chronic physical risks	Long-term shifts in weather patterns may result in water scarcity, increased frequency of storms, shifts in rainfall or snowfall patterns, and heat waves causing operational delays for third-party operators on our Royalty Properties and may increase the costs to third-party operators to manage these changes.	Long-term shifts in weather patterns may impact third-party operators' ability to explore for, develop and or produce oil and natural gas on PrairieSky's Royalty Properties which could negatively impact PrairieSky's royalty revenues and cash flow.	The geographically and geologically diverse nature of our Royalty Properties and operators mitigates the potential impacts of chronic physical risks on PrairieSky.
Market risk	Shifts in supply and demand for oil and natural gas as climate-related risks and opportunities are increasingly taken into account may negatively impact both commodity prices and royalty volumes, including the pace of development of our Royalty Properties.	Shifts in the pace of development could have a negative impact on PrairieSky's royalty revenues and cash flow.	We have strategies in place to mitigate these impacts, including diversity in products and a strategy of investing in low-cost plays that provide strong returns for third-party operators.
Regulatory risk	Evolving climate change policies and governmental efforts at the national, provincial and local level to reduce GHG emissions.	Changes to regulations may result in increased operating or capital costs for third-party operators on our Royalty Properties and/or restrict certain activity. Changes may negatively impact PrairieSky's royalty revenues and cash flow as well as future investment opportunities.	We closely monitor how regulatory changes may impact us directly or indirectly, including changes to reporting requirements.
Reputational risk	Stakeholder perceptions related to how PrairieSky is viewed as contributing to or detracting from a transition to a lower-carbon economy.	Negative perceptions could impact PrairieSky's access to capital and market capitalization.	We strive to maintain positive stakeholder relationships and proactively manage expectations, including those related to climate change, that could impact our ability to operate our business, grow on a per share basis and access sources of capital. We provide transparent and consistent disclosure of our ESG performance, including disclosure of our ESG goals and progress in achieving these goals.
Technological	Improvements and/or innovations that support the transition to a lower-carbon economy could reduce certain investments in our Royalty Properties while increasing other opportunities such as development of natural gas, blue hydrogen, and lithium, as well as carbon sequestration and geothermal projects.	Improvements and/or innovations may reduce demand for hydrocarbons reducing PrairieSky's revenue and funds from operations.	We are working with industry participants and in some cases have formed partnerships to support the advancement of emerging technologies including lithium development in Saskatchewan, CCUS projects and other new ventures.
Legal	There is the potential for legal action related to climate-related legislation including GHG emissions, carbon taxes, and/or not adequately addressing climate change risk, including insufficient disclosure of material risks.	PrairieSky's reputation may be impacted where PrairieSky or third-party operators are exposed to litigation. Negative perceptions related to legal actions could impact PrairieSky's access to capital and market capitalization.	We monitor legal risks closely as part of our enterprise risk management process.

Please see PrairieSky's Annual Information Form for a full list of material risks from a securities law perspective (https://www.prairiesky.com/investors/).

Our plan and strategy ensure we **identify**, **assess** and **manage risks**, including climate-related physical and transition risks, to the extent possible, and further assess and evaluate opportunities.

When identifying or assessing a principal risk, including a climate-related risk, the determination of whether it has a substantive financial impact is aligned with our corporate ERM Framework taking into consideration the likelihood and the severity of the impact. We define substantive financial impact as any principal risk that has the potential to materially impact the ability of our business or business functions to meet or support a company objective within our business strategy.

When considering risks and opportunities, we consider the time horizons aligned with our ERM program. The short-term time horizon considers risk events likely to occur at least once every year (0-1 year). The medium-term time horizon considers risk events likely to occur at least once every 5 years (1-5 years). The long-term time horizon considers risk events likely to occur at least once every 20 years (5–20 years). Risks, including environmental and climate change-related risk, are assessed on a short-term, medium-term and long-term basis. Although we use a 20-year horizon in our ERM program, our climate scenario analysis extends beyond this time frame and provides PrairieSky with a longer-term view when considering risks and opportunities. This is important as we own our fee simple mineral title in perpetuity.

Our plan and strategy ensure we identify, assess and manage risks, including climate-related physical and transition risks, to the extent possible, and further assess and evaluate opportunities.

Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organization's overall risk management.

Our plan and strategy ensure we identify, assess and manage risks, including climate-related physical and transition risks, to the extent possible, and further assess and evaluate opportunities. Our ERM framework and risk management process is managed at the Executive level, with a team that provides experience and expertise to inform our strategy. The Board conducts an in-depth review of our ERM framework annually at the third quarter meeting each year. Risks are also addressed as part of our discussion and approval of the Annual Information Form and our quarterly Management's Discussion & Analysis. Climate change risks and strategies are discussed at Executive meetings, company-wide town halls, as well as part of our ESG discussions at each quarterly Board meeting.

We are committed to **reducing our carbon footprint** and have set an **absolute target** to lower our emissions by 50% by 2025 using a location-based aggregation approach.

Metrics and Targets

PrairieSky integrates climate-related risks and opportunities into our ERM Framework. We have one business location, our leased head office in Calgary, Alberta. We are committed to reducing our carbon footprint and have set an absolute target to lower our emissions by 50% by 2025 using a location-based aggregation approach. Since 2017, we have seen significant reductions in our Scope 2 emissions, primarily driven by LED lighting and building equipment upgrades. In 2021, our building manager, GWL Realty Advisors, refined how it allocates GHG emissions to tenants which resulted in a lower allocation to PrairieSky thereby further reducing our Scope 1 and Scope 2 emissions. We continue to engage with our building to achieve further reductions. To further demonstrate our commitment to lower greenhouse gases, we purchase green renewable energy to offset the total amount of PrairieSky's Scope 1 and Scope 2 emissions.

Greenhouse Gas Emission	Units	2017	2018	2019	2020	2021	2022	Verification
Scope 1 (location-based)	Metric tons CO_2e	127.5	144.0	137.4	143.5	91.5	**120.9**	PwC
Scope 1 (market-based)	Metric tons CO_2e	127.5	144.0	0.0	0.0	0.0	**0.0**	PwC
Scope 2 (location-based)	Metric tons CO_2e	415.7	386.3	315.9	279.8	166.1	**149.7**	PwC
Scope 2 (market-based)	Metric tons CO_2e	415.7	386.3	0.0	0.0	0.0	**0.0**	PwC
Scope 3 emissions – Business Travel	Metric tons CO_2e	Not recorded	15.7	32.1	6.0	0.5	**7.8**	PwC
Scope 3 emissions – Employee Commuting	Metric tons CO_2e	Not recorded	76.0	59.5	28.6	29.5	**47.3**	PwC
Scope 3 emissions – Waste	Metric tons CO_2e	Not recorded	6.8	6.5	4.9	2.2	**0.4**	PwC

(1) Price Waterhouse Coopers 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, including for our most recent 2022 assurance statement. Where data was verified, it was for the years 2019–2022. Verification of the 2018 information can be found in the 2019 *PwC Assurance Statement*.

PrairieSky is also tracking metrics pertaining to climate-change related risks and opportunities. We anticipate that these will evolve over time but key items we identified in 2022 and prior years are as follows:

	Units	2020	2021	2022
Transition Risk				
Revenue from crude oil	Percentage	58	62	**69**
Climate-Related Opportunities				
Revenue from natural gas	Percentage	21	21	**18**
Revenue from CCUS	Amount	Not disclosed	$1,500,000	**$2,500,000**
Bonus consideration from resource gasification leasing	Amount	–	$45,000	**–**
Bonus consideration from helium leasing	Amount	–	$700,000	**–**
Bonus consideration from lithium leasing	Amount	–	–	**$700,000**
Capital Deployment				
Investment in renewable energy	Amount	21,332	24,256	**23,380**
Remuneration				
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	0.214	**0.214**

Social

PrairieSky has a dedicated team of 65 employees that are focused on **delivering value to shareholders** and driving our success.

Topics in this section

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Our **People**

Our dedicated team of 65 employees is focused on delivering value to shareholders and driving our success. We are committed to providing our 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.

Employee Satisfaction

PrairieSky uses an annual employee engagement survey to assess our cultural health and to identify potential areas for improvement. Annually, PrairieSky targets 85 per cent employee satisfaction. In 2022, PrairieSky received greater than 86 per cent participation and achieved a 91 per cent employee satisfaction score.

91%
employee satisfaction score

We aim 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

We aim 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

We promote a culture of employee ownership and alignment with shareholders. PrairieSky provides a non-dilutive stock savings plan in which employees can contribute a percentage of salary which will be matched 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. To address inflation, PrairieSky increased the program from a 1:1 match up to 12 per cent of base salary to a new matching ratio of 1:1.67 to a maximum of 9%, meaning that for a maximum contribution of 9% of base salary, PrairieSky will make a matching contribution equal to 15% of base salary.

Flexible Work Arrangement

We provide employees the flexibility to work from home or the office within a corporate framework. Our framework ensures employees are available for in-person collaboration as well as providing flexibility to work in an alternative location. We believe this flexibility is an advantage to recruit and retain talent.

Health and Safety

We prioritize the health and safety of our employees. PrairieSky does not engage in crude oil and natural gas operations and has no field operations, and as a result, 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, and we are committed to providing a safe and healthy work environment.

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 2021, PrairieSky implemented mandatory annual health and safety training for all staff. A training session was delivered and completed by all staff again in 2022.

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 believe 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 2022, all employees participated in performance evaluations.

PrairieSky fosters a culture of employee engagement and innovation where employees can develop and advance their careers. We support opportunities for employee development through internally and externally delivered 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 2022, we supported an employee in their completion of a certification in human resources as well as continued development for our many professionals. PrairieSky believes in advancing education in our community and provides post-secondary scholarship opportunities for our staff's immediate family members.

In 2022, our staff invested approximately 808 hours in training which equates to approximately 12 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. The Code training includes a comprehensive review of PrairieSky's bribery and corruption policy, including guidelines on what is considered acceptable behaviour. We offer this training on an annual basis. Employees also attended third-party training which was hosted in person and on-line. Overall training and education costs totaled $26,000 or $400 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 skills development and leadership which prepares our employees for career advancement. Since inception in 2014, we have had three 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 and in 2022, we promoted an internal candidate to Controller. In 2022, we provided a leadership opportunity by sponsoring an ambassador with Energy Futures Lab, which promotes energy innovation to transition to a sustainable global energy system.

We believe in developing future talent. 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 2022, we completed our Women's Mentorship Program with the MBA students at the University of Calgary's Haskayne School of Business. This program included opportunities to meet senior leaders in business, attend presentations on topics such ESG and develop leadership skills. In addition, PrairieSky provided lunch and learns for our senior women during the year 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.

In addition, we have implemented a work-from-home option on certain days to provide additional flexibility and enhanced opportunities to promote mental health.

Diversity and Inclusion

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

In an effort to promote diversity, management has implemented a number of initiatives. We have updated our recruitment process to remove all identification details from candidate resumes to reduce unconscious bias from the hiring process and we have standardized pre-screening questions for potential candidates. Beginning in 2023, we are posting all job opportunities on the Aboriginal Futures job board in an effort to attract Indigenous talent. We also provide mandatory training to all staff on diversity and inclusion annually.

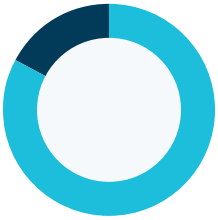
We have a relatively small workforce at PrairieSky. Of our 65 full time staff, 69% are women. Our three-person executive team includes one female member (CFO) and of our six managers, five are women (83%). We have three female leaders on the Board of Directors, representing 38% of the independent directors and meeting our Board Gender Diversity Target to increase the Board composition to achieve at least thirty percent (30%) women directors by 2025 (achieved in 2021).

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

Women Leaders

Total Workforce
69%

Managers
83%



Senior Officers
33%

Independent Board Members
38%

2022
REPORT ON BUSINESS
WOMEN LEAD HERE

In March 2023, 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.

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 2022, 5.0 per cent of our total proved plus probable reserves were within one mile of Indigenous lands with approximately 31 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.

Third-Party Operator Highlight

Community
Engagement

International Petroleum Corp. (IPC)

Onion Lake Cree Nation – Partners in Success

Straddling the border between Saskatchewan and Alberta in the heart of Canada's Treaty Six Territory, IPC's thermal oil project is situated squarely on Onion Lake Cree Nation (OLCN) owned lands. From the onset of the IPC's thermal and primary projects, IPC and OLCN recognized an opportunity for both groups to work together to optimize the responsible use of local lands, create synergies, and generate employment opportunities. It was from there that an ongoing partnership was launched which continues to benefit both groups today from an environmental, economic, and social perspective. As one of the key stakeholders, the OLCN is consulted at each stage throughout the development of our projects. A Joint Management Action Committee (JMAC) comprised of representatives from IPC, local business owners and community leaders meets monthly to discuss the prioritization of hiring local OLCN-owned businesses when IPC engages third-party contractors for work on or around OLCN lands. In addition, IPC consults with OLCN business leaders to discuss the potential development of new, in-demand services, training and education opportunities and to review operations and challenges where IPC could offer support. The JMAC has evolved over time particularly given the entrepreneurial outlook of the Nation with a focus on increasing the socio-economic status of its Band members giving rise to the creation of new businesses and opportunities.

> An ongoing partnership was launched which continues to benefit both groups today from an **environmental**, **economic**, and **social perspective**.

Source: International Petroleum Corp. 2021 Sustainability Report
https://www.international-petroleum.com/sustainability/

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 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 2022, PrairieSky promoted awareness with respect to Indigenous history and provided staff with resources for their self-guided learning journeys in connection with National Indigenous History Month/National Indigenous Peoples Day in June and National Day for Truth and Reconciliation in September.

- Communications and intranet posts in June featured learning resources on the rich history, heritage, culture, diversity, and resilience of First Nations, Inuit, and Metis Peoples across Canada, as well as seminar opportunities and local special events.
- On June 28, 2022, approximately half of our staff attended the virtual United Way of Calgary & Area – Lunch & Learn with an Indigenous Elder.
- Communications and intranet posts in September included featured learning resources on the tragic and painful history and ongoing impacts of residential schools in Canada, the legacies of survivors, and how we can all move forward together to overcome adversity. We also highlighted seminar opportunities and local special events.
- On September 30, 2022 our office was closed in recognition of National Day for Truth and Reconciliation. On September 30, 2022, approximately half of our staff attended the virtual National Day for Truth & Reconciliation – Panel Discussion: Indigenous Perspectives on the Pope's Apology by the Gord Downie & Chanie Wenjack Fund.

PrairieSky also supported the work of Indigenous non-profit organizations in 2022 by making donations to *Legacy of Hope Foundation* and *Indspire*. Approximately 5% of our staff identify as Indigenous and one of our independent directors identifies as Indigenous.

Approximately **5% of our staff identify as Indigenous** and one of our independent directors identifies as **Indigenous**.

Supply Chain and Social Supplier Standards

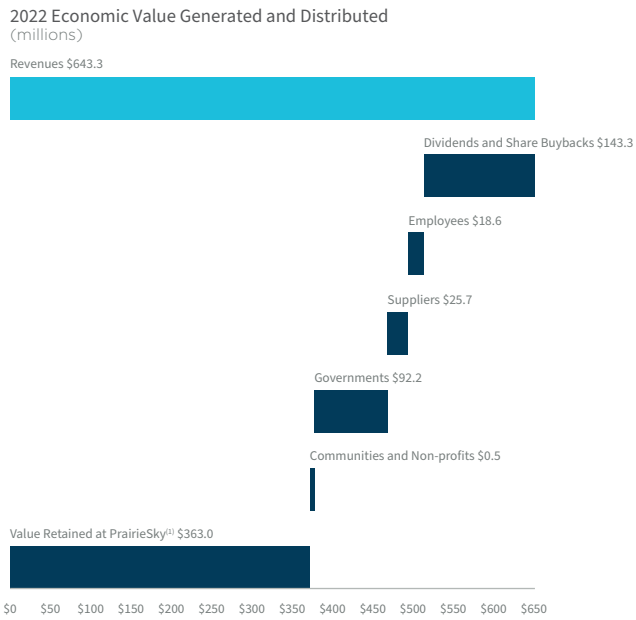
A sustainable supply chain creates and grows long-term environmental, social and economic value for stakeholders. PrairieSky has a simple cost structure, we do not own any physical assets other than sub-surface mineral rights (our Royalty Properties), and our office contents. Our cost structure is limited 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.

PrairieSky engaged 151 suppliers in 2022, investing approximately $25.7 million in goods and services. Of this investment, approximately 6% 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.

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

Economic **Contribution**



(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.

Community **Investment**

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 encourage employees to give back to our communities and we direct our efforts to areas of interest to our employees.

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:

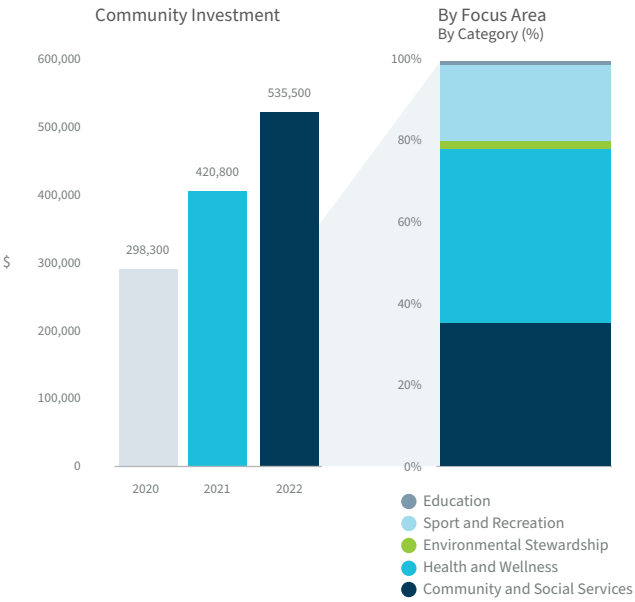
> community and social services;

> 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 2022, PrairieSky invested **$535,500** into our community with a focus in the following five areas:

Our key **community partners are:**

Alberta Children's Hospital Foundation

3 GOOD HEALTH AND WELL-BEING

The Alberta Children's Hospital Foundation ("ACHF") supports excellence in emerging mental health. In 2022, PrairieSky entered a multi-year arrangement with the ACHF to provide an additional $500,000 in support of their Emerging Mental Health initiative. Ultimately, this initiative will include the creation of a Centre that will provide nation-leading care to support 16- to 24-year-olds with mental disorders. The ACHF is proudly partnering with Alberta Health Services and the University of Calgary to research, re-examine, and redesign services and treatments to meet the mental health needs of this age group.

Camp Chief Hector YMCA

3 GOOD HEALTH AND WELL-BEING

Camp Chief Hector YMCA is beloved by thousands of Albertans, who have paddled, climbed, and hiked on the 1,000 acres in the beautiful Rocky Mountains. For over nine decades, Camp Chief Hector YMCA has taught problem solving and resilience, leadership and independence, and created positive, character-building memories, stories and joy. PrairieSky is a proud supporter of the Love, Camp Campaign which aims to raise $14.5 million to upgrade Camp Chief Hector's STAY & PLAY environments as it approaches its centennial year. In 2022, PrairieSky committed to providing a $50,000 gift over two years to support the revitalization of camp facilities.

Below is a selection of 2022 community investment programs and in-kind donations considered on an annual basis:

Wood's Homes

3 GOOD HEALTH AND WELL-BEING

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 Galas and unGalas, which aim to raise awareness and funding for the critical, and often life-changing, support programs Wood's Homes provides.

Lionheart Foundation

3 GOOD HEALTH AND WELL-BEING

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 six Youth Power Hours.

UNICEF Canada WASH

6 CLEAN WATER AND SANITATION

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

3 GOOD HEALTH AND WELL-BEING

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 2022 Run for Life.

Canadian Men's Health Foundation

3 GOOD HEALTH AND WELL-BEING

The Canadian Men's Health Foundation is a national, registered charity providing information, tools, and motivation for men and their families to live healthier. In 2022, PrairieSky sponsored their "Move for Your Mental Health" event that raises awareness, educates, and drives action for men and their family's mental well-being.

Alberta Animal Rescue Crew Society

3 GOOD HEALTH AND WELL-BEING

The Alberta Animal Rescue Crew Society (AARCS) is a grassroots animal welfare organization whose goal is to help homeless animals in communities across Alberta and provide community support programs to address the root causes of animal overpopulation and homelessness. Since 2021, PrairieSky has sponsored a vet clinic operating room at the AARCS Veterinary Hospital.

Employee-Driven **Community Involvement**

Key to our commitment to communities is providing our staff with volunteer opportunities and hosting staff fundraising events. In 2022, our staff was able to participate in the following events:

Volunteer Opportunities

- In March, PrairieSky organized a donation matching initiative to support the children and families of Ukraine that have suffered devastation and displacement since the war escalated in February 2022. A total of $28,130 was raised for UNICEF, who has been responding to the conflict by providing safe water, child protection, healthcare, and education.
- In September, PrairieSky sponsored the Run for Life, an annual initiative put on by the Centre of Suicide Prevention to raise awareness and remember loved ones lost to suicide. Many of our staff took part in the event and we distributed 24 run kits.
- In November, PrairieSky held our annual United Way Campaign in which we raised over $61,200 to support non-profit organizations that serve to improve local lives in Calgary and surrounding communities. During the Campaign, employees helped put together 100 comfort kits for Wood's Homes, a nationally recognized children's mental health centre.

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

Employee Matching

At certain times during the year, we engage in employee donation matching. In 2022, PrairieSky matched donations made by the employee during a three-week period. In addition, PrairieSky matched employee giving for our United Way campaign.

Financially Supporting Employee Causes

Annually, we ask our employees to submit organizations and causes that they would like to see PrairieSky champion in the year. This can result in a one-time donation or, in certain cases, continued support over multiple years.

Community Investment Highlights **$535,500** in sponsorship and donations

Performance **Summary Table**

	Units	2020	2021	2022	Verification
Company Context					
Royalty production	BOE/d	19,712	19,827	25,206	
Total acres	million acres	16.1	18.3	18.3	
Acres – fee title lands	million acres	8.0	9.8	9.7	
Acres – gross overriding royalties	million acres	8.1	8.5	8.6	
Seismic data (3-D)	square km	16,700	19,900	19,900	
Seismic data (2-D)	km	49,200	54,200	54,200	
Operators/lessees	count	310	330	325	
Revenues	million $	171.4	308.0	643.3	
Taxes					
Total global taxes paid (or collected)	$	25.8	18.9	31.8	
Corporate income tax	$	6.0	3.8	2.8	
Property tax	$	0.1	0.1	0.1	
Sales tax	$	0.8	(0.2)	(0.2)	
Payroll tax, including employee income tax remitted	$	3.2	4.3	7.2	
Production and mineral taxes	$	15.7	10.9	21.9	
Anti-Corruption					
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
Whistleblower reports received	count	0	0	0	
Relationship with Operators					
Sites visited by senior management	count	17	38	23	
Audits of lessees	count	780	671	692	
Enforcement actions	count	-	-	-	
Notices issued to lessees	count	4,254	2,473	4,014	
Acres “recycled”	acres	128,000	100,500	78,700	
Employees					
Total employees (all in Calgary, AB)	count	59	56	65	
Full-time	count	58	55	65	
Part-time	count	1	1	-	

	Units	2020	2021	2022	Verification
Women					
Total workforce	percent	73	71	69	PwC
Total workforce	count	43	40	45	
Managers	percent	80	83	83	PwC
Managers	count	4	5	5	
Junior managers	percent /count	-	-	-	
Middle managers	percent /count	75 / 3	80 / 4	100 / 5	
Top managers	percent /count	100 / 1	100 / 1	-	
Executive	percent	33	33	33	PwC
Independent Board members	percent	29	38	38	PwC
Age groups					
Below 30	percent	5	2	2	
30-50	percent	61	59	60	
Above 50	percent	34	39	38	
Retention					
Turnover rate, total	percent	17.9	12.2	14.9	
Turnover rate, voluntary	percent	6.5	10.4	13.2	
Human Rights					
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	
Facilities – PrairieSky's Office					
Resource use, prorated to PrairieSky					
Natural gas use	gigajoules	2,762	1,730	2,287	
Natural gas use (Scope 1 emissions location-based approach)	metric tonnes CO_2e	143.5	91.5	120.9	PwC
Natural gas use (Scope 1 emissions market-based approach)	metric tonnes CO_2e	0	0	0	PwC
Electricity use	gigajoules	1,502	934	998	
Electricity use (Scope 2 emissions location-based approach)	metric tonnes CO_2e	279.8	166.1	149.7	PwC
Electricity use (Scope 2 emissions market-based approach)	metric tonnes CO_2e	0	0	0	PwC

	Units	2020	2021	2022	Verification
Scope 3 emissions					
Employee commuting	metric tonnes CO_2e	28.6	29.5	47.3	PwC
Business travel	metric tonnes CO_2e	6.0	0.5	7.8	PwC
Waste	metric tonnes CO_2e	4.9	2.2	0.4	PwC
Scope 1, 2, and 3 emissions	metric tonnes CO_2e	462.8	289.8	326.1	
Intensity	metric tonnes CO_2e/ $ revenue	0.0000027	0.0000009	0.0000006	
Energy intensity	gigajoules/ $ revenue	0.000025	0.000009	0.000005	
Nox	metric tonnes CO_2e	0.1186	0.0743	0.0982	PwC
Sox	metric tonnes CO_2e	0.0007	0.0004	0.0006	PwC
Voc	metric tonnes CO_2e	0.0065	0.0041	0.0054	PwC
Particulate Matter (PM_{10})	metric tonnes CO_2e	0.0090	0.0056	0.0075	PwC
Water use	cubic meters	792	494	712	PwC
Water use, prorated per PSK employee	litres	13,429	8,817	10,956	
Water intensity	cubic meters/ $ revenue	0.000005	0.000002	0.000001	
Waste generated	metric tonnes	6.2	2.1	1.8	PwC
Waste diverted from landfill	percent	64	52	61	PwC
Hazardous waste generated	metric tonnes	0	0	0	PwC
Environmental Violations	count	0	0	0	
Communities and Society					
Community Investment	$	298,300	420,800	535,500	PwC
By focus area					
Community and Social Services	$	83,500	127,600	188,000	
Education	$	50,000	58,100	3,800	
Health and Wellness	$	129,400	132,100	232,200	
Environmental Stewardship	$	2,900	8,000	10,000	
Sport and Recreation	$	32,500	95,000	101,500	
Economic Value Generated and Distributed					
Revenues	millions $	171.4	308.0	643.3	
Distributed as follows:					
Dividends declared to shareholders and share buybacks	millions $	177.0	93.2	143.3	
Employees (salaries, benefits and cash long-term incentives)	millions $	12.4	13.8	18.6	
Suppliers (operating expenses, other G&A, finance expenses)	millions $	7.4	11.8	25.7	
Governments (production and mineral taxes, cash taxes)	millions $	5.2	8.2	92.2	
Communities & Non-Profits (charitable contributions)	millions $	0.3	0.4	0.5	
Value Retained at PrairieSky[1]	millions $	(30.9)	180.6	363.0	

	Units	2020	2021	2022	Verification
Political Contributions	millions $	0.0	0.0	0.0	
Health and Safety					
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

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.

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

GRI, SASB and WEF **Index**

This 2022 Sustainability Report has been prepared in accordance with Global Reporting Initiative (GRI) Standards (GRI 1: Foundation 2021 was used to prepare this Index and GRI 11: Oil and Gas Sector 2021 applies) 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 2022 Sustainability Report and other annual PrairieSky disclosures. The scope of information covered in this Index, the 2022 Sustainability Report and supporting disclosures relates to our operations in the 2022 calendar year, unless otherwise noted. All of PrairieSky's operations are in Canada.

SASB Code	WEF Metric	GRI Code	GRI Sector Standard Code	Description	Reference
General Disclosures — GRI 2: General Disclosures 2021					
		2-1		Organizational Details	PrairieSky Royalty Ltd. Location of headquarters: First Canadian Centre in Calgary, Alberta, Canada. Location of operations: 2022 Sustainability Report (pages 6–7) Ownership and legal form: 2022 *Annual Information Form* (page 13)
		2-2		Entities included in the organization's sustainability reporting	2022 *Annual Information Form* (page 13) 2022 *Consolidated Financial Statements* (starting on page 11) Entities included for sustainability reporting are the same as those included in PrairieSky's consolidated financial reporting.
		2-3		Reporting period, frequency and contact point	Reporting period: 2022 Sustainability Report (page 5) Reporting cycle (frequency): 2022 Sustainability Report (page 5) Publication date: May 17, 2023 Sustainability Report (page 5) Contact information: 2022 Sustainability Report (page 107)
		2-4		Restatements of information	There were no restatements of information in 2022.
		2-5		External assurance	The CFO has been delegated responsibility by the Board of Directors for sustainability reporting, including seeking external assurance. An independent third-party has provided assurance on selected key performance indicators for our 2022 *PwC Assurance Statement*. 2022 Sustainability Report (pages 5, 65, 80–83)

SASB Code	WEF Metric	GRI Code	GRI Sector Standard Code	Description	Reference
General Disclosures — GRI 2: General Disclosures 2021					
		2-6		Activities, value chain and other business relationships	Activities, brands, productions and services: 2022 Sustainability Report (pages 5–6) Markets served: 2022 Sustainability Report (pages 7–8) Scale of the organization: 2022 Sustainability Report (pages 7–8) Supply chain: 2022 Sustainability Report (pages 21, 74) Significant changes to the organization and its supply chain: Not applicable. There have been no significant changes to the organization and its supply chain. PrairieSky's royalty production is primarily sold by the third-party operators on our Royalty Properties. Production is sold to third-party marketers, traders and shippers and/or integrated oil and gas companies.
		2-7		Employees	Scale of the organization (total number of employees, gender): 2022 Sustainability Report (pages 32, 67–68, 80–81) Information on employees and other workers: 2022 Sustainability Report (pages 68, 71–72) All of PrairieSky's employees are located in Calgary, Alberta (for all reporting periods). 2022 Sustainability Report (page 80) PrairieSky reports its total number of full-time and part-time employees annually as at December 31. 2022 Sustainability Report (page 80) PrairieSky does not report on contract service providers or temporary employees. 2022 Sustainability Report (page 6) The number of employees is reported at December 31 each year. The number of employees increased in 2022 over 2021 due to significant acquisitions in 2021. 2022 Sustainability Report (page 80–81)
		2-8		Workers who are not employees	PrairieSky does not report on contract service providers or temporary employees. 2022 Sustainability Report (page 6)
	■	2-9		Governance structure and composition	Governance structure: 2022 Sustainability Report (pages 15–16) Composition of the highest governance body and its committees: 2022 Sustainability Report (pages 15–17,22) The number of other significant positions and commitments held by each member, and the nature of the commitments: *2023 Information Circular and Proxy Statement* (pages 10–15, 17–18)

SASB Code	WEF Metric	GRI Code	GRI Sector Standard Code	Description	Reference
General Disclosures — GRI 2: General Disclosures 2021					
		2-10		Nomination and selection of the highest governance body	Nomination and election of Directors: *2023 Information Circular and Proxy Statement* (pages 34–35) The Board will give significant consideration to fulfilling its diversity targets when selecting Board Members. *2023 Information Circular and Proxy Statement* (pages 22–23) PrairieSky meets or exceeds the independence requirements of the National Instruments when it comes to the composition of the Board. *2023 Information Circular and Proxy Statement* (page 16)
		2-11		Chair of the highest governance body	*2023 Information Circular and Proxy Statement* (page 10, 17)
	■	2-12		Role of the highest governance body in overseeing the management of impacts	Consulting stakeholders on economic, environmental, and social topics: 2022 Sustainability Report (pages 9–11, 25) Roles of highest governance body in setting purpose, values, and strategy. 2022 Sustainability Report (pages 15–16) Identifying and managing economic, environmental, and social impacts: 2022 Sustainability Report (pages 11, 15–16, 40–66) Effectiveness of risk management processes: 2022 Sustainability Report (pages 15–16, 40–66)
EM-EP-530a.1		2-13		Delegation of responsibility for managing impacts	2022 Sustainability Report (pages 15–16, 40–43)
		2-14		Role of the highest governance body in sustainability reporting	2022 Sustainability Report (pages 10, 15–16) This report is reviewed and approved by the PrairieSky executive and the Chair of the Board.
		2-15		Conflicts of interest	2022 Sustainability Report (page 23) Potential conflicts of interest are disclosed to stakeholders, including potential conflicts of interest relating to: cross-board membership, cross-shareholding with suppliers and other stakeholders, and existence of controlling shareholders. *2023 Information Circular and Proxy Statement* (pages 9, 17, 19) Disclosure of related party transactions: *2022 Consolidated Financial Statements* (starting on page 33)
		2-16		Communication of critical concerns	2022 Sustainability Report (page 23, 40-43) There were no critical concerns communicated to the highest governance body during the reporting period.
		2-17		Collective knowledge of the highest governance body	*2023 Information Circular and Proxy Statement* (pages 39–40)
		2-18		Evaluation of the performance of the highest governance body	*2023 Information Circular and Proxy Statement* (page 39)
	■	2-19		Remuneration policies	*2023 Information Circular and Proxy Statement* (pages 41–51,70)
		2-20		Process to determine remuneration	Process for determining remuneration: *2023 Information Circular and Proxy Statement* (pages 41–53) Stakeholders' involvement in remuneration: 2022 Sustainability Report (pages 17, 18)

SASB Code	WEF Metric	GRI Code	GRI Sector Standard Code	Description	Reference
General Disclosures — GRI 2: General Disclosures 2021					
	■	2-21		Annual total compensation ratio	PrairieSky discloses the remuneration for "named executive officers" in its *2023 Information Circular and Proxy Statement* (page 67). Not disclosed at this time due to confidentiality as PrairieSky has only one business location with a small number of employees.
		2-22		Statement on sustainable development strategy	2022 Sustainability Report (page 3)
		2-23		Policy commitments	Precautionary principle or approach: 2022 Sustainability Report (pages 10–13, 30) Values, principles, standards and norms of behavior: 2022 Sustainability Report (pages 11, 19–22, 25)
		2-24		Embedding policy commitments	2022 Sustainability Report (pages 11, 21, 23, 25–27, 69–70)
		2-25		Processes to remediate negative impacts	2022 Sustainability Report (pages 11, 15–28, 72) Shareholder engagement: *2023 Information Circular and Proxy Statement* (pages 29–33)
	■	2-26		Mechanisms for seeking advice and raising concerns	2022 Sustainability Report (pages 19–20)
		2-27		Compliance with laws and regulations	PrairieSky had no significant instances of non-compliance with laws and regulations during the reporting period: i) instances for which fines were incurred: nil ii) instances for which non-monetary sanctions were incurred: nil Report the total number and the monetary value of fines for instances of non-compliance with laws and regulations that were paid during the reporting period, and a breakdown of this total by: i) fines for instances of non-compliance with laws and regulations that occurred in the current reporting period: $nil ii) fines for instances of non-compliance with laws and regulations that occurred in previous reporting periods: $nil An instance of non-compliance would be considered significant if, in management's evaluation, it should be reported to the Board of Directors, and it was determined the instance should be reported publicly. 2022 Sustainability Report (pages 47, 80–81)
		2-28		Membership associations	2022 Sustainability Report (pages 13, 103–104)
	■	2-29		Approach to stakeholder engagement	List of stakeholder groups: 2022 Sustainability Report (page 9) Identifying and selecting stakeholders: 2022 Sustainability Report (pages 9, 11–18) Approach to stakeholder engagement: 2022 Sustainability Report (pages 9, 11–18)
		2-30		Collective bargaining agreements	Not applicable. None of PrairieSky's 65 employees is unionized.

SASB Code	WEF Metric	GRI Code	GRI Sector Standard Code	Description	Reference
General Disclosures — GRI 2: General Disclosures 2021					
	■			Company risk factor and opportunity disclosures that clearly identify the principal material risks and opportunities facing the company specifically (as opposed to generic sector risks), the company appetite in respect of these risks, how these risks and opportunities have moved over time and the response to those changes. These opportunities and risks should integrate material economic, environmental and social issues, including climate change and data stewardship.	2022 Sustainability Report (pages 11, 25, 40–66)
	■			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.	2022 Sustainability Report (pages 12–13)
	■			How the highest governance body considers economic environmental and social issues when overseeing major capital allocation decisions, such as expenditures, acquisitions, and divestments	2022 Sustainability Report (pages 15–17)
Material Topics					
Management Approach — GRI 3: Material Topics 2021					
		3-1		Process to determine material topics	2022 Sustainability Report (page 10)
	■	3-2		List of material topics	2022 Sustainability Report (page 10) There have been no changes to the list of material topics compared to the previous reporting period.
		3-3		Management of material topics	2022 Sustainability Report (pages 10–11, 14–28, 30, 80–83)
Economic Performance and Payments to Governments — GRI 201: Economic Performance 2016					
	■	201-1	11.14.2 11.21.2	Direct economic value generated and distributed	2022 Sustainability Report (pages 74–75, 82)
	■	201-1	11.14.2	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.	2022 Sustainability Report (pages 28, 74, 80, 82)
	■			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.	2022 Sustainability Report (pages 28, 74, 80, 82)
	■			Total tax paid and, if reported, additional tax remitted, by country for significant locations.	*2022 Consolidated Financial Statements* (pages 8, 29–30, 33) 2022 Sustainability Report (pages 28, 74, 80, 82)
		201-2	11.2.2 11.14.3	Financial implications and other risks and opportunities due to climate change	2022 Sustainability Report (pages 44–66) To date, there have been no significant costs to specifically manage the risks and opportunities related to climate change.
		201-3		Defined benefit plan obligations and other retirement plans	PrairieSky does not have a defined benefit plan but does have an employee savings plan which the Company contributes to.

SASB Code	WEF Metric	GRI Code	GRI Sector Standard Code	Description	Reference
Economic Performance and Payments to Governments — GRI 201: Economic Performance 2016					
	■	201-4	11.21.3	Financial assistance received from the government: total monetary value of financial assistance received by the organization from any government during the reporting period.	Not applicable, no financial assistance received by PrairieSky from any government during the reporting period.
	■			1. Total capital expenditures (CapEx) minus depreciation, supported by narrative to describe the company's investment strategy. 2. Share buybacks plus dividend payments, supported by narrative to describe the company's strategy for returns of capital to shareholders.	As a royalty company, PrairieSky does not have capital expenditure requirements, which enhances its financial flexibility. 2022 Sustainability Report (pages 7–8, 74, 82) *2022 Management's Discussion and Analysis* (pages 15–17)
	■			Total costs related to research and development.	Not applicable. 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.
Indirect Economic Impact — GRI					
	■	203-1	11.14.4	Qualitative disclosure to describe the below components: 1. Extent of development of significant infrastructure investments and services supported. 2. Current or expected impacts on communities and local economies, including positive and negative impacts where relevant. 3. Whether these investments and services are commercial, in-kind or pro bono engagements.	Not applicable. PrairieSky does not own or operate any infrastructure.
	■	203-2	11.14.5	1. Examples of significant identified indirect economic impacts of the organization, including positive and negative impacts. 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).	2022 Sustainability Report (pages 74–75, 82)
	■			Percentage of revenue from products and services designed to deliver specific social benefits or to address specific sustainability challenges.	2022 Sustainability Report (page 66) Revenue from energy transition projects represents less than 1% of total revenue. PrairieSky expects this percentage to grow over time.
	■			Percentage of gross revenue from product lines added in last three (or five) years calculated as the sales from products that have been launched in the past three (or five) years divided by total sales, supported by narrative that describes how the company innovates to address specific sustainability challenges.	Third-party operators are exploring climate-related opportunities. Although revenues are small, 1% of 2022 revenue, this remains an area for future growth. 2022 Sustainability Report (pages 59–61, 66)
	■			Total Social Investment (TSI)	2022 Sustainability Report (pages 74–79, 82)
Business Ethics and Transparency — GRI 205: Anti-corruption 2016					
EM-EP-510a.1		205-1	11.20.2	Percentage of: 1. proved and 2. probable reserves in countries that have the 20 lowest rankings in Transparency International's Corruption Perception Index	0% 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 *2022 Annual Information Form* starting on page 20.

SASB Code	WEF Metric	GRI Code	GRI Sector Standard Code	Description	Reference
Business Ethics and Transparency — GRI 205: Anti-corruption 2016					
	■			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 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	11.20.3	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. PrairieSky's only operations are at head office in Calgary, Alberta. Annually, PrairieSky provides mandatory training to staff on the Code, and 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 www.prairiesky.com. 2022 Sustainability Report (pages 19–21, 70) Each year, PrairieSky submits its Extractive Sector Transparency Measures Act ("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. 2022 Sustainability Report (page 28) We have also codified a lobbying framework within our Code of Conduct, expanding the concept of lobbying activities, associated protocols and required disclosures. 2022 Sustainability Report (page 25)
	■	205-2	11.20.3	Discussion of initiatives and stakeholder engagement to improve the broader operating environment and culture, in order to combat corruption.	2022 Sustainability Report (pages 19–21, 28, 70)
	■	205-3	11.20.4	a) Total number and nature of incidents of corruption confirmed during the current year, but related to previous years; and b) Total number and nature of incidents of corruption confirmed during the current year, related to this year. c) Total number of confirmed incidents when contracts with business partners were terminated or not renewed due to violations related to corruption. d) Public legal cases regarding corruption brought against the organization or its employees during the reporting period and the outcomes of such cases.	2022 Sustainability Report (page 80) No contracts were terminated or not renewed due to violations related to corruption. There were none.

SASB Code	WEF Metric	GRI Code	GRI Sector Standard Code	Description	Reference
Business Ethics and Transparency — GRI 205: Anti-corruption 2016					
		302-1	11.1.2	Energy consumption within the organization	2022 Sustainability Report (pages 32, 65, 81) 2022 CDP Climate Disclosure
		302-2	11.1.3	Energy consumption outside of the organization	2022 Sustainability Report (pages 32, 82)
		302-3	11.1.4	Energy intensity	2022 Sustainability Report (page 82)
		302-4		Reduction of energy consumption	2022 Sustainability Report (pages 30–33, 81–82)
		302-5		Reductions in energy requirements of products and services	2017 was chosen as the base year as part of PrairieSky's CPD reporting process. See our PwC Assurance Statement. 2022 Sustainability Report (page 31)
Valuation & Capital Expenditures					
EM-EP-420a.1				Sensitivity of hydrocarbon reserve levels to future price projection scenarios that account for a price on carbon emissions	2022 Sustainability Report (pages 50-56)
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 2. Revenue generated by renewable energy sales	1. $23,380 2. $0 2022 Sustainability Report (pages 32, 65–66)
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 2022 Annual Information Form starting on page 66.
Water Management — GRI 303: Water and Effluents 2018					
EM-EP-140a.1		303-2		Management of water discharge-related impacts	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.
	■	303-3	11.6.4	1. Total fresh water withdrawn	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.

SASB Code	WEF Metric	GRI Code	GRI Sector Standard Code	Description	Reference
Water Management — GRI 303: Water and Effluents 2018					
		303-4		Water discharge	2022 Sustainability Report (page 47)
		303-5	11.6.6	2. Total fresh water consumed 3. Percentage of each in regions with High or Extremely High Baseline Water Stress	2. 712 cubic (0.712 megaliters) 3. 0% (0 megaliters) PrairieSky does not have any oil and gas exploration, development, production or field operations, therefore, water storage does not have a significant water-related impact to PrairieSky. 2022 Sustainability Report (pages 32–33, 38, 82) and our *2022 CDP Water Disclosure*.
EM-EP-140a.2		303-1	11.6.2	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. 2022 Sustainability Report (pages 47, 82)
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. 2022 Sustainability Report (page 47)
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. 2022 Sustainability Report (page 47)
	■			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. 2022 Sustainability Report (page 47)
	■			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. 2022 Sustainability Report (pages 47, 82) Work is in progress to better interpret this indicator so that it may be included in future reports.
Greenhouse Gas Emissions — GRI 305: Emissions 2016					
EM-EP-110a.1	■	305-1	11.1.5	1. Gross global Scope 1 GHG Emissions 2. Percentage methane 3. Percentage covered under emissions-limiting regulations	1. 120.9 metric tons of CO_2e (tCO_2e) 2. 0.056% 3. 0% For more information, see our 2022 Sustainability Report (pages 31–32, 47, 65, 81) and our *2022 CDP Climate Disclosure*. Scope 1 emissions increased over the prior year with a return of employees to the PrairieSky office.

SASB Code	WEF Metric	GRI Code	GRI Sector Standard Code	Description	Reference
Greenhouse Gas Emissions — GRI 305: Emissions 2016					
EM-EP-110a.2	■	305-1	11.1.5	Amount of gross global Scope 1 emissions from: 1. flared hydrocarbons, 2. other combustion, 3. process emissions, 4. other vented emissions, and 5. fugitive emissions	Not applicable. PrairieSky does not have any oil and gas exploration, development, production or field operations. 2022 Sustainability Report (pages 31–32, 47, 65, 81)
	■	305-2	11.1.6	Energy indirect (Scope 2) GHG emissions	2022 Sustainability Report (pages 31–32, 65, 81) *2022 CDP Climate Disclosure*
	■	305-3	11.1.7	Other indirect (Scope 3) GHG emissions	2022 Sustainability Report (pages 33, 65, 82) *2022 CDP Climate Disclosure*
		305-4	11.1.8	GHG emissions intensity	2022 Sustainability Report (page 82)
EM-EP-110a.3		305-5	11.2.3	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 2020 to 2022, we purchased green renewable energy to offset the total amount of PrairieSky's Scope 1 emissions. PrairieSky has reduced its Scope 1 emissions by 5% in 2022 as compared to 2017 which is our base year. 2017 was chosen as the base year as part of PrairieSky's CDP reporting process. 2022 Sustainability Report (pages 31–33, 59–60) and our *2022 CDP Climate Disclosure*.
	■			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. 2022 Sustainability Report (pages 12, 39–66) 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.	2022 Sustainability Report (pages 12, 31, 40–66) 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.
		305-6		Emissions of ozone-depleting substances (ODS)	Not applicable. PrairieSky does not have any oil and gas exploration, development, production or field operations.
Air Quality — GRI 305: Emissions 2016					
EM-EP-120a.1	■	305-7	11.3.2	Air emissions of the following pollutants: 1. NO_x (excluding N_2O), 2. SO_x, 3. volatile organic compounds (VOCs), and 4. particulate matter (PM^{10}) Wherever possible estimate the proportion of specified emissions that occur in or adjacent to urban/densely populated areas.	1. NO_x 0.0982 metric tonnes of CO_2e (tCO_2e) 2. SO_x 0.0006 metric tonnes of CO_2e (tCO_2e) 3. VOCs 0.0054 metric tonnes of CO_2e (tCO_2e) 4. PM^{10} 0.0075 metric tonnes of CO_2e (tCO_2e) The estimated proportion of emissions that occur in or adjacent to urban/densely populated areas is 100%. See our *PwC Assurance Statement*.

SASB Code	WEF Metric	GRI Code	GRI Sector Standard Code	Description	Reference
Air Quality — GRI 305: Emissions 2016					
	■			Report wherever material along the value chain: the valued impact of air pollution, including nitrogen oxides (NO_x), sulphur oxides (SO_x), 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. 2022 Sustainability Report (pages 47, 82) Work is in progress to better interpret this indicator through our value chain. Additional information may be included in future reports.
Effluents and Waste — GRI 306: Waste 2020					
		306-1	11.5.2	Waste generation and significant waste-related impacts	PrairieSky's only waste is generated from our head office, our only business operations. 2022 Sustainability Report (pages 32, 82).
		306-2	11.5.3	Waste by type and disposal method	PrairieSky's only waste is generated from our head office, our only business operations. 2022 Sustainability Report (pages 32, 82).
	■			Report wherever material along the value chain: estimated metric tonnes of single-use plastic consumed. Disclose the most significant applications of single-use plastic identified, the quantification approach used and the definition of single-use plastic adopted.	Not applicable. 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.
	■			Report the most appropriate resource circularity metric(s) for the whole company and/or at a product, material or site level as applicable. Potential metrics include (but are not limited to) the Circular Transition Indicators (WBCSD), indicators developed by the Ellen MacArthur Foundation and company developed metrics. Disclose the methodological approach used to calculate the chosen circularity metric(s) and the rationale for the choice of metric(s).	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.
Biodiversity Impacts — 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. 2022 Sustainability Report (page 47)
EM-EP-160a.2		306-3	11.8.2	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. 2022 Sustainability Report (page 47)
		306-4		Waste diverted from disposal	2022 Sustainability Report (page 82)
		306-5		Waste directed to disposal	2022 Sustainability Report (pages 32, 82)

SASB Code	WEF Metric	GRI Code	GRI Sector Standard Code	Description	Reference
Biodiversity Impacts — GRI 306: Waste 2020; GRI 304: Biodiversity 2016					
EM-EP-160a.3		304-1	11.4.2	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.
	■	304-1	11.4.2	The number and area (in hectares) of sites owned, leased or managed in or adjacent to protected areas and/or key biodiversity areas (KBA).	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): 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). 2. Year-on-year change in the area of land used for the production of basic plant, animal or mineral commodities. 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. 2022 Sustainability Report (pages 34–35, 47)
	■			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. PrairieSky does not own any well bores and has no exploration, development, production or field operations. 2022 Sustainability Report (pages 34–35, 47) Work is in progress to better interpret this indicator through our value chain. Additional information may be included in future reports.
		304-2		Significant impacts of activities, products and services on biodiversity	PrairieSky does not have any oil and gas exploration, development, production or field operations. 2022 Sustainability Report (pages 10, 36, 47)
		304-3		Habitats protected or restored	PrairieSky does not have any oil and gas exploration, development, production or field operations. 2022 Sustainability Report (pages 10, 36, 47)
		304-4		IUCN Red List species and national conservation list species with habitats in areas affected by operations	PrairieSky does not have any oil and gas exploration, development, production or field operations. 2022 Sustainability Report (pages 10, 36, 47)

SASB Code	WEF Metric	GRI Code	GRI Sector Standard Code	Description	Reference
Security, Human Rights & Rights of Indigenous Peoples — GRI 406: Non-discrimination 2016; GRI 407: Freedom of Association and Collective Bargaining 2016; GRI 411: Rights of Indigenous Peoples 2016					
	■	406-1	11.11.7	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: a. law violations; and b. employment discrimination.	PrairieSky has had no incidents of discrimination or harassment. 2022 Sustainability Report (pages 22, 72, 81)
	■	407-1	11.13.2	1. Percentage of active workforce covered under collective bargaining agreements. 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.
	■			1. Total number and percentage of operations that have been subject to human rights reviews or human rights impact assessments, by country. 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. PrairieSky has had no human rights grievances. None to report. 2022 Sustainability Report (pages 72, 81) PrairieSky's commitment to protecting human rights is outlined in our *Human Rights Policy*.
EM-EP-210a.1				Percentage of 1. proved and 2. probable reserves in or near areas of conflict	0% 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. *2022 Annual Information Form* (reserves information starting on page 20, 34–35).
EM-EP-210a.2				Percentage of 1. proved and 2. probable reserves in or near indigenous land.	5.10% These reserves represent PrairieSky's royalty interest share of production from third-party owned and operated wells. At December 31, 2022, PrairieSky had 66,719 MBOE of proved plus probable reserves of which 5.0% are on or within 1 mile of Indigenous lands. Approximately 31% of these reserves are in the third-party owned and operated Onion Lake thermal project. For more information, please see our 2022 Sustainability Report (page 72). PrairieSky owns over 18 million acres of royalty lands across Western Canada. Annually, PrairieSky prepares its corporate reserves which are disclosed in our *2022 Annual Information Form* (starting on page 20).

SASB Code	WEF Metric	GRI Code	GRI Sector Standard Code	Description	Reference
Security, Human Rights & Rights of Indigenous Peoples — GRI 406: Non-discrimination 2016; GRI 407: Freedom of Association and Collective Bargaining 2016; GRI 411: Rights of Indigenous Peoples 2016					
EM-EP-210a.3		411-1	11.17.2	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. As a result of the above, PrairieSky does not have any incidents of violation involving the rights of Indigenous peoples. For more information, please see our 2022 Sustainability Report (pages 20–22, 72–73, 81, 103).
	■			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.

SASB Code	WEF Metric	GRI Code	GRI Sector Standard Code	Description	Reference
Community Relations — GRI 413: Local Communities 2016					
EM-EP-210b.1		413-1	11.15.2	Discussion of process to manage risks and opportunities associated with community rights and interests	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. PrairieSky does not have any field operations. Our only business location is in Calgary, Alberta, Canada. We are committed to giving back to the communities where we work and live through sponsorships, donations, and volunteering. 2022 Sustainability Report (pages 73, 75–79). 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. 2022 Sustainability Report (pages 25–28, 72–73).
EM-EP-210b.2				1. Number of non-technical days 2. Duration of non-technical delays	1. 0 2. 0 PrairieSky does not have any oil and gas exploration, development, production or field operations. As a result, there have been no non-technical delays.
		413-2		Operations with significant actual and potential negative impacts on local communities	PrairieSky does not have any field operations. Our only business location is in Calgary, Alberta, Canada.
Workforce Health & Safety — GRI 403: Occupational Health and Safety 2018					
EM-EP-320a.2		403-1	11.9.2	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. 2022 Sustainability Report (pages 47, 69).
		403-2	11.9.3	Hazard identification, risk assessment, and incident investigation	*Environment and Climate Change, Health and Safety Policy*
		403-3	11.9.4	Occupational health services	*Environment and Climate Change, Health and Safety Policy*
		403-4	11.9.5	Worker participation, consultation, and communication on occupational health and safety	*Environment and Climate Change, Health and Safety Policy* 2022 Sustainability Report (page 69)

SASB Code	WEF Metric	GRI Code	GRI Sector Standard Code	Description	Reference
Workforce Health & Safety — GRI 403: Occupational Health and Safety 2018					
		403-5	11.9.6	Worker training on occupational health and safety	*Environment and Climate Change, Health and Safety Policy* 2022 Sustainability Report (page 69)
	■	403-6	11.9.7	Promotion of worker health	*Environment and Climate Change, Health and Safety Policy* 2022 Sustainability Report (pages 69, 98)
		403-7	11.9.8	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	*Environment and Climate Change, Health and Safety Policy*
		403-8		Workers covered by an occupational health and safety management system	We have a Corporate health and safety program for our head office location in Calgary, Alberta, our only business location. The program covers all employees, temporary employees and contractors. 2022 Sustainability Report (pages 69, 83)
EM-EP-320a.1		403-9	11.9.10	1. Total recordable incident rate (TRIR), 2. fatality rate, 3. near miss frequency rate (NMFR), and 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 2. 0 3. 0 4. 0 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 2022, or in any prior year. 2022 Sustainability Report (pages 69, 83)
	■	403-9	11.9.10	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 2022, or in any prior year. 2022 Sustainability Report (pages 69, 83)
	■	403-10	11.9.11	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. 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 2022, or in any prior year. 2022 Sustainability Report (pages 69, 83)
	■			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 2022, or in any prior year. 2022 Sustainability Report (pages 22, 47, 83)

SASB Code	WEF Metric	GRI Code	GRI Sector Standard Code	Description	Reference
Critical Incident Risk Management					
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. 2022 Sustainability Report (pages 47, 83)
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. 2022 Sustainability Report (page 47)
People — GRI 401: Employment 2016; GRI 404: Training and Education 2016; GRI 405: Diversity and Equal Opportunity 2016					
	■	401-1	11.10.2	New employee hires and employee turnover 1. Total number and rate of new employee hires during the reporting period, by age group, gender, other indicators of diversity and region.	2022 Sustainability Report (pages 68, 80–81) Due to our small number of staff, we do not disclose a breakdown for confidentiality reasons. In 2022, 86% of our employees responded to our employee engagement survey. Of those that responded, 91% of our employees indicated high employee satisfaction, exceeding our internal target of 85%.
				2. Total number and rate of employee turnover during the reporting period, by age group, gender, other indicators of diversity and region.	2022 Sustainability Report (page 81)
		401-2	11.10.3	Benefits provided to full-time employees that are not provided to part-time employees	The following benefits are provided to full and part-time staff: > health benefits > disability coverage > retirement policy > employee savings plan 2022 Sustainability Report (page 68)
		401-3		Parental leave	Parental leave is available to all employees. PrairieSky follows parental leave guidelines set out by the government.
	■	404-1	11.10.6 11.11.4	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). Average training and development expenditure per full time employee (total cost of training provided to employees divided by the number of employees).	2022 Sustainability Report (page 70)
	■			1. Investment in training as a percentage (%) of payroll. 2. Effectiveness of the training and development through increased revenue, productivity gains, employee engagement and/or internal hire rates.	2022 Sustainability Report (page 70). Overall training and education costs totaled $26,000, which equates to approximately $400 per FTE, and represents less than 1% of total payroll costs.
		404-2	11.7.3 11.10.7	Programs for upgrading employee skills and transition assistance programs	2022 Sustainability Report (page 70)

	■			1. Number of unfilled skilled positions (#). 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**	**GRI Sector Standard Code**	**Description**	**Reference**
People — GRI 401: Employment 2016; GRI 404: Training and Education 2016; GRI 405: Diversity and Equal Opportunity 2016					
		404-3		Percentage of employees receiving regular performance and career development reviews	2022 Sustainability Report (page 70)
	■	405-1	11.11.5	Diversity of governance bodies and employees	2022 Sustainability Report (pages 17, 22, 71, 73, 81) *2023 Information Circular and Proxy Statement* (pages 10–14, 17)
	■	405-1	11.11.5	Percentage of employees per employee category, by age group, gender and other indicators of diversity (e.g. ethnicity).	2022 Sustainability Report (pages 13, 22, 71, 73, 81) *2023 Information Circular and Proxy Statement* (pages 10–14)
	■	405-2	11.11.6	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.
	■			Wage level (%) 1. Ratios of standard entry level wage by gender compared to local minimum wage. 2. Ratio of the annual total compensation of the CEO to the median of the annual total compensation of all its employees, except the CEO.	All of PrairieSky's 65 employees are salaried and earn well in excess of minimum wage. Compensation for the five highest paid employees is disclosed annually in PrairieSky's Information Circular and Proxy Statement. Due to the small size of PrairieSky's workforce, no further disclosure on compensation is provided due to confidentiality.
Forced Labour — GRI 408: Child Labor 2016; GRI 409: Forced or Compulsory Labor 2016					
	■	408-1 & 409-1	11.12.2	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: a. type of operation (such as manufacturing plant) and type of supplier; and 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. 2022 Sustainability Report (pages 22, 72)
Public Policy — GRI 415: Public Policy 2016					
		415-1	11.22.2	Political Contributions	In accordance with our *Business Code of Conduct*, PrairieSky does not make political contributions. 2022 Sustainability Report (pages 25, 83)
	■	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.	2022 Sustainability Report (page 25)
Activity Metrics					

EM-EP-000.A				Production of: 1. oil 2. natural gas 3. synthetic oil 4. synthetic gas	Oil: 11,739 bbl/d Natural gas liquids: 2,684 bbl/d Natural gas: 64.7 MMcf/d Total production: 25,206 BOE/d PrairieSky is allocated royalty production from over 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 2022 *Management's Discussion and Analysis* (page 2).

Topics in the GRI Oil and Gas Sector Standards determined as not material

Closure and rehabilitation
Not applicable. PrairieSky does not have any oil and gas exploration, development, production or field operations.

Land and resource rights
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.

Conflict and security
Not applicable. PrairieSky does not have any oil and gas operations and we do not operate in areas of conflict.

Anti-competitive behaviour
Not applicable. PrairieSky does not have any oil and gas exploration, development, production or field operations.

UNGC Communication on **Progress**

Statement of Continued Support from PrairieSky's CEO

At PrairieSky, we are committed to operating our business responsibly and with integrity and 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. We are dedicated to incorporating these principles into our strategies, policies and procedures. All of our operations are in Canada, a highly regulated jurisdiction with strong rule of law which supports our commitment but there remains opportunities to advance these principles. 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, 2022.

Andrew Phillips , President & Chief Executive Officer

Topic	Principles		Progress
Human Rights	**Principle 1**	Businesses should support and respect the protection of internationally proclaimed human rights.	2022 Sustainability Report (pages 21, 22, 72, 74, 81, 83). We have a separate Human Rights Policy in place, which along with our *Business Code of Conduct* and *Respectful Workplace Policy*, underscore our commitment. We also have a *Supplier Code of Conduct* to further integrate our commitment to the Ten Principles of the UN Global Compact to include our core service providers and suppliers. We have demonstrated our commitment through our human rights and health and safety metrics in our performance summary table. We continue to provide annual mandatory heath and safety training and training on the *Business Code of Conduct*, including on diversity and inclusion.
	Principle 2	Businesses should make sure that they are not complicit in human rights abuses.	
Labour	**Principle 3**	Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.	2022 Sustainability Report (pages 22, 68–71). In 2022, our business employed 65 full-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. In addition to our *Code of Business Conduct* and *Human Rights Policy*, both of which are discussed above, PrairieSky has adopted: > a *Respectful Workplace Policy*; > an *Environment, Climate Change, Health and Safety Policy*; and > a Joint Worksite Health and Safety Committee Policy. We have a *Supplier Code of Conduct* to further integrate our commitment to the Ten Principles of the UN Global Compact to include our core service providers and suppliers. We have demonstrated our commitment through our human rights and health and safety metrics in our performance summary table. We continue to provide annual mandatory training on the Code of Business Conduct, including diversity and inclusion training. In 2022, we initiated blind recruiting procedures to our hiring process to aid in removing unconscious bias from the process and to further diversify our workforce.
	Principle 4	Businesses should uphold the elimination of all forms of forced and compulsory labour.	
	Principle 5	Businesses should uphold the effective abolition of child labour; and	
	Principle 6	Businesses should uphold the elimination of discrimination in respect of employment and occupation.	
Environment	**Principle 7**	Businesses should support a precautionary approach to environmental challenges.	2022 Sustainability Report (pages 59–61, 81–82). Our corporate policies include environmental, social and governance as part of our long-term strategy and goals. We have demonstrated our commitment through our resource use metrics in our performance summary table. 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.
	Principle 8	Businesses should undertake initiatives to promote greater environmental responsibility.	
	Principle 9	Businesses should encourage the development and diffusion of environmentally-friendly technologies.	
Anti-Corruption	**Principle 10**	Businesses should work against corruption in all its forms, including extortion and bribery.	2022 Sustainability Report (page 80). We have demonstrated our commitment through our anti-corruption metrics in our performance summary table. In 2022, we continued our mandatory *Code of Business Conduct* training which includes training on bribery and corruption for all staff.

Statement of Continued Support from PrairieSky's CEO

Refer to pages 13, 76–79 for examples of how PrairieSky is contributing to advancing the 17 Sustainable Development Goals.

Measurement of Outcomes

Refer to our performance summary tables starting on page 80 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* 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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