

Perpetual Energy Inc.
Annual Report on Forced Labour and Child Labour



For the year ended
December 31, 2023

PERPETUAL ENERGY ANNUAL REPORT ON FORCED LABOUR and CHILD LABOUR 2023

Introduction:

This report ("**Report**") is made by Perpetual Energy Inc. ("**Perpetual**", "**we**" or "**our**") and constitutes our annual report for the financial year ending December 31, 2023, pursuant to the *Fighting Against Forced Labour and Child Labour in Supply Chains Act (Canada)* (the "**Act**").
Link: [S-211 \(44-1\) - LEGISinfo - Parliament of Canada](#)

As described in this Report, we are committed to minimizing the risk of Forced Labour and Child Labour (each as defined in the Act and together referred to as "**Modern Slavery**") in our business and supply chains. This Report sets out the policies and procedures utilized by Perpetual and its subsidiaries in the year ended December 31, 2023 to prevent and reduce the risk of Modern Slavery being utilized in the network of suppliers, contractors, and subcontractors in the provision of goods and materials, equipment, or services to Perpetual (our "**Supply Chain**").

Steps Taken in 2023:

In 2023, Perpetual employed a four-fold approach to prevent and reduce the risk of Modern Slavery being used in our Supply Chain. Specifically, Perpetual utilized a combination of corporate policies, contractor obligations, supplier due diligence and problem area identification and remediation. In addition, in 2023 we:

- Established the role of the Manager ESG (Environmental, Social and Governance) Reporting to assist with our reporting requirements under the Act;
- Tasked the Manager ESG and other internal personnel to ensure our compliance with the Act and to review the risk of exposure of Modern Slavery in our Supply Chain;
- Engaged our external legal counsel to further assist us with our reporting requirements under the Act, which consisted of numerous meetings in which they provided advice to us in advance of, and following, the release of the government guidance in December 2023 pertaining to the Act;
- Conducted reviews of our current vendors to ensure their policies align with Perpetual's policies and procedures as they relate to risk mitigation and responsibilities associated with Modern Slavery; and
- Held a number of internal planning conversations involving senior management and the Board of Directors (the "**Board**").

As a result of the steps taken in 2023 and the activities which are ongoing in 2024, we determined that we are not aware of any high-risk exposure to modern slavery associated with Perpetual's Supply Chain.

Structure and Activity:

Perpetual is listed on the Toronto Stock Exchange (TSX: PMT) and is headquartered in Calgary, Alberta.

Perpetual is a Canadian energy company engaged in the exploration, production, and marketing of conventional oil and natural gas. In 2023, Perpetual owned a diversified asset portfolio, including heavy oil operations in Eastern Alberta, liquids-rich conventional natural gas assets in the deep basin of West Central Alberta and undeveloped bitumen leases in Northern Alberta. Perpetual sold the majority of its Eastern Alberta heavy oil operations in November 2023. We strive to ensure safe and reliable operations across our assets including top-tier health and safety performance.

As of the end of 2023, Perpetual had 41 full time office employees, 5 full time field employees and 8 hourly consultants, all based in Alberta.

We have a joint venture interest in producing and developing liquids-rich natural gas assets in the deep basin of West Central Alberta in the East Edson area referred to as our "non-operated assets." Statements regarding our operations, assets and values apply only to our operated assets, unless stated otherwise.

Supply Chain:

We do business with a wide range of suppliers, sourcing material and services primarily locally. Our suppliers are engaged throughout our Supply Chain. We strive to build and maintain relationships with suppliers who align with our values.

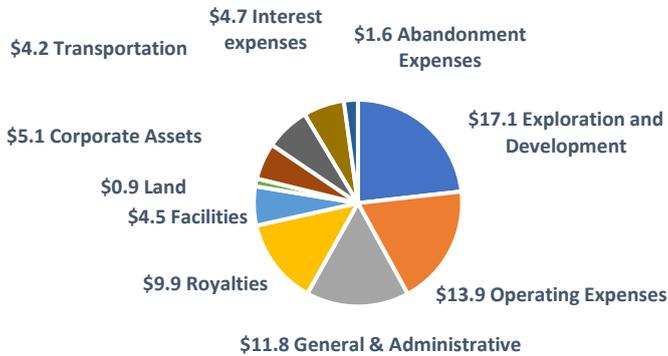
Our supplier due diligence is conducted through a prequalification assessment which includes health and safety, Workers' Compensation Board clearance, environmental impact, technical compliance, and financial considerations, among other Supply Chain management metrics. Perpetual utilizes ComplyWorks as a compliance management tool to manage supplier, worksite and workforce compliance across its operations.

Contractor obligations are established through procurement contracts which require compliance with all laws and regulations, including the Act and Perpetual's policies and procedures.

All Perpetual suppliers are domiciled in Canada, although we appreciate that certain suppliers may supply us with products that originate from other jurisdictions, and all have their own supply chains.

The chart below reflects our 2023 Supply Chain spending broken out by business activity:

PERPETUAL ENERGY 2023 SPENDING (Millions)*



* Reference: MD&A Report Yr 2023

Policies:

Our employees, contractors, suppliers, management, and Board all play an important role in ensuring that we carry out our business activities in an ethical, legal, and responsible manner. As part of our commitment to the policies and standards set by the Board and management, Perpetual seeks to work with employees, contractors and suppliers who share our values and are aligned with our commitments. We require that employees, contractors, and suppliers uphold our corporate values and familiarize themselves and comply with our policies. The following policies have been adopted by Perpetual to ensure the highest ethical standards by prohibiting violations of human rights and Modern Slavery:

- Code of Business Conduct and Ethics;
- Safety Policy;
- Environmental Policy;
- Workplace Anti-violence, Harassment and Discrimination Policy; and
- Whistleblower Policy.

Board Oversight:

Our Board reviews and approves all of Perpetual's policies on an annual basis. Our Code of Business Conduct and Ethics sets out how Perpetual acts as a company, including our commitment to respecting human rights. It contains a set of guidelines designed to ensure ethical and responsible conduct by all Perpetual directors, officers, employees and contractors and their review and compliance is certified annually. Adherence

to our Safety Policy and our Workplace Anti-violence, Harassment and Discrimination Policy ensures our employees and contractors work in a safe, secure, healthy, and inclusive environment. Our Whistleblower Policy establishes a direct link to the Board's audit committee chair to be made aware of notifications and complaints, including those that could be related to Modern Slavery, which allows the Board to be made aware of problem areas that could be identified and to monitor remediation.

Due Diligence Processes:

Perpetual has standardized forms that are used for suppliers in the procurement of goods and services which include requirements for supplier compliance with applicable laws and regulations in Canada, including the Act.

Subsequent to the Act becoming effective, in early 2024, we instituted a new process whereby new and existing vendors are required to make certain representations with respect to their own supply chains, including that they have taken reasonable steps to identify, assess, prevent and reduce the risk that Modern Slavery is used at any step in their supply chains, and that if they become aware of such risk, they are required to remediate.

Perpetual has a formal process for identifying hazards, incidents, and areas of non-compliance in our operations, including those that could be related to Modern Slavery, with formal tracking for regulatory reporting and establishing and implementing remediation. In addition, our Whistleblower Policy allows for anonymous stakeholders to share their concerns about how Perpetual conducts its operations or concerns regarding our employees, contractors or suppliers failing to comply with any of our policies, laws, or regulations, including those that could be related to Modern Slavery.

Identifying Modern Slavery Risks:

Given that Perpetual's operations are exclusively in Western Canada and our workforce is comprised of office workers and skilled oil and gas field workers that receive a fair and competitive wage for their work, we consider that there is a minimal risk of Modern Slavery in our direct operations.

Given that Perpetual's operations are exclusively in Canada, we consider that there is also a minimal risk of Modern Slavery occurring in our Supply Chain. We have identified that such risk may exist in the supply chains of our suppliers' procuring goods and services outside of Canada, however we believe, that based on the highly ethical nature of the oil and gas industry in Canada as a whole, this risk is also low.

Remediation Measures:

At present, none of our suppliers have advised us of the risk or existence of Modern Slavery in either our operations or our Supply Chain. As such, as of May 31,



2024, we have not been required to take any measures to remediate any Modern Slavery.

Training:

When onboarding and annually thereafter, all staff must sign the Code of Business Conduct and Ethics confirming their agreement to abide by the terms of the Code. In addition, all our employees and contractors have been informed of our new policy of ensuring that all our vendors also comply with the Act.

Assessing our Effectiveness:

After reviewing our existing policies and practices and our suppliers of goods and services, Perpetual believes our Modern Slavery risk is low.

Our employees and contractors are oil and gas professionals, operators and administrative workers located in Canada. We are satisfied that, because of our recruitment, remuneration and compliance practices throughout our operations, there is a low risk that Perpetual is at risk of Modern Slavery. We continue to be guided by our policies and principles and our relationships with our partners, including working with reputable companies, who are required to comply with domestic laws.

Perpetual understands that we have a responsibility to assess and report on the risk of Modern Slavery in our operations and Supply Chain over the long term. We will work collaboratively across the organization and with our legal counsel to continue to review the Act's impact on Perpetual and assess the effectiveness of the actions taken to address the risks of Modern Slavery.

We have consulted with our peers and engaged external counsel to advise Perpetual on best practices for the management of Modern Slavery risks.

Looking Forward:

Preventing and addressing Modern Slavery risks in our operations and Supply Chain is an ongoing process that requires continued monitoring and evaluation. Perpetual is committed to conducting its business with the highest ethical standard, in a manner that prohibits Modern Slavery. We expect all employees, contractors, suppliers, management, and Board members working with us and on our behalf to adhere to these principles.

In 2024, we have work ongoing to continue to enhance our assessment of the risks of Modern Slavery in our Supply Chain including:

- Holding information sessions for key personnel involved in our Supply Chain;
- Amending our corporate policies to more explicitly reflect our obligations with respect to the Act;
- Implementation of processes for contractor awareness and certification of their compliance with the Act;
- Monitoring the development of industry compliance management tools; and
- Confirming we are not the direct importer of materials from high-risk jurisdictions related to our capital activity and operations.

Approval and Attestation:

This Report was approved by the Board in respect of Perpetual and its subsidiaries listed in Appendix "A" on May 7, 2024, pursuant to subparagraph 11(4)(b)(ii) of the Act and has been filed with the Minister of Public Safety and Emergency Preparedness. Link: [Submit a report \(publicsafety.gc.ca\)](https://publicsafety.gc.ca)

In accordance with the Act's requirements and particularly section 11 thereof, I attest that I have reviewed the information in this Report. Based on my knowledge, and having exercised reasonable diligence, I attest that the information in this Report is true, accurate and complete in all material aspects for the purposes of the Act, for 2023.



Sue Riddell Rose
President and Chief Executive Officer
Date: May 7, 2024

I have the authority to bind Perpetual.

