



## Persta Resources Inc.

(incorporated under the laws of Alberta with limited liability)

Stock code: 3395



# Environmental, Social and Governance Report 2017



# PERSTA RESOURCES INC.

Persta Resources Inc. is a Calgary-based oil and gas exploration and development company focusing on liquids-rich gas and light crude oil in Western Canada with three core areas of operations comprising: Alberta Foothills liquids-rich natural gas properties; Deep Basin Devonian natural gas properties; and Peace River light oil properties.



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# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 1 About This Report

### 1.1 Overview

This is the second Environmental, Social and Governance Report (the “**ESG Report**”) of Persta Resources Inc. (hereinafter “**Persta**”, the “**Company**”, “**we**”, “**our**” or “**us**”), for the period from 1 January 2017 to 31 December 2017. This ESG Report is to be read in conjunction with the Annual Report 2017, in particular the Corporate Governance Report therein.

This ESG Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the “**ESG Guide**”), Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**HKEx**”). An “HKEX ESG Content Index” that maps the information contained in the report to the ESG Guide, along with a summary list of ‘Material Environmental Key Performance Indicators’, is provided in the Appendixes to this ESG Report.

### 1.2 Core Business of the Company

Founded in 2005, Persta is a Calgary-based public oil and gas company focusing on the exploration, development and production of liquids-rich natural gas and light oil resources in Canada.

For the year ended 31 December 2017, the Company focused on three core areas of operation — Alberta Foothills, Deep Basin Devonian and Peace River — with a daily average production volume of 2,856 BOE per day.

### 1.3 Report Boundary

This ESG Report covers the Company’s policies, initiatives and environmental, social and governance (“**ESG**”) performance in Canada during the period from 1 January 2017 to 31 December 2017. The environmental data of our office is considered immaterial and is not included in the data disclosure of this ESG Report.

### 1.4 Endorsement

This ESG Report has been reviewed and approved by the board of directors (the “**Board**”) of the Company.

### 1.5 Contact

We welcome any comments and suggestions you may have on this ESG Report. For any feedback, please feel free to contact us by email to [ir@persta.ca](mailto:ir@persta.ca).

## 2 ESG Management

### 2.1 Our Approach

The Company recognises corporate responsibility as integral to the successful achievement of its wider business objectives and strategies while creating value for stakeholders with integrity and accountability. We operate our business in a responsible manner and within our operations in Canada, we work to foster a corporate culture that embraces a high standard of corporate governance, environmental protection and social development.

The Company's directors are responsible for developing board policies and procedures related to:

- environmental management and sustainability;
- employment and labour practice;
- operating practices; and
- community.

To further assist the Board in managing ESG-related issues, the Company plans to establish an ESG working group comprising members of senior management and other staff members with various expertise. It will ensure proper communication between the Company's top management and employees is in place, which is aimed at improving the overall ESG performance in long term.

### 2.2 Environmental and Social Management

Based on our business nature, our major concerns with regard to environmental and social considerations are the health, safety and environmental aspects.

The Company is committed to ensuring safe and healthy working locations and work practices, as well as protecting the environment. We believe that safety and protecting the environment is vital to our business and that all work-related injuries and illnesses, property losses and adverse environmental impacts are preventable.

Below are the six goals set forth in our health, safety and environmental ("**HSE**") policy which we have achieved:

#### Regulatory and HSE Programme Compliance

All personnel are knowledgeable of and have complied with applicable regulatory requirements, with industry best practices and with the requirements of their HSE programme as implemented at the Company's worksites.

#### Environmental Protection

Protection of the environment is an integral part of the Company's operations and has been managed at all stages during the planning and execution of projects.

#### Hazard Reporting and Right to Refuse Unsafe Work

Worksite hazards must be immediately reported and eliminated or controlled. Worksite personnel have the right and the responsibility to refuse to conduct assigned work when unsafe conditions exist or where they are insufficiently trained to safely complete the work.

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## Work Procedures

Only approved work procedures have been used. Worksite personnel (including the Company's employees and contractors) must be suitably trained in the procedures applicable to their work and must be supervised where required.

## Employee Awareness and Training

Employees have been trained in the content and implementation of the Company's Health, Safety and Environment Management System and in procedures applicable to their work. Contractors who are responsible for their personnel assigned to the Company's worksites are trained in applicable work procedures, and in the requirements of their specific HSE programmes as implemented at the Company's worksites.

## Emergency Planning and Response

The Company maintains documented emergency response procedures to ensure a prompt and efficient response to foreseeable emergencies as well as to ensure its employees and contractors are trained in this area.

## 2.3 Materiality Assessment

With regard to the ESG considerations and their associated HSE aspects, the following materials are identified:

Material aspect	Relevance
Wastewater discharged	It includes the water produced from wellheads during the production process. Wastewater is collected by the Company and sent to authorised third parties for treatment and discharge.
Carbon emissions	Carbon emissions arise from the fuel-operated machinery, flaring in well tests and methane emissions during the production progress.
Hazardous waste	Hazardous wastes are produced in the production process and maintenance activities.
Non-hazardous waste	Non-hazardous wastes are produced in our production sites.
Use of resources	Resources such as electricity, water, diesel and natural gas are used to support our production and maintenance processes.

Maintaining a good relationship with stakeholders is crucial to the long-term success of the Company. Therefore, for the purpose of further understanding any particular ESG aspects that are material to both the Company and its stakeholders, we plan to conduct a series of stakeholder engagement work in future.

In the future, we plan to concentrate our efforts on internal stakeholders. We would identify representative internal stakeholders and invite them for interviews. The findings would be used to support a materiality assessment. Subject to the findings of the materiality assessment, representative external stakeholders would be identified and invited for interview to further enhance the stakeholder engagement programme and materiality assessment results.

## 3 Environment

### 3.1 Emissions

We are aware of the impact of our operations on the surrounding environment, and conduct our operations in an environmentally conscious and responsible manner. We adhere to the relevant laws and regulations of Alberta and adopt generally accepted industry safety standards in managing emissions from crude oil and natural gas exploration, production and transportation operations.

#### Air Emission

The main sources of air emissions in our operations are from two gas-engine compressors and three gas-engine pumpjacks.

Under the Alberta Environmental Protection and Enhancement Act, we are subject to strict air quality standards and have to comply with the Ambient Air Quality Objectives set forth by the Government of Alberta for managing and protecting the air quality.

Statutory emission limits of various pollutants, including nitrogen oxides, sulphur dioxide and particulate matter, are set, and we are obligated to design and operate facilities to prevent any exceedance, e.g. the combined flaring and venting volume of our gas well sites was in the range of 230–559 m<sup>3</sup>/day per site against the emission limit of 900 m<sup>3</sup>/day per site. We also recovered the emission gas as fuel gas to reduce propane emission in oil fields.

#### Carbon Emissions

One of our major sources of carbon emissions is various machines such as compressors and pumpjacks that consume fuel. In addition, methane gas may be released during the normal operation of some hardware such as condensate tanks, pneumatic devices and safety relief valves.

To reduce carbon emissions, we have installed some solar panels to reduce using thermal electricity generators at our well sites. Recovery of methane emission and reduction of flaring during well tests are undertaken to avoid unnecessary carbon emissions.

#### Hazardous and Non-hazardous Waste

A limited amount of hazardous waste is generated in our production process. Hazardous waste is handled in strict compliance to all the applicable laws such as Waste Control Regulation and Alberta Energy Regulator's Directive 58: Oilfield Waste Management Requirements for the Upstream Petroleum Industry. During the production processes and drilling and completion operations, the hazardous waste including water, oil and solids, drilling cuttings and fluids, and produced water are collected on sites and delivered to authorized third parties for treatment and disposal.

We seek to reduce the generation of non-hazardous waste at source. The "3R" principle is widely adopted, i.e. reduce, reuse and recycle whenever possible. Waste segregation is also undertaken to further enhance the recycling performance. For paper, we encourage the use of duplex printing to reduce waste generation.

## Wastewater Management

During the production processes, wastewater is generated from wellheads along with oil and gas. It contains elevated levels of dissolved ions (salts), hydrocarbons and trace elements. We are fully aware that any improper discharge of the wastewater would harm the surrounding environment.

To reduce the impact to the water quality, all wastewater is stored on-site temporarily. A third party authorised by the local government is engaged for the collection, treatment and disposal in accordance with local statutory requirement. We also implement all necessary measures to reduce the generation of wastewater, e.g. reuse of fracturing water in the production process.

## Noise

As required by the relevant laws and regulations, we conduct a noise impact assessment when we install new rotating equipment. The purpose of the assessment is to ensure the noise from the machines is below a specific level, which would not harm operators. As there were no new installations in the reporting year, noise assessment was not necessarily conducted.

At the existing well sites, we continue to implement various mitigation measures such as the use of mufflers, noise and vibration dampening and absorbing materials, and isolation and enclosure of noisy equipment. Noise is hence mitigated to a lower level, which complies with relevant laws and regulation.

## Compliance Status

During the reporting period, the Company was not aware of any non-compliance with relevant local laws and regulations related to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes.

## 3.2 Use of Resources

We are committed to conserving resources within our operations, for it is part of our corporate social responsibility and reduces our operating cost. At our production sites, we adopt local power generation so electricity from power company was not purchased. Throughout our business operations, we implement different resource-saving measures to conserve energy, water, paper and other office supplies. The measures taken range from equipment efficiency improvement, reuse and recycling of materials to change the behaviour of our people.

To conserve resources, the Group continuously implements various measures including:

- procuring energy efficient-equipment when possible;
- installing solar panels at production sites;
- monitoring the temperature of air-conditioned rooms;
- encouraging employees to switch off lighting when leaving a room and shut down computers after working hours;
- encouraging duplex printing in our offices;



- promoting the use of electronic communication means over paper handouts; and
- reusing fracturing water and 7,400 m<sup>3</sup> water saved.

We believe improving our resource efficiency is one of the best ways to demonstrate our commitment to protecting the environment. We shall continue to enhance resource utilisation by applying new technology, as well as improving management expertise and employee awareness.

### 3.3 Environment and Natural Resources

#### Environmental Planning and Monitoring

It is acknowledged that oil and gas production has potential negative impact on the environment. Therefore in all our projects, we incorporate environmental considerations and planning in different phases and work co-operatively and effectively with communities, government agencies and stakeholders to reduce the potential impacts of our operations.

With regard to environmental planning, we conduct Environmental Effect Evaluation (“EEE”) to thoroughly understand the potential impact of the our projects. Through EEE, we develop long-term management and mitigation strategies to ensure our major activities meet our environmental, social and economic commitments, which are developed in consultation with the Company’s stakeholders.

The EEE is an important tool in our regulatory applications that support our growth and development plans by highlighting any regional risks to be addressed in project planning. For example, we document traditional ecological knowledge shared by aboriginal communities and consider its use when compiling baseline environmental information, developing monitoring programmes and planning mitigation (e.g. reclamation).

During the planning stage of new projects, we recognise environmental and historical aspects associated with operating in or near these areas, and work very closely with the respective administrative authorities of these areas, following our corporate statement regarding the environment. Our approach includes:

- Title search — this identifies ownership of the lands for the proposed development, as to whether or not our proposed development is on crown land, freehold land, provincial or federal park, etc.
- Review of the provincial “Listing of Historic Resources” to determine if a proposed development may affect historic resources, including archaeological and paleontological sites, aboriginal traditional use sites of a historic resource nature (burial, ceremonial sites etc.), and/or historic structures.
- If the proposed development falls on provincial or federal park lands, we will work closely with provincial parks or Parks Canada to determine the steps involved, including EEES as required.
- If the proposed development falls on any historic lands identified in the listing, we will work with the provincial culture and tourism authorities, and perform Historic Resources Effect evaluations with professional archaeologists as required.
- In some cases, we are required to consult with respective aboriginal communities for the development on these lands.
- In all cases, efforts are committed to minimising our footprint.

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We also work with government, industry and other stakeholders to implement and advance environmental policy and initiatives involving air, land and water.

The provinces of Alberta have established frameworks for the management of air, land and water. As part of our commitment to protect the environment, we adopt these frameworks into our operating practices to implement comprehensive mitigation plans for sensitive landscapes, wildlife and aquatic systems. We also participate in research programmes for land planning, caribou restoration and reclaimed land. These environmental frameworks establish, for instance, limits on emissions to protect the air, restrictions on water use to protect water quality and water withdrawals, tailing reclamation timelines and increasing the amount of conserved land.

We support environmental monitoring as part of managing development in a responsible manner. We support openness, transparency and the generation of scientifically reliable data that addresses the public/stakeholder concerns related to natural gas operations. Environmental monitoring allows us to continually measure our performance, establish targets and work towards improvement. Monitoring of air emissions, water use and land disturbance occurs at our larger facilities.

## Risk and Incident Management

Our management systems are designed to ensure we evaluate, prevent and mitigate the risk of incidents occurring. Response plans are documented within the Emergency Response Plan (“**ERP**”) to predict the extent and magnitude of all risks. Rare events, such as an equipment malfunction that results in an incident, are managed quickly in accordance to our structured ERPs. These procedures help manage the event as systematically and thoroughly as possible to mitigate any additional impacts and facilitate the safe return to normal operations in a timely manner. Protocols are in place to identify the sequence of response actions to potential incidents such as the shutdown of the incident source, communication to government and public, and clean-up of any effects.

We continue to develop strategies that are planned to enable us to deal with the risks and opportunities associated with new greenhouse gas and air emission policies. In addition, we will work with relevant parties to ensure that the new policies encourage technological innovation, energy efficiency, and targeted research and development while not impacting our competitiveness.

## 4 Social

### 4.1 Employment and Labour Standards

Employees are important assets to the Company. To attract and retain talents, we have a holistic policy regarding the recruitment, employment, promotion and retention of our employees.

#### 4.1.1 Equal Opportunity Policies

We are committed to providing a work environment in which all individuals are treated with respect and dignity. Each individual has the right to work in a professional workplace that promotes equal opportunities and prohibits discriminatory practices or remarks.

As an equal opportunity employer, we ensure the fair treatment of both our potential and existing employees and strive to provide a diverse work environment. Recruitment and promotion decisions are based on the qualification, work experience, suitability and skills of candidates. We will not discriminate, harass or vilify any applicants or employees on the grounds of their gender, age, marital status, pregnancy, nationality, ethnicity, sexual orientation, disability, race, ethnic origins or religion.

All employees at Persta are subject to a three-month probationary period, which begins on the first day of employment. This probationary period provides an opportunity for the employees to assess their desire to be part of the Persta team and for the Company to assess the employees' ability to meet the performance standards and requirements of the role.

Persta is committed to and strongly encourages employee growth and development through regular coaching and feedback. Formal performance reviews are an important part of this process. Each year, in discussion with their supervisors, employees will establish objectives, discuss their performance and accomplishments, review their skills and behaviours, and discuss their career development needs. Performance reviews are conducted at least annually, in conjunction with salary and bonus reviews.

#### 4.1.2 Employee Benefits

As part of providing an engaging work environment, we are dedicated to providing fair remuneration, reasonable working hours and rest periods for our employees to maintain work-life balance.

In compliance with the Alberta Employment Standards Regulation, the usual work schedule is 40 hours per week, Monday to Friday from 8:00 am to 5:00 pm. We observe the statutory holidays each year and in cases where a statutory holiday falls on a weekend, an alternate work day will be announced for observation of the holiday.

To provide employees with a period of rest and relaxation away from work, and as a means of recognising their years of services, permanent full-time employees are entitled to annual vacation with pay. The entitlement of vacation is mainly based on employees' length of service with Persta, and prior work experience in industries relevant to their position may be recognised.



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All vacation requests are to be made in writing to the employee's immediate supervisor by using the vacation request form adopted by the Company. Approval of vacation requests are at the discretion of the manager/supervisor who will review the request to determine if there are adequate resources available, competing requests for vacation or other operational concerns that may impact the ability to grant the vacation during the time requests.

Besides annual vacations, employees are also entitled to the following leave of absence:

- *Paid sick leave*  
Paid time off is provided when an employee is personally ill and unable to attend work. For absence that last three or more consecutive working/business days, employees may be asked to provide a medical certificate to the Company indicating their fitness to return to work.
- *Bereavement*  
Bereavement, or compassionate leave, applies to the loss of a family member. Depending on an employee's relationship with the deceased, paid leave ranging from one day to three days would be granted.
- *Jury duty leave*  
Employees who are subpoenaed for jury duty will continue to receive their normal salary and benefits during the period of jury duty service.
- *Family compassionate leave*  
Family compassionate leave may be granted to employees whose parent, spouse or dependent child is terminally ill. A six-week unpaid leave of absence and a guarantee that the position will be held on return would be provided.
- *Maternity leave and parental leave*  
All employees who have completed at least 52 consecutive weeks of employment with Persta are eligible for maternity and/or parental leave. Birth mothers are entitled to a 15-week unpaid maternity leave, while fathers and adoptive parents are eligible to request up to 37 consecutive weeks of unpaid parental leave. All employee benefits (e.g. life insurance, extended health and dental coverage, health spending account) will be maintained by Persta for the duration of an employee's maternity leave.

Through the Employee Manual and other documents, we communicate our human resources policies to all employees to ensure they understand the rights and obligations in relation to the terms and conditions of their employment.

## 4.1.3 Employee Relationship

The Company aims to promote a culture of trust, mutual respect and dialogue in the working environment. It is important that all employees play a role and make the office a harmonious place through their daily interactions with others. The Company's senior management in particular plays a key role by:

- partnering with and supporting employees to resolve issues that arise;
- encouraging employees to report inappropriate behaviour of any nature and investigating every complaint of workplace harassment with the utmost sensitivity and confidentiality; and
- imposing strict disciplinary measures if a complaint is founded.

As at 31 December 2017, the Company had a total of 11 full-time employees at the Calgary head office. There has not been any incidence of work strikes or labour disputes that had adversely impacted the Company's operations.

### *Handling Conflicts*

From time to time, conflicts inevitably happen. However, when handled effectively, they are opportunities to improve the relationships and systems within the Company. We encourage our employees to handle conflicts as soon as they arise by speaking directly with those involved in the conflict.

If the conflict cannot be resolved directly by those involved, our employees may ask their immediate supervisor for assistance. However, as a matter of principle and practice, both parties should be present in all discussions whenever possible.

### *Workplace Harassment*

The Company is committed to ensuring that no worker is subjected to harassment in the workplace. Harassment is a form of discrimination. It is prohibited by the Individual Rights Protection Act. Harassment is considered a degrading and threatening workplace behaviour, and it will not be tolerated at any of the Company's worksites.

To fulfil the commitment, the Company has developed a harassment policy, which establishes control measures to effectively address any harassment issue. The Company is further committed to dealing promptly and effectively with any incident that may occur with regard to harassment. While discriminatory acts are not precisely defined, they include:

- unwelcome verbal or physical conduct, comments, gestures or contact concerning a person's race, religious beliefs, colour, place of origin, gender, mental or physical disability, ancestry, marital status and family status or source of income;
- is either implicitly or explicitly utilised as a basis for any employment decision (e.g. condition of employment/hire, promotion, determining compensation, job security, evaluation of performance, etc.); and/or
- has the purpose or the effect of interfering with the person's work performance or creating an intimidating, hostile or offensive work environment.

We encourage employees to voice their complaint when they believe they are being harassed. Our Employee Manual has clear instructions on how to handle harassment before escalating the incident to managers or the human resources department. When the incident is sufficiently serious and cannot be resolved by bringing the matter to the other person's attention, they shall report the incident immediately to their manager or human resources department.

All complaints are to be taken seriously, involving a thorough and objective investigation of the facts. To protect the involved employees, all pertinent information regarding a complaint is kept confidential. The human resources department is to assist with the investigation and work with all relevant parties to determine the best method of resolution of the concerns. If an investigation reveals evidence of inappropriate behaviour, appropriate follow-up and disciplinary action would be initiated and documented accordingly.

### *Violence in Workplace*

Persta believes in the prevention of violence and promotes an abuse-free environment in which all people respect one another and work together to achieve common goals. Any act of violence committed by or against any worker or member of the public is unacceptable conduct and is not tolerated.

The Company is committed to:

- developing and maintaining a suitable control programme;
- investigating reported incidents of violence in an objective and timely manner;
- taking necessary actions; and
- providing appropriate support to victims.

No action shall be taken against an individual for making a complaint unless the complaint is made maliciously or without reasonable and probable grounds.

### *Disciplinary Action*

Persta believes in the merits of a "progressive discipline" approach for dealing with workplace-related issues (i.e. discuss/clarify expectations and concerns, identify opportunities for improvement, etc.). Notwithstanding, the management retains the discretion to determine the nature and extent of any disciplinary actions (up to and including dismissal) based on a review of the specific circumstances. A copy of all written warnings will remain in the employee's personnel file and receipt of such warnings without commensurate performance improvement could result in the dismissal of the employee.

### *Employee Privacy Policy*

Persta is committed to maintaining the accuracy, confidentiality and security of employee personal information and will make every reasonable effort to ensure that the collection, use, disclosure, access to, and retention and copying of, employee personal information is limited to that necessary for specific legal and business purposes.



Employee who collects, holds and has access to or uses employee personal information must be thoroughly familiar with our privacy policy and take all necessary precautions to protect against unauthorised access, disclosure, copying, use, modification, destruction, loss or theft of such information, regardless of the format in which it is held.

## *Compliance Status*

During the year under review, the Company was not aware of any material non-compliance with the relevant laws and regulations related to compensation, dismissal, recruitment, promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, as well as other benefits and welfare.

## **4.2 Health and Safety**

Persta is committed to ensuring the health and safety of our employees and all others involved in our operations. As a company that produces oil and gas, the health and safety of employees is our top priority.

We recognise the potential hazards and that controlling these hazards is critical to avoiding any potential injuries. A Health, Safety and Environment Manual, which also applies to our contractors and consultants, is in place and it documents the generally accepted industry safety standards adopted for the exploration, production, transportation and sale of crude oil and natural gas. It provides guidelines with respect to occupational safety, covering drilling and completions, well servicing, transportation of dangerous goods, procedures for handling chemicals and explosive materials and emergency plans.

Safety programme management is a constantly evolving process, and to help monitor our performance. We have implemented a system to monitor and record employee occupational health and safety statistics. In 2017, there was no material accidents in the course of operations or any accidents related to the health or safety of our employees or contractors. We had neither received any claims for personal or property damage by employees nor paid any compensation as a result.

### **4.2.1 Risk Assessment**

We believe that recognition of risk is the first step towards reducing it. We regularly perform risk assessments to prevent the development of unsafe and unhealthy working conditions. Employees are expected to be familiar with risk assessment principles and procedures, with the Company Risk Matrix and with applying these tools to the work that they perform.

Through annual training and hazard identification/assessments, we ensure that the employees are competent to perform their tasks in a safe manner. Such competency is to be verified before employees are permitted to perform their tasks independently.

## 4.2.2 Safety Training

We provide safety training to ensure employees are competent in performing their jobs in a safe manner. Through these training, workers are adequately qualified, suitably trained and provided with sufficient experience, to safely perform work with or without a minimal degree of supervision.

On entering an active site, all individuals are required to participate in an orientation session. During this session, all locations of the spill plan and spill kits are provided. An overview of the plan is provided by the site supervisor leading the orientation session.

In addition to site orientations, all employees and contractors are required to have their basic first aid training, as well as Workplace Hazardous Materials Information System (WHMIS) training, before working at the site. Supervisors are required to have advanced level first aid training, as well as transport of dangerous goods training.

During drilling and construction operations, workers may be exposed to hydrogen sulphide (H<sub>2</sub>S), which occurs naturally in the earth in crude petroleum, natural gas reservoirs, volcanic gases and hot springs. When inhaled in high concentration, H<sub>2</sub>S is poisonous to humans with a toxicity that can be compared to that of carbon monoxide or cyanide. It can quickly cause paralysis to the respiratory system and unconsciousness.

Because of the risks of H<sub>2</sub>S exposure to workers in the petroleum industry, workers must successfully complete the H<sub>2</sub>S course before working in the field. We provide H<sub>2</sub>S Alive® course for all employees and it is a mandatory for all workers who may come into contact with H<sub>2</sub>S gas. Employees will learn how to work safely in and around H<sub>2</sub>S environments and receive a three-year certificate.

## 4.2.3 Emergency Response Plan

Persta strives to provide and maintain a workplace free of incidents, but despite our best efforts to prevent incidents, there may be occasions where our actions, the actions of others or natural occurrences result in the need for emergency response actions. In the unfortunate case of accidents, proper ERP can ensure that all necessary actions are taken by the Company for the protection of the environment, the surrounding community and the Company's personnel and assets.

If an unplanned operational event occurs, the employee or contractor detecting the incident shall determine if the incident has the potential to cause:

- a threat to worker or public health, and safety;
- loss of property;
- a negative impact on the environment; and
- a perception of risk by the public and neighbouring stakeholders.

If it is determined that there is an actual emergency situation (or the perception of an emergency by the public), the Company's employee or contractor must take appropriate response action to address the incident. This includes the authority to activate and implement any part of the ERP to prevent the emergency situation from escalating. Once the ERP is activated, it is of utmost importance and urgency that the appropriate person in charge and government agencies are notified as outlined in the ERP.

We regularly conduct emergency response training to ensure that employees and contractors are capable handling the situation and make the right decisions when responding to real emergencies. Through simulated emergency response exercises, such as a table top exercise and fire drills, we examined our emergency plan in a structured way to reveal mistakes and omissions that will be subsequently corrected.

### *Compliance Status*

During the year under review, the Company was not aware of any material non-compliance with relevant laws and regulations related to providing a safe working environment and protecting employees from occupational hazards.

## **4.3 Development and training**

Persta recognises the value that training and development programmes bring to the organisation. We see the self-development of employees as an important component of our continued success. Not only are we seeking to enhance the skills of our associates, we are also helping our associates with their personal development.

At Persta, the continuing education for existing employees is just as important as the new hire training. As part of the annual performance review process, employees are encouraged to identify and discuss with their supervisor appropriate professional development and educational opportunities related to their present position and/or future career opportunities.

We encourage employees to learn more and get the designation or certification in their fields, such as Professional Engineer (P.Eng) in the engineering department and Certificate of Professional Accountant (CPA) in the financial department. Persta also provides support on tuition and member fees to help employees achieve and extend their designations. As a general guideline, educational courses required to maintain professional designations or certifications will be considered for reimbursement as well as expenses related to participation in relevant local, national or international workshops and conferences may be covered.

In addition, eligible courses should generally be sanctioned by a diploma, degree, certificate or trade ticket that is approved by relevant professional or government authorities. Any time away from work required to attend and/or complete the course needs to be identified prior to approval being granted.



## 4.4 Labour Standards

It is our ethical responsibility to meet the minimum labour standards. To fulfil that responsibility and safeguard our reputation, we maintain a clear policy of no child or forced labour across our operations in accordance with the principles of Alberta Employment Standards Regulation.

During the recruitment process, we perform ID checks to screen out all underage applicants. We comply with all relevant legal and other requirements to prevent poor labour treatment. This extends to all our key contractors, sub-contractors and suppliers, and we ensure that they are aware of the employment policy through communication.

### Compliance Status

During the year under review, the Company was not aware of any material non-compliance with relevant laws and regulations related to child or forced labour.

## 4.5 Supply Chain Management

For Persta, suppliers and contractors are indispensable parts of our business. We believe effective management of supply chain is crucial for maintaining our high business performance. To provide our colleagues with guidelines and procedures that are to be adhered to in conducting procurement activities, we have in place the Procurement Policy and Procedures Manual.

Under the Procurement Policy, we maintain an Approved Vendor List of suppliers and contractors and renews it annually after assessing each of them, among others, to ensure their policies are in line with the Company's requirements on occupational health, safety and environment protection. New vendors have to pass the due diligence checks done by Persta or professionals enlisted by Persta before they are included in the Approved Vendor List.

All procurement of equipment, facilities, goods, materials, supplies and services must be conducted in compliance with the procurement procedure, to ensure that every procurement decision is aligned to Persta's objectives, policies and principles. Procurements should take into consideration safety management and environmental protection, and shall be the result of competitive bidding technically and commercially. All purchase orders and contracts are approved by the Company's management with relative levels of authorities defined in the procurement procedure.

## 4.6 Product Responsibility

Persta's main products are natural gas and light crude oil. With all our business operations conducted within Alberta, the Company is committed to high ethical standards, and the protection of health, safety and environment.

Reliable conducts within the Alberta oil and gas industry is critical for the Company's consistent long-term operations. We comply with Alberta's safety and environmental laws related to product responsibility, as well as other applicable laws and regulations. As we are only engaged in the exploration, development and production phase of oil and gas, we rely on external transportation services and processing plants to refine our products to reach relevant standards and deliver our products to points of sales. During the year under review, there was no incidents of product recall due to safety and quality issues.

### Compliance Status

During the year under review, the Company was not aware of any material non-compliance with laws and regulations related to product responsibility.

## 4.7 Anti-corruption

The Company is committed to the highest possible standards of openness, probity and accountability. In line with that commitment, the Company has in place an anti-corruption policy to provide guidance to employees and adopt a zero-tolerance approach to all forms of corruption, including deception, bribery, forgery, extortion, conspiracy, embezzlement and collusion.

Employees must maintain an impeccable standard of integrity in all transactions and carry out their work in an honest and ethical manner as outlined by the anti-corruption policy. They must avoid conflicts of interest and subordination of judgment in performing their duties and responsibilities for the Company.

### Whistle Blowing Policy

Employees, customers, suppliers and other stakeholders who have concerns about any suspected misconduct or malpractice within the Company are encouraged to come forward and voice those concerns. The Company will endeavour to respond to the concerns fairly and properly.

The Whistle Blowing Policy provides a channel for our employees to report instances they believe to be unethical or in breach of the code of conduct. Suspected non-compliance may be reported verbally or in writing to the department head, chief executive officer or compliance officer.

When a complaint is filed, dedicated compliance officers will investigate the case using an internal or external party as required, while protecting the whistle blower from reprisal. Employees, agents or intermediaries found to have breached our Whistle Blowing Policy may be subject to termination of contract, dismissal, sanctions or criminal proceedings.

The whistle Blowing Policy encourages the reporting of misconducts by assuring whistle blowers protection against unfair dismissal, victimisation or unwarranted disciplinary action, even if the concerns turn out to be unsubstantiated. Employees who victimise or retaliate against those who have raised concerns under this policy will be subject to disciplinary actions.

However, employees who make a false report maliciously, with an ulterior motive, without reasonable grounds that the information in the report is accurate or reliable, or for personal gain, may face disciplinary action, including the possibility of dismissal.

#### Compliance Status

During the year under review, the Company was not aware of any material non-compliance with the relevant laws and regulations related to bribery, extortion, fraud and money laundering in all material respects.

## 4.8 Community Investment

With site development in the regions of Alberta Foothills, Deep Basin Devonian and Peace River, the Company understands the potentially disruptive impacts that the drilling projects and facilities may have on the nearby communities, in particular the Aboriginal Canadians. Therefore, we strive to minimise such impacts and seek to ethically conduct our business to protect the interest of the different stakeholders.

We respect the history, heritage and culture of the communities. Through effective management of stakeholder relationships, we enhance trust and confidence of the communities where we operate. Prior to the launch of any site development, a series of public consultation will be conducted. Relevant stakeholders will include members of the public, regulatory bodies and local and aboriginal communities who are, or may be, affected by the proposed exploration and/or development activities. The Company ensures that a transparent and respectful relationship is built and maintained with the local community and relevant stakeholders.

## A Appendix I — Environmental Performance Indicators

KPI	Unit	2017
<b>Use of Resources</b>		
Water use (for well completions)	m <sup>3</sup>	10,227
Natural gas use	m <sup>3</sup>	3,791,344
Propane use	Litre	66,724
Diesel use	Litre	483,952
<b>Emissions</b>		
Drilling cuttings and drilling fluids	m <sup>3</sup>	3,936
Produced water	m <sup>3</sup>	2,333
Production wastewater/oil/solid	m <sup>3</sup>	351
Non-hazardous waste disposed	tonnes	0
Air emissions		
Sulphur oxides (SOx)	tonnes	2.1
Particulate matter (PM)	tonnes	6.1
Nitrogen oxides (NOx)	tonnes	8.3
Volatile organic compound (VOC)	tonnes	0.5
Carbon monoxide (CO)	tonnes	4.2
Total carbon emissions (Scope 1 and 2)	tonnes CO <sub>2</sub>	10,280.2



## B Appendix II — HKEX ESG Content Index

Aspects	Section	Remarks
<b>A Environmental</b>		
<b>A1 Emissions</b>	3.1	
a) Policies and		
b) Compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste		
A1.1 The Types of Emissions and respective emission data	Appendix I	
A1.2 Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Appendix I	
A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Appendix I	
A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility)	Appendix I	
A1.5 Description of measures to mitigate emissions and result achieved	3.1	
A1.6 Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	3.1	
<b>A2 Use of Resources</b>	3.2	
Policies on the efficient use of resources, including energy, water and other raw materials		
A2.1 Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000) and intensity (e.g. per unit of production volume, per facility)	Appendix I	
A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility)	Appendix I	
A2.3 Description of energy use efficiency initiatives and results achieved	3.2	
A2.4 Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	3.2	There are no significant issues identified in sourcing water that is fit for purpose.
A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	—	Packaging material is not identified as material to the Company.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Aspects	Section	Remarks
<b>A3 The Environment and Natural Resources</b> Policies on minimising the issuer's significant impact on the environment and natural resources	3.3	
A3.1 Description of the significant impacts of activities on the environment and natural resources and the action taken to manage them	3.3	
<b>B Social</b>		
<b>B1 Employment</b> Policies on employment and compliance with local laws and regulations that have a significant impact on the issuer on the following aspects: <ul style="list-style-type: none"> <li>• Compensation and dismissal</li> <li>• Recruitment and promotion</li> <li>• Working hours and rest periods</li> <li>• Equal opportunity and anti-discrimination</li> <li>• Diversity</li> <li>• Other benefits and welfare</li> </ul>	4.1	
<b>B2 Health and Safety</b> Policies and compliance with relevant laws and regulations related to providing a safe working environment and protecting employees from occupational hazards	4.2	
<b>B3 Development and Training</b> Policies on improving employees' knowledge and skills for discharging duties at work; description of training activities	4.3	
<b>B4 Labour Standard</b> Policies and compliance with relevant laws and regulations that have a significant impact on the issuer related to preventing child and forced labour	4.4	
<b>B5 Supply Chain Management</b> Policies on managing environmental and social risks of the supply chain	4.5	
<b>B6 Product Responsibility</b> Policies and compliance with relevant laws and regulations that have a significant impact on the issuer related to health and safety, advertising, labelling and privacy matters related to products and services provided and methods of redress	4.6	
<b>B7 Anti-corruption</b> Policies and compliance with relevant laws and regulations that have a significant impact on the issuer related to bribery, extortion, fraud and money laundering	4.7	
<b>B8 Community Investment</b> Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	4.8	



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