

2019

Responsibility Report

HIGH MARGINS ZERO CAPITAL

PRAIRIE SKY
ROYALTY LTD

TSX | PSK

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Forward-Looking Statements

Certain statements and information contained in this Responsibility Report may constitute forward-looking information and forward-looking statements (collectively referred to here in "forward-looking statements") within the meaning of applicable securities laws, including, but not limited to, statements or suggestions about future outcomes regarding: PrairieSky's plans, objectives and strategies to continue to look for ways to reduce our impact on the environment; PrairieSky's monitoring of operator behavior; 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, and providing third-party assurance of certain key ESG performance indicators; and other statements that are not historical facts. Readers are cautioned that the foregoing 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 PrairieSky's 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 Responsibility 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 any 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.



Message to our Stakeholders

We are committed to continuously improving our **economic**, **social**, and **environmental** performance at PrairieSky. We believe long-term value can only be achieved through responsible business practices which are embedded throughout the organization.

We are publishing our third Responsibility Report during a challenging time in both Canada and globally as our broad community of employees, business partners, shareholders and other stakeholders are impacted by COVID 19. Although this report looks back on 2019 and the initiatives we undertook, in preparing it we have reflected on the current macro environment and the differentiating factors in our business model and culture which define the sustainability of our organization. Strong corporate governance and risk management practices are the foundation of how we operate. At the core of this is our commitment to the health and safety of our staff, our stakeholders, and their families. In early March 2020, we implemented our business continuity plan which included closing our office and transitioning our staff to work remotely. Because of our ongoing investment in business systems and organizational efficiency, and our “team first” culture, this transition was conducted smoothly with no loss of productivity. While a small portion of our team has voluntarily returned to the office following easing of restrictions, approximately 75% of our staff have elected to work remotely with no current timeline to return to the office. We are thankful that our staff and their families remain healthy and we will continue to support them, as they continue to support our stakeholders and execute our business strategy. To everyone, we wish you good health and safety through these unprecedented times.

We are committed to continuously improving our economic, social, and environmental performance at PrairieSky. We believe long-term value can only be achieved through responsible business practices which are embedded throughout the organization. We approach our stakeholder relationships with integrity and respect and we take care to select business partners and service providers that share our core values. 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 believe that Canada has an important role in providing energy to the world in a safe, responsible manner and we are proud to be part of this innovative and progressive industry.

Because of the long duration of our assets, successful execution of our strategy is only possible with a sustainable business approach that ensures our lands are developed ethically and responsibly. Our role as a pure-play royalty company in the energy industry affords us a unique position when it comes to environmental impacts as we do not directly undertake exploration or development operations. These activities are conducted by the operators with whom we have entered into leases and contracts. Although we have very limited, direct impact on the environment, we are committed to fostering the safe and responsible development of resources and to reducing our environmental footprint over time. These goals are in focus through our robust contracting and risk management frameworks, active monitoring of counterparty performance, and a collaborative approach with environmental regulators in the jurisdictions where we conduct business.

We have an engaged and dedicated team at PrairieSky that work to create value for shareholders every day. We are committed to diversity and we are proud to have female leadership at the Board, Executive and Senior Management levels, with a workforce that is 73% women, including 80% of our managers. Our employees are also active participants in giving back to the communities where we work and live.

We appreciate the continued support of our shareholders and business partners as we work to create long-term value.



James Estey
Chairman of the Board



Andrew Phillips
President & Chief Executive Officer



About

PrairieSky Royalty Ltd.

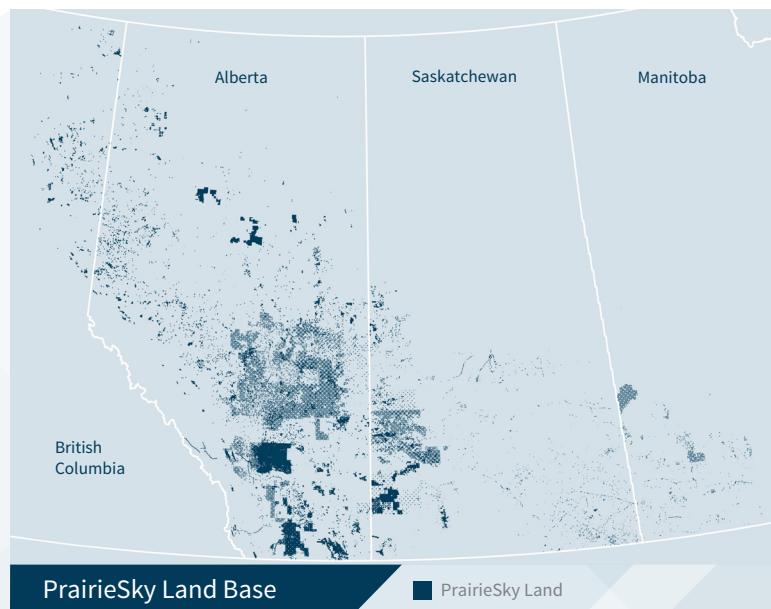
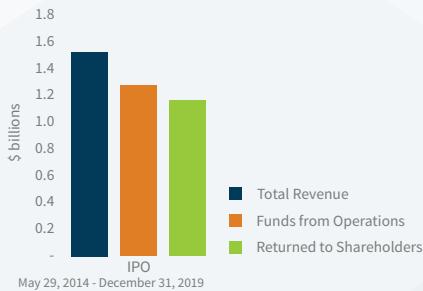
PrairieSky Royalty Ltd. is a pure-play royalty company with the largest independently-owned portfolio of fee simple mineral title and oil and gas royalty interests in Canada. PrairieSky owns 7.8 million acres of fee simple mineral title lands and has 7.8 million acres of gross overriding royalty interests across Alberta, Saskatchewan, British Columbia and Manitoba.

PrairieSky is focused on encouraging third parties to actively develop our royalty properties at no incremental cost or expense to PrairieSky. We receive royalty revenues as petroleum and natural gas are produced from over 15 million acres of royalty properties spanning Western Canada from Northeast British Columbia to Western Manitoba. We do not directly conduct operations to explore for, develop or produce petroleum or natural gas.

PrairieSky's common shares trade on the Toronto Stock Exchange under the symbol PSK. Since PrairieSky's initial public offering in 2014 to December 31, 2019, PrairieSky has earned \$1.5 billion in revenues which generated funds from operations of \$1.3 billion, from which PrairieSky has returned over \$1.1 billion to shareholders in dividends and share repurchases. PrairieSky currently pays a quarterly dividend of \$0.06 per share or \$0.24 per share annually.



Returns to Shareholders



The Royalty Business Model



The Royalty Business Model

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

Our Competitive Advantage

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

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

Key Assets

15.6 Million Acres



Rights/lands leased to

Business Operators

325 Royalty Payors



Producing

2019 Outputs

21,757 boe/d
Royalty Production



\$268.4 Million
Revenues



How PrairieSky Creates Value for Stakeholders



Shareholders

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

No capital expenditures, operational costs or environmental liabilities

Return of cash flow through dividends and share repurchases

Exposure to all resource plays with geographical and operator diversification

Lessees / Operators



Timely negotiations of leasing arrangements on available land

Mutually beneficial business approach to leasing

Access to one of the largest seismic databases in Canada

Availability of technical expertise and exploration and development prospects



Employees

Fair remuneration

Rewarding work

Inclusive and safe workplace

Career progression based on merit and performance and without discrimination

Flexible work arrangements during COVID 19

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 laws

Leases incorporate stringent environmental requirements, including those relating to ongoing reduction of methane and other emissions

Worksite is exclusively limited to a single office location, with an option to work remotely



Communities/ Society

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

Employee engagement in community investment and volunteer initiatives

Give back to communities and stakeholders

Due diligence and ongoing monitoring ensure targeted investment outcomes are met



About our Report

We have prioritized the topics in this report based on external interest and relevance to our business. In developing this report, we considered feedback from our engagement with investors, conversations with employees and management review, as well as peer reports. In addition, we have considered questions from **environmental, social** and **governance** research organizations and peer performance.

PrairieSky's Responsibility Report focuses on key governance, environmental and social topics that are relevant to our Company and to our stakeholders. In preparing this report, we developed a list of corporate responsibility topics using the GRI Standards, industry guidance, peer reports, third-party survey questions and common PrairieSky investor questions. Over time, we expect our reporting to evolve as we engage with stakeholders, interested parties and relevant advisory bodies to enhance disclosure of topics which are, and in the future become, important to our stakeholders and relevant to our business.

- > The terms PrairieSky, PSK, we, our, us and the Company refer to PrairieSky Royalty Ltd.
 - > Unless otherwise noted, this report covers PrairieSky's quantitative performance for the calendar year ended December 31, 2019. When relevant and available, historical data is provided for 2017 and 2018.
 - > Financial data is in Canadian dollars; environmental data 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 year ended December 31, 2019 which is available on our website www.prairiesky.com.
- > 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.
 - > Internal and/or external assurance activities cover financial data for which the source is PrairieSky's Annual Management Discussion and Analysis and PrairieSky's Annual Consolidated Financial Statements.
 - > Third-party assurance of this report was not conducted. Select key performance indicators (KPIs) were independently assured by PricewaterhouseCoopers LLP (PwC). PwC performed a limited assurance engagement for a select number of PrairieSky's KPIs. The results of PwC's limited assurance engagement are documented in an *assurance statement* available in the Responsibility section of our website www.prairiesky.com.

We used the Global Reporting Initiative ("GRI") Standards and principles to guide the development of this report. The report contains some disclosures suggested by the GRI but does not yet fulfill all the requirements to be fully 'in accordance'. The GRI index starting on page 41 indicates where specific disclosures are addressed.



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, 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. To formalize our commitment, we became a signatory to the UN Global Compact in February 2020 which is discussed further in this report.

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

Our Code of Business Conduct is integrated into our business practices and we approach all aspects of our business with integrity and a culture of respect for each other and the environment.

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



Governance

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

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



Environment

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



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 2019.

Initiative	Progress	Status
Formalizing our commitment to sustainability principles by becoming a signatory to the United Nations Global Compact over the next 12 months.	PrairieSky is now a signatory to the United Nations Global Compact. See page 8 of this report for further discussion.	
To reflect PrairieSky's commitment to best practices and continuous improvement, PrairieSky will implement a Human Rights Policy in addition to its Code of Business Conduct and Respectful Workplace Policy, as well as an Environmental Policy.	PrairieSky has adopted a Human Rights Policy, a Code of Business Conduct and Respectful Workplace Policy, and an Environment and Climate Change, Health and Safety Policy. These policies formalize our commitment to best practices.	
PrairieSky is committed to CDP (formerly the Carbon Disclosure Project) reporting over the next 12 months.	PrairieSky received a B score from CDP for 2018. PrairieSky intends to report to the CDP again in 2020 for the 2019 period.	
Taking action to offset our carbon footprint.	PrairieSky purchased offsets for our Scope 1 and Scope 2 emissions (head office natural gas and electricity use).	
Engaging a third-party to evaluate and develop a multi-year plan to enhance our disclosure	Third-party consultant engaged to develop a framework to enhance PrairieSky's environmental, social and governance disclosure.	

Completed

Ongoing



United Nations Global Compact

To demonstrate our commitment to responsible management, PrairieSky became a signatory to the United Nations Global Compact (“UN Global Compact”). PrairieSky shares the United Nations Global Compact’s view that corporate sustainability starts with a company’s value system and a principles-based approach to doing business. We support the ten principles of the UN Global Compact with respect to human rights, labour, environment and anti-corruption and intend to advance these principles within our sphere of influence, including advancing our own accountability and transparency in support of these principles.

Human Rights

PrairieSky is proud to operate in Canada, where the principles related to human rights are protected under the law and a strong independent judicial system. To further demonstrate PrairieSky’s commitment, we implemented a Human Rights Policy, which along with our Code of Business Conduct and Respectful Workplace Policy, underscore our commitment. See page 13 of this report.

Environment

PrairieSky worked with Bullfrog Power to purchase green energy from Alberta projects as a carbon offset for our Scope 1 and 2 emissions related to our office building natural gas and electricity usage. See page 27 of this report. 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.

Anti-Corruption

Each year, PrairieSky submits its 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 page 19 of this report and PrairieSky’s website at www.prairiesky.com for further details. We codified a lobbying framework within our Code of Conduct, expanding the concept of lobbying activities, associated protocols and required disclosures.

Looking Forward

In 2020, we are committed to the following initiatives:



- > Advancing our disclosures to include Task Force on Climate-Related Financial Disclosures (TCFD), where applicable;



- > Advancing our disclosures to include certain disclosures identified by the Sustainability Accounting Standards Board (SASB) as relevant to long-term value creation. This disclosure will be included on our website;



- > Providing stakeholders with third-party assurance of certain key performance indicators for environmental, social and governance (ESG) matters. This disclosure will be included on our website; and



- > Adopting a Board Education Strategy for environmental, social and governance matters, including measuring performance of management against established goals for 2020.



Governance

PrairieSky is committed to a high standard of corporate governance.



The executive reports on ESG matters to the Board on a quarterly basis. These reports include updates on priorities and progress, including governance and compliance updates, changes to legal frameworks and best practices, sustainability initiatives and community investment. Our responsibility matrix reflects our commitment to ESG and presents the tone at the top.

Governance and Oversight

Our Board of Directors has ultimate responsibility for environmental, social and governance (“ESG”) issues 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. Strong corporate governance is critical to our corporate culture and strategy and ensures accountability to, and alignment with, our stakeholders.

Within PrairieSky, organizational responsibility flows from the Board to our President and CEO, and throughout the Company through the executive officers.

Board Chair

Governance and Compensation Committee & Audit Committee

- > Board Chair commitment to ESG strategy and outcomes with oversight responsibility
- > Governance and Compensation Committee measures annual ESG performance criteria tied to annual and long-term compensation of Executives
- > Audit Committee has responsibility for Enterprise Risk Management function, which involves an annual assessment of risks including ESG factors

President and CEO

Accountable to the Board for ESG initiatives (*strategy, implementation, progress*)

COO

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

CFO

- > 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
- > Responsible for Enterprise Risk Management program
- > Responsible for collecting and reporting on sustainability performance

Managers

Guide team efforts on ESG initiatives

Staff

Contribute individually to team efforts on ESG initiatives



We conduct our business in a responsible manner by actively managing risk and upholding the highest standards of governance and ethics which we believe is essential to ensuring long-term shareholder value.

Risk Management

We conduct our business in a responsible manner by actively managing risk and upholding the highest standards of governance and ethics which we believe is essential to ensuring long-term shareholder value.

Risk identification and management are the responsibility of the Board and the executive team. Our Enterprise Risk Management Program enables us to identify and continually monitor risks, including economic, environmental and social risks. We use our corporate risk register to conduct scenario 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 at least annually, and is updated to adapt to changing conditions. Responsibility for our Enterprise Risk Management Program and review of the corporate risk register rests with the Audit Committee, who in turn report to and collaborate with the Board of Directors to ensure alignment with overall strategy.

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 which, along with our Board level and subject matter specific policies, can be found on our website at www.prairiesky.com.

A key priority for PrairieSky is having a Board comprising directors who are well informed, diverse in background, experienced, and independent from management. Based on applicable laws and governance best practices, seven out of eight Board members, including the Chair of the Board, are considered independent as defined by applicable laws. Our only non-independent Board member is our President and CEO. Our directors have diverse backgrounds with a variety of expertise as shown in the skills matrix provided on pages 36-37 of our Information Circular and Proxy Statement.

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.

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.



Our Board believes
in the importance of
engaging in constructive
communication with our
shareholders.

Shareholder Engagement



Our Board believes in the importance of engaging in constructive communication with our shareholders as it can provide valuable insight to assist the Board in maintaining the high standards of governance to which the Board is committed. Discussions are intended to be an exchange of views on governance and disclosure and only matters that are in the public domain will be discussed. Our Shareholder Engagement Policy can be found on our website at www.prairiesky.com. Disclosure of shareholder engagement activities during 2019 and related outcomes are described on pages 27-30 of our Information Circular and Proxy Statement.

Executive Compensation

PrairieSky's executive compensation program focuses on pay-for-performance with approximately 75 to 85 per cent of executive compensation "at-risk", and an average of 64 per cent of total compensation deferred for a three-year period, the ultimate value of which is measured against stringent criteria, including performance against some of the desired outcomes discussed herein. We believe this aligns management's actions with PrairieSky's core values, corporate objectives and the long-term interests of shareholders.



All of PrairieSky's employees are also shareholders, with executive management investing a substantial portion of their new worth in PrairieSky shares. As at December 31, 2019, PrairieSky's President and CEO held common shares valued at over 21 times his annual salary.

We provide shareholders with a "Say on Pay" advisory vote at our annual general meeting ("AGM"). This non-binding vote on executive compensation provides shareholders with the opportunity to vote for or against our executive compensation approach. At our 2020 AGM, 98.6 per cent of votes were cast in favour of the "Say on Pay" resolution.

Our executive compensation practices are outlined in our Information Circular and Proxy Statement which, along with all plan documents, is available on our website at www.prairiesky.com.

Board Diversity

At our 2020 AGM,
98.6%
*of votes were cast in favour
of the "Say on Pay" resolution.*

The Board Diversity Policy is intended to set out the framework for PrairieSky's approach to Board diversity and outline the key criteria for the composition of the Board that promotes PrairieSky's commitment and aspirational targets to diversity and inclusion while maintaining a desired skill set which aligns with the strategic needs of the organization. In 2019, we set an aspirational target to achieve a Board composition by 2022 in which at least 25 per cent of our directors are women. ***We meet that target with two female Board members (29 per cent of the independent directors).***

Honesty and integrity
are fundamental values
to our business.

Ethical Business Practices

Business Code of Conduct and Ethics

Honesty and integrity are fundamental values to our business. The Board 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. Our Code is available at www.prairiesky.com. Annually, every employee and internal service provider must read and certify compliance with the Code.

The Board believes that providing a standard procedure for employees and third parties to raise concerns and treating all complaints with a high degree of seriousness fosters a culture of ethical conduct.

PrairieSky reviews the Code at least annually as part of its Enterprise Risk Management Program.

Health and Safety, Discrimination, Harassment and Equal Opportunity

In addition to the Code, PrairieSky has adopted 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 its 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.

See PrairieSky’s website at www.prairiesky.com for more information.



PrairieSky supports the **Ten Principles of the United Nations Global Compact** with respect to human rights, labour, environment and anti-corruption.

More details on PrairieSky’s commitment to the Ten Principles of the United Nations Global Compact can be found at www.unglobalcompact.org/what-is-gc/participants/138331-PrairieSky-RoyaltyLtd-.



CDP

(formerly Carbon Disclosure Project)

In 2019, PrairieSky completed our submission to CDP, the non-profit global environmental disclosure platform, and the Company received a "**B**" score in the 2019 Climate Change Survey, which is **above the North American and global average score** of "C".

In conjunction with the Company's 2019 CDP score, PrairieSky received an "**A**" ranking in the areas of:

- (i) Risk Disclosure;
- (ii) Opportunity Disclosure;
- (iii) Governance; and
- (iv) Emissions Reduction Initiatives.

Environmental, Social, Governance and Corporate Responsibility

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

Investigations Practice Policy

PrairieSky Royalty Ltd. is committed to conducting its 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 Company's 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.

As part of our commitment to ethical business practices, PrairieSky has an anonymous Whistleblower Hotline 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), found at www.prairiesky.com provides a consistent and appropriate procedure by which all incidents can be received, investigated and brought to an appropriate resolution without fear of retribution.

Disclosure Policy

This Disclosure Policy outlines the procedures and practical guidelines for 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.

For further information on the Securities Trading and Insider Reporting Policy and the Restricted Securities Trading Policy see page 31 of our Information Circular and Proxy Statement under the heading "Anti-Hedging Policy and Other Restrictions on Trading Activities". Each of the foregoing policies is available on our website at www.prairiesky.com.

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.

Lobbying

The Company's Code sets out our approach to lobbying in circumstances where PrairieSky may have contact with elected officials and certain civil servants of the federal, provincial or municipal governments who play a role in developing legislation, regulations, or other government actions. Where such contact occurs, the Company requires that appropriate processes and controls be put in place to ensure that these contacts comply with applicable rules, regulations, and internal requirements. The Company may, from time to time, participate in public policy discussions on a wide range of issues relevant to its business, including through its participation in and support of industry organizations. The Company complies with applicable lobbying legislation which imposes registration and reporting requirements on specified lobbying communications. All PrairieSky lobbying activities with public office holders must be planned, coordinated, recorded and must be approved through written consent of the CEO or the COO of the Company. In 2019, PrairieSky did not conduct any direct lobbying activities.

PrairieSky is a member of the Canadian Association of Petroleum Producers (“CAPP”), an industry association comprised of companies from Canada’s upstream oil and natural gas industry. PrairieSky’s Chief Operating Officer (“COO”) is a governor at large of CAPP but does not sit on any of the sub-committees responsible for specific policy initiatives. CAPP’s mission, on behalf of the Canadian upstream oil and natural gas industry, is to advocate for and enable economic competitiveness and safe, environmentally and socially responsible performance. The Company’s primary purpose for involvement in CAPP is for general business reasons, to foster discussions of technical and industry standards, and to support economic growth. In 2019, PrairieSky contributed less than \$40,000 to CAPP through its membership fees. While CAPP may use membership fees for lobbying purposes, PrairieSky does not direct how membership fees are used and payment of membership fees does not necessarily reflect significant involvement with CAPP from a policy perspective. The Company’s participation in any industry association does not signify comprehensive support for all positions undertaken by it.



Our Relationship With Operators

Operator Selection Process

PrairieSky does not conduct any oil and gas exploration and development activities and is not a licensed operator. PrairieSky's selects companies, in its 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. 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 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 lands are in Canada which is one of the most highly regulated jurisdictions in the world. We do not enter into new leases or contracts with companies that fail to operate in compliance with all federal, provincial and municipal laws and regulations.

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

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

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

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

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.



great care

in selecting operators on our properties.

Managing Existing Relationships with Operators



We have collected over
\$55 million
in compliance revenues



We continuously
monitor
operator behavior.

Once a lease is in place, we continuously monitor operator behavior. In 2019, we collected revenues from 325 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 2019, the royalty compliance department sent 859 notices to lessees and recovered \$7.2 million in compliance revenue. Since PrairieSky's IPO, we have collected over \$55 million in compliance revenues. In addition, we served 3,578 lease compliance notices and saw approximately 100,000 acres returned to inventory in 2019. Lands returned to inventory can be re-leased.

Site visits: Our senior management team and land negotiators responsible for each area conduct three or more operational visits per year. In 2018 and 2019, they visited 17 and 33 individual lease sites, respectively. These visits allow our team to observe how operations are conducted, how sites are kept, how many third-party employees are on site and overall site conditions. We believe site visits are valuable for our team and for operator relationships.

Audits: We have the right to audit the operators of our leases and how they conduct their business. Several factors contribute to the selection of companies to audit: slow payment of royalties; financial distress; suspected or persistent unresolved miscalculation of royalties; environmental or operational concerns; breaches of contract; or new operators on a site previously leased by another party. In 2018 and 2019, issues were resolved within the lease and royalty compliance department processes discussed above.



Through our internal process,
we continually identify, assess, monitor and manage risks

associated with our business.

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 going into bankruptcy or receivership. Since IPO, several 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. 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 24 of this report.

Conflict Minerals

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

Financial Transparency (Responsible Tax)

PrairieSky supports global efforts to increase transparency and accountability in the mining and oil and gas industries. The Extractive Sector Transparency Measures Act (ESTMA) was enacted in 2015 and delivers on Canada's international commitments to contribute to global efforts to increase transparency and deter corruption in the extractive sector by requiring extractive entities active in Canada to publicly disclose, on an annual basis, specific payments made to all governments in Canada, including Indigenous governments, and abroad. Annually in May, PrairieSky publishes its ESTMA report which describes all gross cash payments made to governments. The report can be found here: www.prairiesky.com.





Environment

We believe every company and individual has a responsibility to monitor and reduce its impact on the 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.

PrairieSky management is responsible for environmental activities which includes 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 the provincial regulators.

Land Stewardship

PrairieSky owns only the subsurface mineral rights to its Fee Lands and not the surface rights. 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.

As an **owner in perpetuity of subsurface minerals**, we understand the **value of ensuring they are 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 responsible 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.

We believe
development of
resources in Canada
can provide safe and
reliable energy
to the world.

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



Environmental Rights and Responsibilities

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

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

Our lands are
in one of the world's
most transparent
and robust regulatory
environments.



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.

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 2018 and 2019, management visited 17 and 33 individual lease sites, respectively. Based on observations during these visits, no report to government regulators was required.

During 2019, PrairieSky worked with the Alberta Energy Regulator to determine best practices for area-based closure and reclamation projects by operators. This collaboration is important as areas of the province are “checkerboard” patterned 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.

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. In 2017, 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. No such terminations were required in 2018 or 2019.



**PrairieSky is
committed**
to reducing our
carbon footprint.

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.

Reporting Emissions and Water Usage

PrairieSky is a pure-play royalty company and has no oil and gas operations. PrairieSky's operations are solely at its Calgary office space which is further discussed below. With no field operations, PrairieSky is not responsible for any capital investment or operating costs. Third-party crude oil and natural gas operators are responsible for these costs as well as for regulatory reporting of their emissions.

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 further discussed below.

Water Usage

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

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

PrairieSky is committed to reducing our carbon footprint. In addition to our efforts to reduce our total greenhouse gas emissions where possible, for 2019, PrairieSky purchased offsets through Bullfrog Power, a leading Canadian green energy provider. By purchasing offsets, we have contributed to green projects that prevent the equivalent amount of emissions from entering the atmosphere.





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

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. Operators own these assets. Once a lease is terminated, the operator is responsible for well abandonment and land reclamation.

PrairieSky notifies the provincial regulator that the operator no longer has a lease agreement. According to current regulations, operators are required to abandon within 120 days. The liability belongs to the operators and the provincial regulator is in charge of monitoring the fulfillment of that obligation. 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 times of low commodity prices, the number of orphan wells typically increases. To deal with this issue, oil and gas producers in Alberta 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 will work 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.

In 2019, PrairieSky worked with the Alberta provincial energy regulator ("AER") on its strategy to encourage the decommissioning, remediation and reclamation of inactive or marginal crude oil and natural gas infrastructure. The AER announced a voluntary area-based closure (ABC) program in 2018. The ABC program is designed to reduce the cost of abandonment and reclamation operations through industry collaboration and economies of scale.

Climate Change Regulation

All of PrairieSky's Royalty Properties are in Canada, a world leader in environmental standards and innovation. Carbon levies are applied under both provincial and federal programs. In each of the provinces where PrairieSky has lands, certain of the levies apply to "direct emitters" and other levies apply to fuel consumption. In either case, these carbon levies do not result in a levy for PrairieSky. The Canadian government, along with the provinces of Alberta and British Columbia, have also set targets and commitments to significantly reduce methane emissions. These changes underscore the Canadian and provincial governments' commitment to responsible resource development.

Alberta was also the first jurisdiction in North America to direct dedicated funding to implement carbon capture 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 CO₂ emissions from industrial emitters and the fertilizer sector, and reduce GHG emissions by 2.76 million megatons per year. The Carbon Trunk Line project will supply carbon sequestration projects where PrairieSky has partnered with one of the proponents of these innovative projects.



**PrairieSky is
committed**
to a safe and healthy
work environment.

Health and Safety

PrairieSky is committed to a safe and healthy work environment. Because PrairieSky does not engage in crude oil and natural gas operations, we do not have the same health and safety risks typically associated with the crude oil and natural gas industry.

PrairieSky has health and safety procedures and policies at its corporate head office, our only business location. Our Health and Safety Policy, Respectful Workplace Policy, Drugs and Alcohol Policy and Joint Work Site Health and Safety Policy (“JWHSC”) address health and safety topics. 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 for our corporate head office, our only business location.

As part of the JWHSC rollout, managers and employees attended health and safety training in 2019. Objectives of the training were 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.

We have also established a Health and Safety section of our Company intranet which 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 inception.





PrairieSky's Energy Use and Carbon Emissions

Our company is headquartered in the First Canadian Centre in downtown Calgary, Alberta, Canada. Our team of 64 employees typically collaborate in this building and create 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 and water usage. As all of our staff began working from home in March 2020 due to COVID 19, and approximately 75% of our staff will continue to do so for the foreseeable future, we expect our overall environmental footprint to decrease in 2020.

First Canadian Centre is part of GWL Realty Advisors' ("GWL") office portfolio. GWL 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.

The only direct source of greenhouse gas emissions is the natural gas consumed in the heating system of our corporate office. Indirect sources of greenhouse gas emissions include purchased electricity for our office operations and employee commuting and business-related air or vehicle travel. PrairieSky has not conducted a greenhouse gas inventory, and, as building tenants, rely on energy and other resource data provided by the building owner and property management. PrairieSky estimates the magnitude of our carbon emissions by pro-rating the amount based on the total building consumption. By using this methodology, we assume that all tenants have similar average consumption. Although this methodology does not allow us to track improvements based on changes in employee behaviour, we continue to promote efforts to reduce consumption.

For 2019, PrairieSky invested in *Bullfrog Power* to offset our office electricity use with green energy. 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.



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)*



79%

*of waste diverted
from landfill*

Waste Generation and Water Consumption

Some of our other environmental impacts are waste generation and water use. Employees participate in the building's extensive recycling program, which includes composting in all kitchens, paper recycling in all offices and electronics recycling. In 2019, 79% of waste in the building was diverted from the landfill, up 3% from 2018. 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 2019, we saw only a modest decline in paper use but we are continuing to promote reduced usage.

Promoting Healthy Lifestyles

PrairieSky provides in-office shower facilities and the building offers a secure bike storage facility to promote alternative transportation to work, and exercise such as running, walking or cycling. PrairieSky has in-house yoga and has an annual mountain fun day.

PrairieSky works with its staff to track the impact of commuting with the goal of promoting healthier commuting alternatives where possible. In 2019, our employees used a variety of methods to commute to work and the method of travel varied depending on the season. During 2019, 24 per cent of PrairieSky employees walked, car-shared or biked to work and approximately 41 per cent took public transit.



24%
*employees walk,
car-share or bike
to work*



41%
*take public
transit*



Employee Commuting

Annually, PrairieSky asks its employees to complete a survey on how they commute to work. PrairieSky tracked the Scope 3 emissions incurred through employee-related bus, rail and automobile travel in 2019.

59.5
metric tons CO₂e



Business Travel

PrairieSky's executive and certain staff are required to travel for investor meetings and presentations and out-of-town Board members travel to attend Board and Committee meetings in person. PrairieSky tracked the Scope 3 emissions incurred through air travel in 2019.

32.1
metric tons CO₂e



Social

PrairieSky's dedicated workforce of 64 employees is assembled in our one office location in downtown Calgary and are focused on delivering value from our Royalty Properties to shareholders.

Our People Employees

Our core values of honesty, integrity and respect are the foundation of how we conduct business. PrairieSky is committed to providing employees with challenging work and fair compensation, a safe work environment, and opportunities for development and career growth.

PrairieSky has a lean, entrepreneurial culture where each employee can make a difference. We clearly communicate our corporate strategy and objectives and how each employee can contribute to them.

Workplace Practices

PrairieSky aims to attract and retain talented people who will contribute to our success. Once on board, we look to engage our talented employees and inspire them to stay. Our efforts in employee attraction and retention include:

Employee Compensation & Benefits

We provide competitive compensation and benefits that reward performance and share in PrairieSky's success. Benefits for both full-time and part-time employees include comprehensive medical coverage, educational opportunities, and wellness programs, including access to mental health and employee assistance programs.

Training and Development

We have a formal annual performance evaluation as we recognize that performance management is an essential element in maintaining an organizational culture that promotes high quality performance, teamwork and accountability. Performance management helps to link Company objectives with employee goals through an individualized performance plan that recognizes achievements, monitor outputs and identifies potential gaps in performance both individually and within a team. In 2019, all employees participated in performance evaluations.



We foster a culture
of employee
engagement,
innovation and
respect for each
other, the environment
and the community in
which we live
and work.

We encourage our employees to develop and advance in their careers. We support opportunities for employee development through education and training. These opportunities range from internal lunch and learn sessions and industry group presentations to post-secondary education.

We identify high-potential employees for leadership development and succession planning. These employees receive formal and informal training focused primarily on skill development and leadership. In 2019, PrairieSky had a managerial position opening following a planned retirement, which was filled by an internal candidate who was identified and elevated through our internal succession plan.

We operate an active summer student program whereby students from various universities and fields of study are hired across the Company. Providing meaningful work is beneficial to the students and PrairieSky, and ultimately allows us to recruit top-end talent that we believe can contribute to our business in the future. In both 2018 and 2019, we hired six summer students.

In Q1 2019, PrairieSky initiated its inaugural Women's Mentorship Program with the Canadian Center for Leadership at the University of Calgary's Haskayne School of Business. The objective of the program was to provide students with exposure to senior executives and introduce them to business concepts such as capital markets, the role of the Board, the roles of the audit committee, CFO and Controller, and current business topics such as block chain, capital markets developments, leadership and diversity. Candidates were chosen from a diverse group of students at the Haskayne School of Business at the University of Calgary, with one spot reserved for an Indigenous candidate. Because PrairieSky's workforce is 73% women, including 80% of management, we believe we are uniquely positioned to engage the next generation of women leaders. In 2019, five women participated in our program.

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 for core business hours. We have found that flexible hours contribute to work-life balance and job satisfaction.

We promote
work-life balance
through workplace
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and job satisfaction.



2020
REPORT ON BUSINESS
WOMEN LEAD HERE

In March 2020, PrairieSky was recognized in the **Women Lead Here** survey by the Globe and Mail and Report on Business

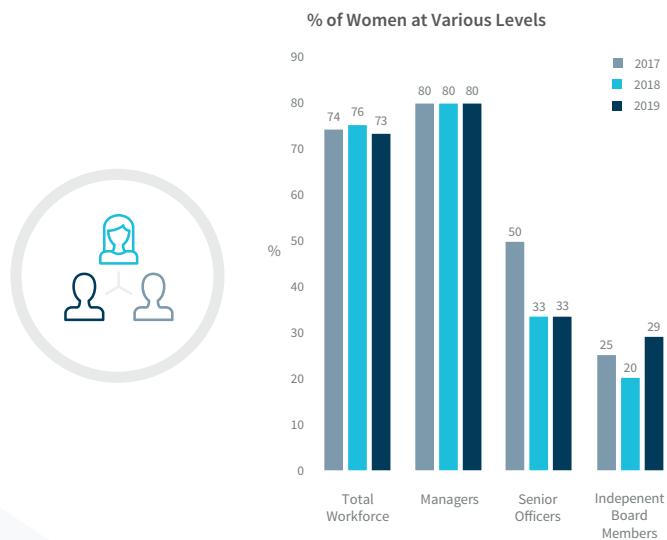
(www.theglobeandmail.com/business/rob-magazine/article-introducing-the-2020-women-lead-here-honourees/).

This survey is a new annual benchmark of gender diversity in corporate Canada and PrairieSky was identified as being at the forefront of women in leadership positions.

Gender Diversity

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

We have a relatively small workforce at PrairieSky. Of our 64 full and part-time staff, 73% are women. Our three-person executive team includes one female member (CFO) and of our five managers, four are women (80%), including our Controller. We have two female leaders on the Board of Directors, representing 29% of the independent directors. In 2019, we implemented our Board Diversity mandate which set an aspirational target of having 25% women on our Board by 2022, a target we have now met. Our Board Diversity policy can be found on our website at www.prairiesky.com.



Employee Share Ownership

PrairieSky promotes a culture of ownership. We believe all our employees should be owners in PrairieSky's business, and alignment with shareholders is a core part of PrairieSky's culture. In meeting this objective, PrairieSky provides a non-dilutive stock savings plan in which every permanent employee takes part. Under the plan, employees contribute up to 12 per cent of their salary, which is matched on a dollar for dollar basis by PrairieSky, with the aggregated funds being used to purchase PrairieSky common shares in the open market which are then subject to an escrow for two years.

The Company has also adopted share ownership guidelines to encourage alignment with the interests of shareholders by requiring its directors, executive and certain senior personnel of the Company to build and hold equity in the Company in accordance with prescribed guidelines. All of PrairieSky's employees are also shareholders, with executive management investing a substantial portion of their new worth in PrairieSky shares. As at December 31, 2019, PrairieSky's President and CEO held common shares valued at over 21 times his annual salary.

Discrimination and Harassment

PrairieSky is committed to providing a healthy and safe workplace where all employees are free from discrimination, harassment, or 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 are subject to Canadian human rights and labour laws which protect the rights of workers and provide for freedom of association.

We act in accordance with all laws and regulations, including the Canadian Charter of Rights and Freedoms, and our commitment to human rights is outlined in our Human Rights Policy found on our website at www.prairiesky.com, 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 contested 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, Cona Resources Ltd. and International Petroleum Corp., have agreements in place with the Frog Lake First Nations and Onion Lake Cree Nation, respectively, to work in partnership on certain operations and development of the projects, including a commitment to sustainable development.

In Q1 2019, PrairieSky reserved 20% of available positions in its Women's Mentorship Program for Indigenous candidate(s).

We contribute
to our local,
provincial and
federal economies by
providing employment,
supporting economic
activities and paying
taxes.

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 which is available on our website at www.prairiesky.com. Administrative costs include salaries and benefits for employees as well as costs related to advisors, consultants, contractors, office rent and information technology.

In 2019, PrairieSky engaged less than 200 suppliers investing approximately \$8.0 million in goods and services, including \$1.9 million for consultants and professional services, such as our reserve engineers, auditors and legal counsel. PrairieSky's other key administrative expenses relate to office rent, information technology (software and consulting) and records management which represents approximately \$4.2 million and includes adding a new server. The remaining \$1.9 million in goods and services included costs related to employee benefits and training, office services, travel for investor relations, and PrairieSky's \$0.4 million community investment as further described below.

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.

Economic Contribution

Canada's crude oil and natural gas industry makes a significant, positive impact on Canadian and provincial economies.

As Canada's leading crude oil and natural gas royalty enterprise, we contribute to our local, provincial and federal economies by providing employment, supporting economic activities and paying taxes. The wealth that is generated positively impacts all of our stakeholders.



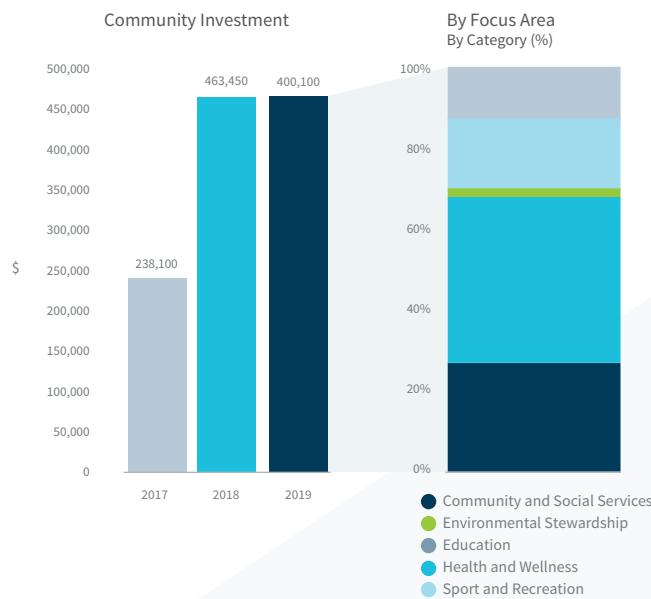
PrairieSky is committed
to giving back to the
communities where we
work and live.

Community Investment

We encourage employees to give back to our communities and we direct our efforts to areas of interest to our employees. Employees are active in supporting causes that make a significant and positive impact in the community.

Like our employees, PrairieSky is committed to giving back to the communities where we work and live through sponsorships, donations, and volunteering.

PrairieSky has multi-year commitments with multiple organizations which allow for these non-profits to budget their services and programs more effectively.



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

Our community investment program has three goals:

- > promoting healthy communities;
- > giving back to our communities; and
- > engaging 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



**Employees are active
in supporting causes
that make a significant
and positive impact in
communities where we
work and live.**

Our key community partners are:



Alberta Children's Hospital Foundation

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



University Of Saskatchewan

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

In 2019, we invited staff to submit recommendations of registered charitable and non-profit organizations for PrairieSky support. They are included below along with other community investment programs and in-kind donations considered on an annual basis:



I Challenge Diabetes

The mission of I Challenge Diabetes is to support, empower, and connect people living with Diabetes by providing challenging programs to test the limits of living with the disease, and high quality services to help them grow and take accountability for their own health. PrairieSky partnered with I Challenge Diabetes to help bring their much-needed programs to the Calgary area.



Emma House

Emma House is a safe and supportive transitional housing program for expectant mothers ages 12+ who are experiencing or are at risk of homelessness in Calgary and surrounding area. PrairieSky subsidized the 2019 housing costs for Emma House so they could continue to provide the best support possible to the moms and babies in their program.



Friends Of Fish Creek Provincial Park Society

Friends of Fish Creek Provincial Park Society look to build a sustainable Fish Creek Provincial Park that improves the quality of life for present and future generations. PrairieSky is a ReWilding Sponsor of Friends of Fish Creek which supports important habitat restoration sites through funding the purchase of native trees and shrubs.



CLIC Program – Calgary Drop-In Centre

Computers for Low Income Calgarians (CLIC) aims to break down the barriers that prevent men and women living in poverty from access to the technology they need to work, live and thrive. In 2019, PrairieSky donated 60 workstations and replacement hard drives to the program.



Ski For Heart

PrairieSky is a lead sponsor for this event in support of the Heart and Stroke Foundation. The event is a family-friendly weekend in the Rockies for Albertans who share a passion for the outdoors, and a commitment to support life-saving heart and stroke research. Funds raised from the event are used to sponsor a research project for one year. In 2019, the event raised \$123,268.



Lionheart Foundation

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

Community Investment Highlights



\$400,100

in sponsorship and donations



88%

*of employees participated
in Charitable Giving Campaign*

Volunteer Opportunities

Key to our commitment to communities is providing volunteer opportunities to our staff. Our generous staff volunteer their time and energy to many causes which in 2019 included:

- > In January, staff and their families attended the Ski for Heart event hosted by the Heart and Stroke Foundation which raised \$123,268 for heart and stroke research.
- > In February, PrairieSky staff volunteered for the Caring for Kids Radiothon which raised a record \$6.6 million for the Alberta Children's Hospital Foundation.
- > In April, PrairieSky sponsored and volunteered at The Calgary Drop-In & Rehab Centre, serving lunch to clients.
- > In June, PrairieSky employees installed fencing, removed invasive weeds, and planted native trees and shrubs as part of the Riparian Restoration Project at Fish Creek Provincial Park.
- > In November, PrairieSky held an inaugural Charitable Giving Campaign in which we raised over \$45,000 for non-for-profit and charitable organizations offering services and support to local children and youth, including ConnecTeen, Between Friends, Wood's Homes, and the Alberta Children's Hospital Foundation.

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

Performance Summary Table

	Units	2017	2018	2019	Verification
Company Context					
Royalty production	boe/d	25,259	23,358	21,757	
Total acres	million acres	15.3	15.6	15.6	
Acres — fee title lands	million acres	7.8	7.8	7.8	
Acres — gross overriding royalties	million acres	7.5	7.8	7.8	
Seismic data (3-D)	square km	13,000	13,000	13,000	
Seismic data (2-D)	km	45,000	46,000	46,000	
Operators/lessees	count	340	340	325	
Revenues	million \$	345.7	273.8	268.4	
Relationship with Operators					
Sites visited by senior management	count	15	17	33	
Audits of lessees	count	1,042	970	859	
Enforcement actions	count	1	—	—	
Notices issued to lessees	count	2,124	2,880	3,578	
Acres "recycled"	acres	213,120	112,640	99,840	
Employees					
Total employees	count	65	60	64	
Full-time	count	62	57	61	
Part-time	count	3	3	3	
% of women					
Total workforce	percent	74	75	73	PwC
Managers	percent	80	80	80	PwC
Senior officers	percent	50	33	33	PwC
Independent Board members	percent	25	20	29	PwC
Retention					
Turnover rate, total	percent	13.6	17.6	9.7	
Turnover rate, voluntary	percent	7.6	8.0	4.8	

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.

	Units	2017	2018	2019	Verification
Facilities					
Resource use, prorated to PrairieSky					
Electricity use	gigajoules	1,871	1,738	1,673	
Electricity use (Scope 2 emissions location-based approach)	metric tons CO ₂ e	416	386	316	PwC
Electricity use (Scope 2 emissions market-based approach)	metric tons CO ₂ e	416	386	0	PwC
Natural Gas use	gigajoules	2,453	2,771	2,644	
Natural Gas use (Scope 1 emissions location-based approach)	metric tons CO ₂ e	127	144	137	PwC
Natural Gas use (Scope 1 emissions market-based approach)	metric tons CO ₂ e	127	144	0	PwC
Water use	cubic meters	1,905	965	959	
Waste generated	metric tons	12.2	13.1	14.2	PwC
Waste diverted from landfill	percent	64	76	79	PwC
Water use, prorated per PSK employee	litres	27,945	16,085	14,980	
Communities and Society					
Community Investment	\$	238,100	463,450	400,100	PwC
By Focus area					
Community and Social Services	\$	117,000	179,600	109,000	
Education	\$	-	50,000	50,000	
Health and Wellness	\$	67,450	156,650	162,500	
Environmental Stewardship	\$	11,650	4,850	8,850	
Sport and Recreation	\$	42,000	72,350	69,750	
Economic Value Generated and Distributed					
Revenues	millions \$	345.7	273.8	268.4	
Distributed as follows:					
Dividends declared to shareholders and share buybacks	millions \$	218.4	227.7	201.2	
Employees (salaries, benefits and cash long-term incentives)	millions \$	20.7	18.8	15.2	
Suppliers (operating expenses, other G&A, other)	millions \$	1.7	3.8	8.0	
Governments (production and mineral taxes, cash taxes)	millions \$	17.7	21.1	24.0	
Communities & Non-Profits (charitable contributions)	millions \$	0.2	0.5	0.4	
Value Retained at PrairieSky ⁽¹⁾	millions \$	87.0	2.0	19.6	
Health and Safety					
Lost Time Incident Rate	Cases per 200,000 hours	-	-	-	
Fatalities – Employee/Contractor	Count	-	-	-	

Notes:

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

GRI Index

We used the Global Reporting Initiative (GRI) Sustainability Reporting Standards to help determine report content. The report contains Standard Disclosures from the Guidelines but has not fulfilled all the requirements to be 'in accordance'. For more information on the GRI, please visit www.globalreporting.org.

GRI Indicator		
Organizational Profile		Page
102-1	Name of Organization	2
102-2	Activities, brands, products and services	2
102-3	Location of headquarters	26
102-4	Location of operations	2
102-5	Ownership and legal form	See Annual Information Form, page 12 and Information Circular and Proxy Statement page 7
102-6	Markets served	2
102-7	Scale of the organization	2
102-8	Number of employees	26
102-9	Supply chain description	23
102-10	Significant changes to the organization and its supply chain	n/a
102-12	External initiatives	8, 19 (UN Global Compact, ESTMA)
102-13	Membership of associations	16, 22 see Information Circular and Proxy Statement page 26
Strategy		
102-14	Message from Chair of the Board and President & CEO	1
102-15	Key impacts, risk, and opportunities	6, 11, 19
Ethics and Integrity		
102-16	Values, principles, and standards	6, 10
102-17	Understanding and reporting unethical behavior	13, 14
Governance		
102-18	Governance structure	10
102-19	Delegating authority	10
102-20	Executive-level responsibility for economic, environmental and social topics	10
102-22	Composition of the Board of Directors	11
102-23	Chair of the Board of Directors	See Information Circular and Proxy Statement page 20
102-24	Nominating and selecting the Board of Directors	See Information Circular and Proxy Statement page 31
102-25	Conflicts of interest	15
102-27	Collective knowledge of the Board of Directors	See Information Circular and Proxy Statement "Director Skills and Experience" page 37
102-28	Board performance evaluation	See Information Circular and Proxy Statement page 36
102-29	Role of Board in managing sustainability and impacts	10

GRI Indicator		
Governance		Page
102-30	Effectiveness of risk management for sustainability	11
102-31	Role of Board in reviewing economic, environmental and social topics	10, 11
102-32	Highest level of Responsibility Report approval	Chair of Board
102-35	Remuneration policies	See Information Circular and Proxy Statement "Compensation Discussion and Analysis" starting on page 38
102-36	Process for determining remuneration	See Information Circular and Proxy Statement "Compensation Discussion and Analysis" starting on page 38
102-37	Stakeholders' involvement in remuneration	12
102-40	List of stakeholder groups	4
102-41	Collective bargaining agreements	n/a
102-42	Identifying and selecting stakeholders	4, 12
102-43	Approach to stakeholder engagement	4, 12
102-44	Key topics and concerns raised	See Information Circular and Proxy Statement page 27
Reporting Practice		
102-45	Entities included in consolidated financial statements	See 2019 Consolidated Financial Statements, Note 1 on page 8
102-46	Report content	5
102-47	Material topics	5
102-48	Restatements of information	n/a
102-49	Changes in reporting	n/a
102-50	Reporting period	5
102-51	Most recent Responsibility Report	5
102-52	Reporting cycle	5
102-53	Contact point for questions regarding the report	43
102-54	Claims of reporting in accordance with the GRI standards	5, 41
102-55	GRI content index	41
Economic, Environmental and Social Performance		
201-1	Direct economic value generated and distributed	34
302-1	Energy consumption within the organization	26, 27
302-3	Energy intensity	26, 27
302-4	Reduction of energy consumption	26, 27
305-1	Direct (Scope 1) GHG Emissions	26, 27
305-2	Energy indirect (Scope 2) GHG emissions	26, 27
306-2	Waste and recycling	28
401-1	New employee hires and employee turnover	30, 39
401-2	Benefits provided to full-time employees that are not provided to part-time employees	30
403-9	Work-related injuries	40
404-2	Training Programs	30
404-3	Percentage of employees receiving regular performance and career development reviews	30
405-1	Diversity of governance bodies and employees	32
415-1	Political contributions	See Business Code of Conduct at www.prairiesky.com .

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