

MODERN SLAVERY REPORT (2023)

PEYTO EXPLORATION & DEVELOPMENT CORP.

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1. Introduction

This report (the "**Report**") is made jointly by Peyto Exploration & Development Corp. and its wholly owned subsidiaries (together referred to as "**Peyto**", the "**Company**", "**we**", "**us**" or "**our**") pursuant to Canada's *Fighting Against Forced Labour and Child Labour in Supply Chains Act* (the "**Act**"). This Report constitutes our forced labour and child labour report for the financial year ended December 31, 2023.

2. Steps to Prevent and Reduce the Risks of Forced Labour and Child Labour in 2023

Peyto took the following steps during 2023 to prevent and reduce the risk of forced and/or child labour in our business and supply chains:

- Engaged the services of an independent third party ([Shift Critical International](#)), a sustainability advisory firm, to assess and advise Peyto on the legislative framework ("**Shift Critical**");
- Developed and approved a [Supplier Code of Conduct](#);
- Conducted a supplier¹ risk assessment based on known risk factors and a survey administered to suppliers with identified risk; and
- Compiled and provided an update on the legislation and the steps taken by the Company to the Board of Directors.

Details of the actions listed above are set out in this Report.

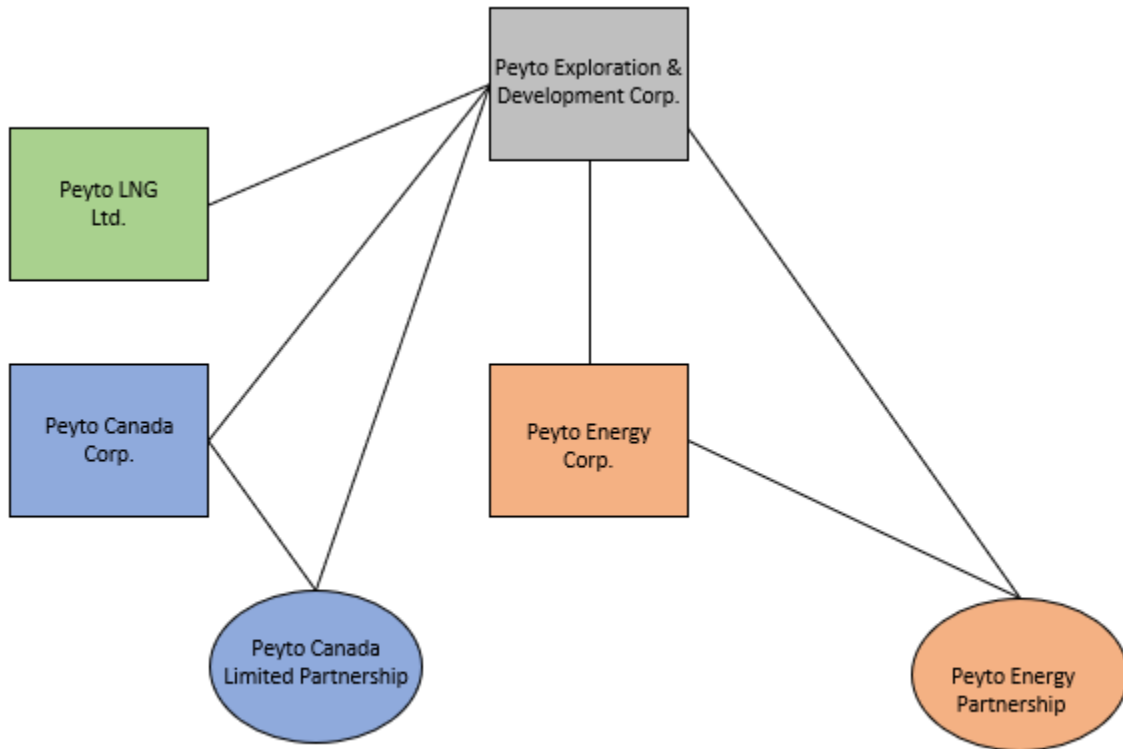
3. Corporate Structure, Business Operations and Supply Chains

Corporate Structure

Peyto is an independent, publicly traded, Canadian energy company that is headquartered in Calgary, Alberta. Peyto trades on the Toronto Stock Exchange under the symbol "PEY".

¹ The identified key suppliers that provide workforce services and/or supply goods directly to PEYTO ("Suppliers" or "Tier 1 Suppliers").

Our corporate structure includes the following entities:



Peyto is comprised of a nine-person Board of Directors and a seven-person management team.

Business Operations

Peyto Exploration & Development Corp. and its two operating subsidiaries, Peyto Energy Partnership and Peyto Canada Limited Partnership, concentrate on the exploration, development, and production of high-quality, long-life gas reserves in the west-central region (Deep Basin) of Alberta. Peyto LNG Ltd., Peyto Canada Corp. and Peyto Energy Corp. are subsidiaries of Peyto Exploration & Development Corp. which are holding companies that do not have current operations.

As at December 31, 2023, Peyto had 84 employees in the Calgary office and 67 employees in the field. Contract operators are retained for a portion of field operations.

A complete description of Peyto’s properties and operations is provided in its annual information form for the year ended December 31, 2023, which can be accessed on the Company’s website at www.peyto.com or on SEDAR+ at www.sedarplus.ca.

Supply Chain Management

The Act requires Peyto to report on activities that relate to the production, sale, and distribution of goods, both in and outside of Canada, and any importation of goods into Canada. We procure goods and

services from a range of third parties, primarily related to oil and gas resource development, and enter into vendor contracts in accordance with Peyto's policies and procedures. We engage primarily with Canadian-based suppliers in an effort to increase efficiency and maintain cost controls and we have a small number of U.S.-based suppliers.

Our vendor engagement strategy is centered on our dedication to safety, cost-effective and innovative solutions, excellent service delivery and maximizing economic benefits and employment in the communities where we operate. It is also important that our vendors offer opportunities with locally owned businesses to support local employment. These criteria play a crucial role in our vendor selection process and competitive tender evaluations.

4. Policies and Due Diligence Processes

Policies

As part of our commitment to the policies and standards set by the Peyto Board of Directors and management, Peyto strives to partner with staff and contractors who share our commitment. Our policies, which reflect our commitment to ethical business practices and a work environment that fosters mutual respect, open communication, and integrity, consistent with the expectations and plans of the Company, are published on the [Corporate Responsibility](#) page of our website. Peyto's relevant policies are listed below:

- [Code of Business Conduct and Ethics](#) (the "**Code**"): Pursuant to the Code, all employees, officers, contractors, consultants and directors must respect and obey the laws of the cities, provinces and countries in which we operate and avoid even the appearance of impropriety. Additionally, the Code sets out our commitment to maintaining a safe workplace by following safety and health rules and practices.
- [Whistleblower Policy](#): This policy provides a mechanism for employees, contractors and stakeholders to anonymously bring forward matters of concern including those associated with forced labour and child labour. We encourage all employees, contractors, and consultants who are performing work for the Company, and other stakeholders who are impacted by the Company's business, to speak up and proactively raise their concerns about potential violations, issues and/or concerns. We provide protection from retaliation against Whistleblowers who raise concerns about the Company in good faith. All complaints are dealt with and elevated to the highest levels within the Company.
- [Supplier Code of Conduct](#) (discussed in further detail below)

5. Due Diligence: Steps Taken to Assess and Manage the Risks

Peyto does not permit forced labour or child labour in its operations or in its supply chain. The Company has undertaken the following due diligence measures to date.

In 2023, we commissioned Shift Critical, to conduct a comprehensive risk assessment report of our supply chain (see below). The suppliers were asked to complete an online questionnaire which focused on various areas of potential modern slavery risk and due diligence, including:

- 1) inherent risks in their own operations and their supply chains;

- 2) reports of any incidents of forced labour and child labour; and
- 3) the policies and training they have in place.

We also conducted a review of our own policy framework and commissioned Shift Critical to develop a Supplier Code of Conduct which expressly prohibits modern slavery in all its forms, as evidenced by the following statement in the policy:

In accordance with Canada's Fighting Against Forced Labour and Child Labour in Supply Chains Act ("Canada's Modern Slavery Act"), Peyto prohibits the use of forced labour and child labour in any form. In compliance with Canada's Modern Slavery Act, Peyto compiles an annual report on due diligence efforts to identify modern slavery risk, including forced labour and child labour in the supply chain. Peyto expects that suppliers will provide any information required for the Company to report.

The Board of Directors has been briefed on and approved all aspects of this work including this report, as required by the Act, prior to the mandatory reporting deadline.

6. Forced Labour and Child Labour Risk

The key findings of our supplier risk assessment are addressed below.

- **Direct Operations:** Peyto's operations are based almost entirely within Canada. Canada is considered a low-risk location for forced labour and child labour, and our products are also low risk.
- **Supplier Operations:** Based on the results of the risk assessment, we have determined that there is low inherent risk among our suppliers, with a significant portion of the suppliers having a risk score of zero.

Overall, Peyto's supply chain risk is considered low. No supplier, including those with inherent risks, reported an incident of forced labour or child labour within their operations, or within their supply chain. Compliance with local regulations governing the age of workers is 100 percent among suppliers and within their supply chains. The profile suggests a diligent approach to modern slavery issues among Peyto's suppliers.

There are some suppliers that carry inherent risk in their own operations and/or their supply chains. However, following our risk assessment evaluation, we have determined that these suppliers have robust measures in place to identify and remediate such risks. Further, a concentration of risk among a few suppliers can simplify risk management and mitigation efforts, as attention can be focused on this smaller pool.

7. Remediation

Peyto has not encountered instances of forced labour or child labour in the supply chain and, as a result, no remediation measures have been applied.

8. Remediation for Loss of Income

Peyto has not encountered instances of forced labour or child labour in the supply chain and, as a result, no remediation for loss of income to vulnerable groups has been necessary or applied.

9. Staff and Executive/Board Training

Peyto is considering options for staff training on forced labour and child labour, including in-person and online modular courses.

10. Assessing the Effectiveness of Our Actions

Based on the risk assessment that we have conducted and the responses that we have obtained from Suppliers we believe that our supply chain risk is low. Our Board of Directors is apprised on an ongoing basis regarding actions to identify and mitigate risk; forced labour and child labour have been added to this oversight.

We have reviewed the Act and its implications for Peyto, and we are committed to reviewing our policies and practices on a regular and ongoing basis. We have applied additional due diligence measures in the first year of reporting through Shift Critical.

11. Looking Forward

We will continue to collaborate with suppliers identified and will assess opportunities to enhance our annual approach to modern slavery risk disclosure. Other measures which may add value to this effort will be considered and presented to Executive Management and the Board of Directors as we develop a clearer picture of any future challenges that may arise.

12. Approval and Attestation

This Report was approved pursuant to subparagraph 11(4)(b)(ii) of the Act by the Board of Directors of Peyto.

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

I have the authority to bind Peyto Exploration and Development Corp.

/s/ Jean-Paul Lachance

Full name: Jean-Paul Lachance

Title: President, CEO and member of the Board of Directors of Peyto Exploration & Development Corp.

Date: May 31, 2024

Appendix A

Wholly owned subsidiaries of Peyto Exploration and Development Corp.:

Peyto LNG Ltd.

Peyto Canada Corp.

Peyto Energy Corp.

Peyto Canada Limited Partnership

*Peyto Energy Partnership

* denotes an entity that is subject to the reporting requirements of the Act and is covered by this report.