

# UN GLOBAL COMPACT

## COMMUNICATION ON PROGRESS

**HIGH MARGINS**  
**ZERO CAPITAL**

## STATEMENT OF CONTINUED SUPPORT FROM PRAIRIESKY'S CEO

We are committed to operating our business responsibly and with integrity. We believe that our governance and management approach is consistent with the principles set forth in the UN Global Compact on human rights, labour, environment and anti-corruption and we are dedicated to incorporating these principles into our strategies, policies and procedures. We are providing this Communication on Progress 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.

*Andrew Phillips, President & Chief Executive Officer*

## OUR COMMITMENT

We are committed to operating in an economically, socially and environmentally sustainable and responsible manner. We conduct our business responsibly by actively managing risk, working 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 enhance long-term shareholder value and positively impact our broader network of stakeholders. To formalize our commitment, we became a signatory to the UN Global Compact in February 2020 and this Communication on Progress (CoP) report demonstrates our commitment to the implementation of the Ten Principles of the UN Global Compact. The following information is accompanied by our 2019 Responsibility Report, which was issued in July 2020, and includes our GRI Content Index. In this CoP, we have provided information on our strategies, policies and procedures and how they relate to the UN Global Compact Principles in effect from January 2019 to February 2020.

| Principles  | Progress  |
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| <b>Principle 1</b><br><b>Business should support and respect the protection of internally proclaimed human rights; and</b><br><br><b>Principle 2:</b><br><b>make sure that they are not complicit in human rights abuses.</b> | <p>Our core values define what is important to us and are at the foundation of how we operate. Our Code of Business Conduct sets the tone of our business culture and is integrated into our business practices. We approach all aspects of our business with integrity and a culture of respect for each other, diversity and inclusion and fostering the environment. PrairieSky is proud to operate in Canada, where the principles related to human rights are protected under the rule of law and a strong independent judicial system. To further demonstrate our commitment, we implemented a separate Human Rights Policy in February 2020, which along with our Code of Business Conduct and Respectful Workplace Policy, underscore our commitment.</p> <p>All of PrairieSky's business is conducted in Western Canada and is subject to federal and provincial human rights and labour laws which protect the rights of workers and provide for freedom of association. We comply with all laws and regulations, including the Canadian Charter of Rights and Freedoms and Constitution Act, 1982 (Canada), and our commitment to human rights is outlined in our Human Rights Policy. Our Code of Business Conduct, Human</p> |

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|  | <p>Rights Policy and Investigations Practice Policy (Whistleblower) collectively provide information on reporting grievances or violations directly or anonymously.</p> <p>All policies noted above can be found on our website: <a href="https://www.prairiesky.com/governance/">https://www.prairiesky.com/governance/</a></p> <p>In 2020, we are expanding our sphere of influence by implementing 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.</p>   |
| <p><b>Principle 3:</b><br/>Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;</p> <p><b>Principle 4:</b><br/>the elimination of all forms of forced and compulsory labour;</p> <p><b>Principle 5:</b><br/>the effective abolition of child labour; and</p> <p><b>Principle 6:</b><br/>the elimination of discrimination in respect of employment and occupation.</p> | <p>In 2019, our business employed 64 full and part-time staff. We do not have any unionized workers. In February 2020, we implemented a Human Rights Policy which underscored our commitment to adhering to all applicable domestic laws and best practices within Canada, including those concerning freedom of association and collective bargaining, non-discrimination, forced labour and underage workers in the workplace.</p> <p>In addition to our Code of Business Conduct and Human Rights Policy, both of which are discussed above, PrairieSky has adopted:</p> <ul style="list-style-type: none"> <li>• a Respectful Workplace Policy;</li> <li>• an Environment, Climate Change, Health and Safety Policy; and</li> <li>• a Joint Worksite Health and Safety Committee Policy.</li> </ul> <p>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, our policies ensure employees are able to contribute fully, have equal opportunities and are provided with transparent information and education regarding their right to a safe workplace. These policies also deal with harassment and workplace violence, for which PrairieSky has zero tolerance, and articulate our position with respect to:</p> <ul style="list-style-type: none"> <li>• diversity, inclusion and equal opportunity, discrimination, harassment and threats or acts of violence;</li> <li>• ensuring a safe work environment for employees;</li> <li>• our commitment to the protection of the environment;</li> <li>• reporting inappropriate conduct, harassment and workplace violence;</li> <li>• disciplinary measures; and</li> <li>• the development of procedures to prevent and address human rights issues.</li> </ul> <p>In 2020, we are expanding our sphere of influence by implementing a Supplier Code of Conduct to further integrate our</p> |

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|   | <p>commitment to the Ten Principles of the UN Global Compact to include our core service providers and suppliers.</p>  |
| <p><b>Principle 7:</b><br/>Businesses should support a precautionary approach to environmental challenges;</p> <p><b>Principle 8:</b><br/>undertake initiatives to promote greater environmental responsibility; and</p> <p><b>Principle 9:</b><br/>encourage the development and diffusion of environmentally friendly technologies.</p> | <p>Our company is headquartered in the First Canadian Centre in downtown Calgary, Alberta, Canada. Our team collaborates in this building and creates a direct environmental impact through carbon emissions related to energy consumption, employee commuting and travel, water use, and waste generation. Although PrairieSky's direct environmental footprint is small, we remain committed to reducing our resource consumption, including a commitment to reducing emissions, waste and water usage.</p> <p>For 2019, PrairieSky invested in Bullfrog Power to offset our office electricity use with green energy carbon credits. Bullfrog Power offsets every kWh of electricity PrairieSky uses by putting a kWh from a pollution-free, renewable source on the grid on PrairieSky's behalf. We also invested in green natural gas with Bullfrog Power offsetting every unit of natural gas used by putting a gigajoule of green natural gas on the pipeline on our behalf. Both green energy projects from which PrairieSky purchased offsets were based in Alberta. By purchasing green energy, PrairieSky reduced its Scope 1 and Scope 2 GHG emissions from 453.3 tonnes of CO<sub>2</sub>e to 0.0 tonnes of CO<sub>2</sub>e using a market-based approach.</p> <p>We amended our corporate policies to include environmental, social and governance as part of our long-term strategy and goals. As part of these changes, we also created a clear line of responsibility to the Chair of the Board for environmental, social and governance matters.</p> |
| <p><b>Principle 10:</b><br/>Businesses should work against corruption in all its forms, including extortion and bribery.</p>  | <p>Honesty and integrity are fundamental values to our business. The Board has adopted a written Business Code of Conduct 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 which collectively form the overwhelming majority of our external supply chain. Annually, every employee and internal service provider must read and certify compliance with the Code of Business Conduct. 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 of Business Conduct at least annually as part of its Enterprise Risk Management Program.</p>  |

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|  | <p>PrairieSky has an Investigations Practice Policy which outlines our commitment to conducting our business ethically and in compliance with all laws. In keeping with that commitment, the purpose of our Investigations Practice Policy is to provide an effective, consistent and appropriate procedure to report and investigate all incidents that potentially violate the Company's Code of Business Conduct and any subject specific policies, practices and guidelines, as approved and implemented by the Board of Directors of the Company and senior management. Included within the scope of these policies are requirements to adhere to all statutes, regulations, rules and policies applicable to the Company or the workplace and to ensure that all complaints are properly received, reviewed, investigated, documented and brought to an appropriate resolution.</p> <p>In 2019, no corruption or unethical activities were reported or identified.</p> |
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## SUPPORTING THE UN SUSTAINABLE DEVELOPMENT GOALS

Below are some examples of how PrairieSky is contributing to advancing the 17 Sustainable Development Goals.



### GOAL 3 - Ensure Healthy Lives and Promote Well-Being for All at All Ages

- We provide employees and their families access to an 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. We also provide long-term and short-term disability insurance, paid and unpaid leaves of absences, maternity and paternity paid leave, vision and dental coverage, and spousal and dependent support programs.



## GOAL 5 - Gender Equality

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- Inclusion and diversity are important to us. We are proud to have a workforce that is 73% women, including one member of our three-member executive team and four of our five (80%) managers. In March 2020, PrairieSky was recognized in the Women Lead Here survey by the Globe and Mail and Report on Business
  - We have a Board Diversity policy in place and have achieved our initial target of 25% women on our Board by 2022.
  - In 2019, we initiated a Women's Mentorship Program with the Canadian Center for Leadership at the University of Calgary's Haskayne School of Business with the objective of the program was to provide students with exposure to senior executives and introduce them to business concepts. Candidates were chosen from a diverse group of students at the Haskayne School of Business at the University of Calgary, with 20% of spots reserved for Indigenous candidates.
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## GOAL 8 – Decent Work and Economic Growth

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- We employed 64 full and part-time staff in 2019, providing salaries, benefits and other incentives. These funds then flow into the economy, impacting the broader communities where our employees live.
  - We invest in the education and training of our employees, developing talent and providing advancement opportunities.
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## GOAL 13 – Climate Action

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- We are working towards lowering our GHG emissions and by supporting renewable energy projects and promoting energy efficiency and transition opportunities across our land base.
  - We are working with third-party operators to provide leasing terms to support the economics of CO2 sequestration projects.
  - We are reporting on climate risk and providing Task Force on Climate-Related Financial Disclosures.
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## Social Responsibility

PrairieSky believes in giving back to the community where we work and live. We believe that by investing in the community, we can make 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 2019, PrairieSky invested \$400,1000 into its community with a focus in the following five areas:

| Community and Social Services   | Health and Wellness   | Sport and Recreation  | Education  | Environmental Stewardship   |
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Further information on our support of the 17 SDGs and our community investment and can be found in our 2019 Responsibility Report:

[https://www.prairiesky.com/wp-content/uploads/PrairieSky-Royalty-2019-Responsibility-Report\\_WEB.pdf](https://www.prairiesky.com/wp-content/uploads/PrairieSky-Royalty-2019-Responsibility-Report_WEB.pdf)