

2022 ESG
REPORT

RESPONSIBLE ENERGY DEVELOPMENT



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MESSAGE FROM OUR CEO

I am excited to lead the team and pleased to present our 2022 ESG Report. This report is an annual accountability tool and details our efforts to get better every year.

Since joining in November 2022, I have been working alongside the talented Baytex team. I have seen much to be proud of, but I am most impressed by the fearlessness with which the team embraces change. They have a willingness to tackle challenges, find solutions, and work collectively to move key initiatives forward. I've come to understand that this reflects Baytex's corporate culture – one of its greatest assets.

This culture is reflected in our reputation as a company that follows through on its commitments. Consider the remarkable progress towards our GHG reduction target. We are 90 percent of the way to achieving our goal of reducing Baytex's GHG intensity 65 percent by 2025 from our 2018 baseline. We've made an excellent start at meeting our 2040 target of restoring 4,500 inactive wells, by investing more than \$20 million a year in restoration activities since setting our target. Our commitments drive us forward as we work to achieve our vision of being a leader in responsible energy development.

Being a responsible producer requires us to think globally and act locally. Globally, oil and gas are part of a value chain that provides energy and food to sustain the standard of living for billions of people around the world. The affordability, reliability, and security of North American energy remains critically important to maintaining and improving that standard of living. However, we must continue to reduce our environmental impact while meeting these needs. Thinking about global impacts acts as a compass to move our company, industry, and society forward.

Locally, I am convinced we can help meet global needs by growing and amplifying the good things Baytex has accomplished to date. This will, of course, take time. We have taken a few important steps. We recently closed a strategic acquisition of Ranger Oil Corporation, which expands our asset base in the Eagle Ford, increases our value, and immediately

Our commitments drive us forward as we work to achieve our vision of being a leader in responsible energy development.

achieves a 16 percent average reduction in our GHG emissions intensity. This acquisition will see us produce more energy with a lower GHG intensity. We also continue to responsibly develop our Clearwater play in the Peavine region, a world-class asset with spectacular rates of return. Responsibly developing this play means maintaining the trust of the community. It also means developing at a pace that supports operational efficiency, maximizes value utilization, and minimizes our impacts on the local community, land, water, and biodiversity.

Responsible Energy Development

To achieve this vision, we will continue to work together as a leadership team to empower our talented employees to do what they do best – create value for our company, communities, and shareholders.

I want to thank the Board for trusting the Baytex leadership team as we steward the next phase of Baytex's evolution, and our stakeholders for trusting us to deliver on our commitments while balancing economic, social, and environmental imperatives. Most of all, I want to thank the Baytex employees for their professionalism and work ethic. Our assets don't run themselves. From the field to the office, you make up our company culture, and are the reason for Baytex's solid reputation. Together, we can achieve great things.



Eric T. Greager
President and Chief Executive Officer

July 27, 2023


OUR ESG SCORECARD

Continual improvement is an important element of our culture. **We set short and long-term targets to address our impact on air, water, land, and people.** Each year, we report on our progress towards those targets.


OUR TARGETS

2022 PROGRESS

LOOKING FORWARD



GHG EMISSIONS
By 2025, reduce our emissions intensity by 65% (Scope 1 and Scope 2) from our 2018 baseline.



Reduced our emissions intensity by 59% compared to our 2018 baseline, achieving 90% of our reduction target.


Invested \$7 million in our first dedicated GHG mitigation budget.

Developed our **GHG Emissions Reduction Framework.**

- 
- » Complete our 2025 reduction target.
 - » Implement site designs that minimize routine venting in our new development areas (Peavine Clearwater and Duvernay).
 - » Define our emissions reduction pathway and set a 2030 reduction target.





LAND STEWARDSHIP
Restore our entire 2020 end-of-life well inventory through our “4,500 Wells to Zero by 2040” initiative, returning these sites to their pre-disturbance condition.




Completed 379 well abandonments – the most in company history.

Spent more than **\$22 million on abandonment and reclamation activities** (including government grant funding).

- 
- » Continue restoring end-of-life wells to meet our 2040 target.
 - » Invest \$100 million in reclamation activities from 2022 to 2026, or approximately \$20 million per year.





WATER USE
Develop a Water Management Framework that prioritizes reducing freshwater use.




Utilized non-fresh water sources for **25% of completions water.**

Started developing our **Water Management Framework.**

- 
- » By 2025, implement our Water Management Framework across all high-risk regions.




ENGAGEMENT AND DIVERSITY
By 2022, expand our baseline to include multiple dimensions of diversity and enhance our processes to measure employee engagement.



Included **self-reporting of gender identity, disability status, and racial/ethnic identity** in our employee survey.

Exceeded our 30% commitment with 33% of directors being women at our 2023 shareholder meeting.

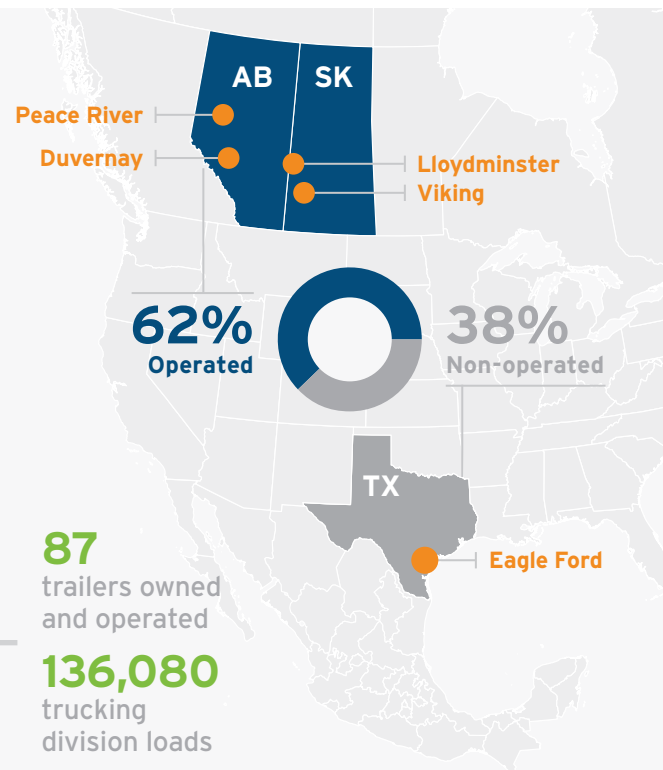
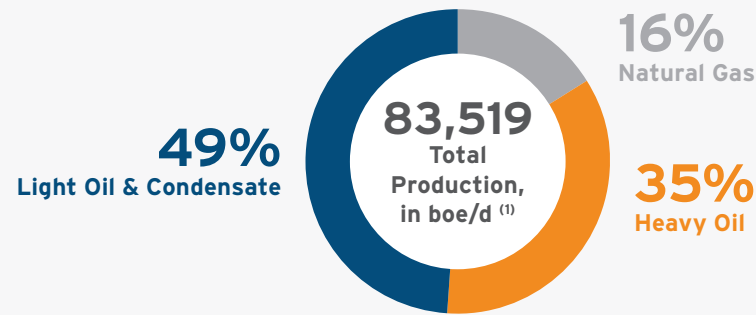
Completed second annual **employee survey.**

- 
- » Continue surveying our employees annually and reporting on the gender diversity of our workforce.

ABOUT BAYTEX

Baytex Energy Corp. (“Baytex”) is a North American focused energy company with assets located in Canada and the United States. The Canadian operated segment includes; heavy oil assets in Peace River and Lloydminster, light oil assets in the Viking and Duvernay, and conventional oil and natural gas assets across Western Canada. The U.S. segment includes non-operated Eagle Ford assets in eastern Texas. Baytex’s common shares trade on the Toronto Stock Exchange and New York Stock Exchange under the symbol BTE.

OUR OPERATIONS IN 2022



- 269** wells drilled (gross)
- 5,740** producing operated wells
- 5,348** storage tanks
- 4,506 km** of pipeline in our operations
- 87** trailers owned and operated
- 136,080** trucking division loads

(1) Based on total production (operated and non-operated)
 (2) Specified financial measure that is not a standardized financial measure under IFRS and may not be comparable to similar measures disclosed by other issuers. See “Specified Financial Measures” in this report.

ABOUT OUR COMPANY

(all figures as of Dec. 31, 2022)

- \$5.1 Billion** in total assets
- 222 Employees**
- 438 Million boe** in net reserves (proved plus probable)
- \$2.9 Billion** in petroleum and natural gas sales
- \$622 Million** in free cash flow ⁽²⁾
- \$522 Million** in exploration and development expenditures

SIGNIFICANT LEADERSHIP AND OPERATIONAL CHANGES

- In 2022**, we initiated direct shareholder returns, allocating 25 percent of free cash flow ⁽²⁾ to a share buyback program and 75 percent to debt reduction.
- In fall 2022**, Eric Greager was appointed as President and Chief Executive Officer and a member of the Board of Directors, and Chad Kalmakoff was appointed as Chief Financial Officer.
- Subsequent to year end**, we closed a strategic acquisition on June 20, 2023, of Ranger Oil Corporation. The transaction adds 67,000-70,000 boe/d of operated Eagle Ford, Texas, production to our portfolio.

2022

OUR APPROACH TO ESG

PRODUCING THE ENERGY THE WORLD NEEDS

Society is faced with the dual challenge of mitigating the impacts of climate change while meeting the increasing energy needs of a growing population. A broad energy mix is needed to improve living conditions and feed 8 billion people around the world. Energy systems are fundamental to the products used by people everyday and power industries, generate electricity, provide heat for homes, and fuel the transport of goods and people. To respond to this challenge, energy systems are undergoing a transition.

We believe that oil and natural gas production will continue for decades to come and will be instrumental in the energy transition. Oil and gas are abundant, energy dense, and easy-to-transport resources. Although alternative energy sources are increasingly available, there are applications where no reliable or affordable substitute exists. **We believe that producing energy resources through efficient operations positively contributes to society by meeting the world’s energy needs while minimizing our environmental impacts.**

OUR ESG VISION

Baytex will **be a leader in the responsible development** of energy the world needs for the future.

OUR VALUES

We have built into our culture a strong connection and sense of responsibility to our communities and stakeholders. Our core values of sustainability, connection, and empowerment guide our actions and decision-making.



SUSTAINABILITY

For us, sustainability means managing and reducing our environmental impacts, strengthening our corporate resilience, and remaining relevant into the future.



CONNECTION

We believe that fostering positive relationships and strong connections, inside and outside our company, are key to developing the innovative solutions needed to thrive as a company and as a society.



EMPOWERMENT

We recognize that individual decisions and actions determine our collective culture and, ultimately, the success of our company. In all areas of our business, we foster a culture of supportive leadership, empowerment, and shared accountability.

OUR APPROACH

- » We believe environmental, social, and governance performance is key to our long-term success.
- » We focus on pragmatic and impactful opportunities to continuously improve our operating practices.
- » We set meaningful targets to improve our performance as a responsible energy producer.
- » We monitor our impacts and provide transparent disclosures to our stakeholders.

SUPPORTING THE SUSTAINABLE DEVELOPMENT GOALS

The United Nations' Sustainable Development Goals (SDGs) are a universal call to action to end poverty, protect the planet, and improve the lives and prospects of everyone, everywhere. The 17 goals were adopted by all UN member states in 2015 as part of the *2030 Agenda for Sustainable Development*, which set out a 15-year plan to achieve the goals.

Our culture and actions contribute to the following SDGs and align our company with a global movement of organizations working towards a better, more sustainable future. We believe that by managing the environmental, social, and governance elements of our business and reporting on our performance we create value for shareholders and for society.



ENVIRONMENT



SOCIAL



GOVERNANCE

OUR FOCUS

- » Responsibly develop our assets
- » Reduce our GHG emissions intensity
- » Restore inactive sites for future generations
- » Reduce freshwater use

- » Create a culture of safety
- » Engage our employees
- » Support diversity in our workforce
- » Be a good neighbour
- » Contribute to Indigenous communities and businesses

- » Ensure effective Board leadership
- » Be ethical, transparent, and accountable
- » Tie compensation to key ESG matters

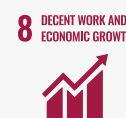
How it Contributes to Company Value Creation

- » Improves the reliability of our operations and reduces costs
- » Helps to build trust with regulators and stakeholders, and maintains social licence
- » Reduces corporate end-of-life liability
- » Supports the decarbonization of our operations

- » Supports the consistent and safe execution of our business plan and enhances company performance
- » Supports inclusive and sustainable economic growth and employment, enabling growth in our operations and reducing non-technical project delays

- » Sets strategic direction and improves decision-making
- » Enables shareholders and stakeholders to make informed decisions
- » Encourages a culture of continuous improvement

How it Contributes to Society



ENVIRONMENT

We pursue pragmatic strategies and solutions for **responsible energy development** that promote business resiliency while protecting air, land, and water resources.



2022 HIGHLIGHTS

AIR

- » Reduced corporate GHG intensity by 59 percent from our 2018 baseline.
- » Invested \$7 million in GHG reduction activities.
- » Reduced emissions from methane by 84 percent from 2018 levels.

LAND

- » Completed 379 well abandonments and received 48 reclamation certificates.
- » Increased abandonment and reclamation spending, investing more than \$22 million, including government funding.

WATER

- » Decreased our freshwater intensity by 17 percent from 2020 baseline.
- » Reached a five-year municipal effluent agreement to support our Duvernay development activities.
- » Started developing an internal Water Management Framework, prioritizing freshwater use reductions throughout our operations.



LOOKING FORWARD

AIR

- » Further reduce our GHG intensity and achieve our 2025 target.
- » Apply our GHG Emissions Management Framework in the development of a 2030 target.

LAND

- » Continue to invest in our five-year (2022 to 2026) \$100 million commitment, as we work towards our “4,500 Wells to Zero by 2040” target.

WATER

- » By 2025, implement our internal Water Management Framework across all high-risk regions.
- » Prioritize meaningful opportunities to reduce freshwater use in our activities.

GHG EMISSIONS MANAGEMENT

Greenhouse gas (GHG) emissions associated with resource development are an important societal concern and industry challenge. **As a responsible energy producer, we are committed to monitoring GHG emissions from our operations and pursuing cost-effective decarbonization strategies.** This has helped us meaningfully progress towards our 2025 GHG emissions intensity reduction target of 65 percent (Scope 1 and Scope 2) from our 2018 baseline. See the following pages and our [TCFD Report](#) for more details.

OUR APPROACH

Our efforts are guided by Baytex's GHG Emissions Management Framework and geared towards achieving our current and future emissions reduction targets. The framework helps us incorporate emissions management into decision-making and long-range planning. See Figure 1 for an overview of the framework, and pages 8-9 for details on each component.

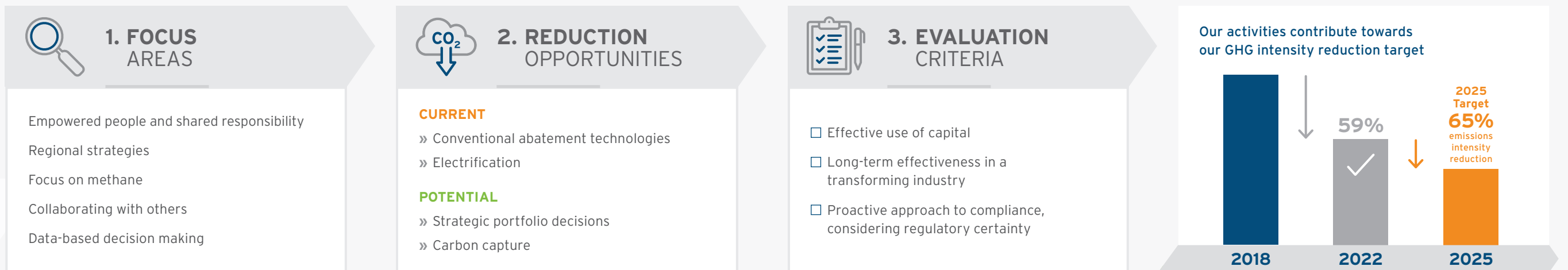


OUR TARGET

By 2025, **reduce our emissions intensity by 65%** from our 2018 baseline.

GHG EMISSIONS MANAGEMENT FRAMEWORK

Figure 1: Baytex's GHG Emissions Management Framework



1. FOCUS AREAS

Baytex's GHG Emissions Management Framework promotes strategic thinking, collective buy-in, and meaningful emissions reductions by focusing on key areas of impact.

Empowered people with shared accountability

Our approach to GHG reductions involves all levels of the organization, from field operations and business unit managers to our executive team and Board. Baytex's emissions reduction target and its associated annual budgets are overseen and approved by the Board. As part of our corporate budgeting process, the Environmental Sustainability Team (see page 40 for details) prepares an annual GHG reduction budget with dedicated capital funding for mitigation projects and strategic and improvement initiatives, and a target for year-over-year corporate emissions intensity reductions. Throughout the year, business units manage their mitigation projects and technology trials, and monitor emissions performance.

Regional strategies

We focus deployment of resources (financial, time, and human capital) where they will make the greatest GHG reduction impact. Since our GHG emissions vary across our operations by location and asset type, each business unit takes a multipronged approach to address its unique technical and operational challenges. Regionally, we consider low-emitting designs for new sites and pursue mitigation opportunities for existing sites.

Prioritize methane reductions

Raw natural gas is typically composed of more than 95 percent methane, a greenhouse gas with a global warming potential 25 times⁽¹⁾ more potent than carbon dioxide. Reducing methane emissions from the oil and gas sector supports the achievement of Canada's climate ambitions and reduces the near-term impacts of global warming. For this reason, we focus many of our GHG reduction activities on reducing methane emissions associated with venting and fugitive emissions from equipment leaks. Our fugitive emissions management programs align with regulatory requirements, and we evaluate advancements in methane surveillance technologies for future use. Read more about our methane reductions in 2022 on page 11.

Collaborating with others

We engage with industry groups, peers, and other stakeholders on emissions management by participating in research studies, collaborating on abatement opportunities, and providing feedback to regulators. For example, we participate in working groups where operators, industry associations, and other stakeholders discuss challenges to implementing and operationalizing current or proposed climate policies and methane regulations. In addition, Baytex has shared its learnings from emission reduction efforts through feedback on proposed emissions reduction regulations included in the federal *Methane Strategy*.

Data-based decision-making

Our internal emissions reporting database and dashboard provide us with greater visibility and insight into the emissions intensity of our corporate portfolio, area assets, and individual facilities. These insights enable data-driven decision-making, support long-term planning and emissions management, and allow us to identify and monitor reduction initiatives.



(1) Emissions for 2022 and historic periods are calculated using IPCC AR4.

2. REDUCTION OPPORTUNITIES

We believe a combination of strategies will be needed to advance our GHG reduction ambitions. The following opportunities can help us achieve our current and future emissions reduction targets as technologies become technically and economically feasible:

Conventional abatement strategies

We strive to prevent emissions and put raw and associated gas to beneficial use. Current activities to reduce emissions at our sites include:

Beneficial use

We use associated gas from our own operations to fuel engines and heat production tanks, where feasible. We also collect and process gas through central processing facilities for third-party use, such as heating homes or generating power on the electrical grid.

Prevention activities

Some of the abatement technologies we use to reduce venting include high-efficiency combustors, which convert methane to less potent CO₂, and vapour recovery units that capture gas vapours from storage tanks. We also work to prevent emissions through the detection and repair of unintentional equipment leaks.

Electrification

Where electrical grid access is available and an economic option, we are evaluating electrification options that would allow us to further reduce gas consumption. Electrification of site equipment such as compressors reduces our natural gas usage and associated emissions on-site.

Strategic decisions

We consider an asset's emissions in our strategic planning process and when evaluating acquisitions to understand potential impacts on our corporate emissions profile. Our acquisition of Ranger Oil Corporation in Q2 2023 lowers our combined average GHG emissions intensity by 16 percent based on 2022 emissions.

Carbon capture

Through the capture of CO₂ for use or safe storage underground, CCUS technology enables operators to reach previously unattainable carbon emission reduction goals. While CCUS technologies are an emerging opportunity for emissions reductions, they do not currently represent a viable opportunity for our operations.

3. EVALUATION CRITERIA

To ensure the greatest effect on our emissions reduction goals, we review mitigation projects against the following criteria:

Efficient use of capital

» **Taking** a comprehensive, long-term view to ensure spending is allocated in the most impactful areas.

Long-term effectiveness in a transforming industry

» **Considering** proven and possible reduction pathways in our project assessments.

Proactive approach to regulatory compliance

» **Monitoring** regulatory changes impacting our operations and evaluating compliance pathways.



2022 UPDATE

EMISSIONS PERFORMANCE

Our significant GHG reductions are the result of continuous improvements by each business unit, coordination efforts by our Environmental Sustainability Team, and a clear and shared goal: a 65 percent reduction in GHG intensity by 2025, from our 2018 baseline. For details on our emissions reduction activities in 2022, see the next page.

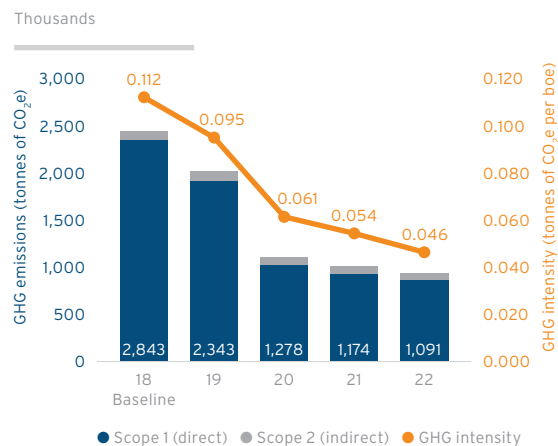


OUR TARGET

From our **2018 baseline**, we have achieved:

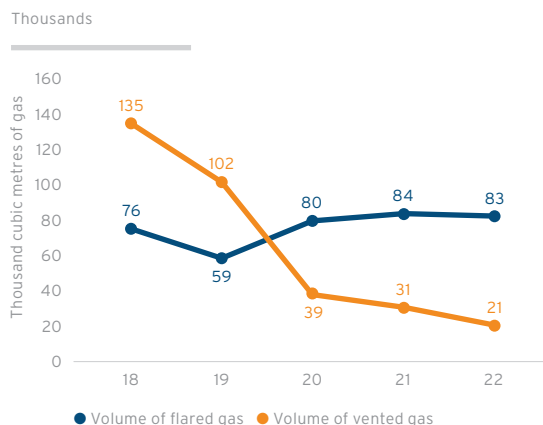
- » **59% decrease** in GHG intensity
- » **84% absolute reduction** in emissions from methane

GHG Emissions



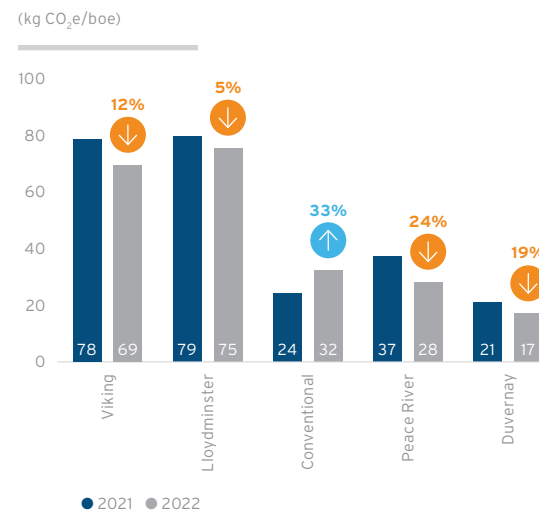
Compared to 2018, we have reduced our GHG intensity by 59 percent and our absolute annual GHG emissions by 1.8 million tonnes of CO₂e.

Flaring and Venting Volumes



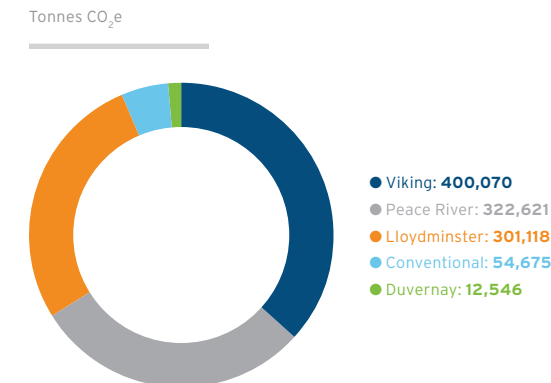
We have reduced vented volumes by 85 percent from 2018. Increases in flared volumes since 2019 are from our transition to high-efficiency combustors (from venting) that convert emissions from methane to CO₂ emissions in our Viking and Lloydminster assets.

GHG Intensity (Scope 1 and 2) by Region



Our focus on making performance visible has allowed us to reduce our GHG intensity (Scope 1 and Scope 2) across most regions. In 2022, our corporate GHG intensity decreased 15 percent compared to 2021. Although our Conventional region's GHG intensity increased due to operational changes, this region continues to be a small part of our total GHG footprint.

Emissions by Region



ACTIVITIES

In 2022, we executed our first dedicated GHG budget, investing \$7 million in GHG mitigation and strategic gas conservation activities.

Increased focus on methane

Given the high impact of methane on global warming, Baytex focuses on reducing emissions from methane in our operations. In 2022, we:

Committed to minimizing routine venting

Baytex is implementing site designs that minimize routine venting sources for our Peavine Clearwater and Duvernay regions. Routine venting is the intentional release into the atmosphere of gases from the oil and gas production process. Using technologies such as instrument air and tank top recovery in our operations will help us minimize routine venting, reducing our greenhouse gas emissions and helping us achieve our 2025 intensity reduction goal.

Explored methane surveillance capabilities

Currently, we use optical gas imaging technology in our fugitive emissions management program. In 2022, we completed 7,528 surveys and repaired 608 fugitive leaks using this technology. We also explored the applications of other technologies, including piloting aerial surveillance, to better understand our emissions from methane. Our initial 2022 aerial surveillance campaign covered 560 sites. We will continue to investigate these and other innovations to further understand and reduce our methane emissions.

Evaluated emissions reduction technologies

We continue to evaluate new technologies to assess their application in future mitigation programs and the overall reduction opportunity. Small volumes of vented gas on-site contribute to our overall emissions inventory but are difficult to abate.

We have committed to minimizing routine venting across our new Peavine Clearwater and Duvernay development areas.

Additional emissions reduction projects

In addition to methane reduction activities, we also:

Took steps towards electrification

» In 2022, we added electric powered compressors to our Duvernay fleet. By choosing electric engines we anticipate reducing our regional emissions 30 percent over the first twelve months of operations.

Explored carbon capture opportunities

» In 2022, we hired a third party to evaluate the preliminary potential for carbon capture, utilization, and storage for our assets. While there are no immediate economic opportunities in our operations, we continue to monitor carbon capture potential, especially for new assets and development activities.



LAND STEWARDSHIP

At Baytex, we believe land stewardship is an essential part of being a responsible energy producer. We mitigate our impact on the land and biodiversity (wildlife, vegetation, and water bodies) by taking a full lifecycle approach to managing our assets and impacts.

OUR APPROACH

Managing impacts on land and biodiversity

From initial project construction to end-of-life restoration, our operating activities can impact land and wildlife near our sites. Baytex adheres to protection protocols set out by provincial and federal bodies (e.g., federal Migratory Birds Convention Act, Species at Risk Act, and Canada Wildlife Act) and, in many cases, goes beyond regulatory requirements to prevent unnecessary disruption. Read more on pages 13-17.

We work to prevent and mitigate disturbances to the local ecosystems throughout the entire life cycle of a project. Through careful planning, thoughtful development, consistent monitoring, and a robust reclamation program, we have built responsible land stewardship into each stage of an asset's life.

Land stewardship is an essential element of responsible energy development.

Figure 2: Stages of an asset's life and the incorporation of biodiversity protections throughout



Biodiversity in our operating areas

Baytex's operations overlap with biodiverse areas within Western Canada. Several of our areas of operation are home to protected species, including:

Sprague's Pipit

» A songbird known for having the longest flight display of any bird species, Sprague's Pipits nest and winter in open grasslands with few to no trees or shrubs.

Purple Martin

» Present in many populated areas, the Purple Martin is Canada's largest member of the sparrow family. Identified by its loud song and rapid flight, the biggest risk to this threatened species is collision with structures.

Caribou

» Found in both mountain and boreal forest environments, woodland caribou are a threatened species in Alberta. Human activities such as industrial growth and recreation impact the woodland caribou's access to vegetation and ease of travel.

ACTIVITIES TO PROTECT BIODIVERSITY

PLANNING

Identifying impacts

Energy development can impact biodiversity in the short and long term. To mitigate this, we conduct pre-disturbance reviews to identify potential impacts associated with development. This includes locating sensitive wildlife zones, nearby water bodies, and historically significant areas. In the case of nesting or protected animals, we will adjust project timing, mitigate the impact, or relocate construction to avoid disturbance.

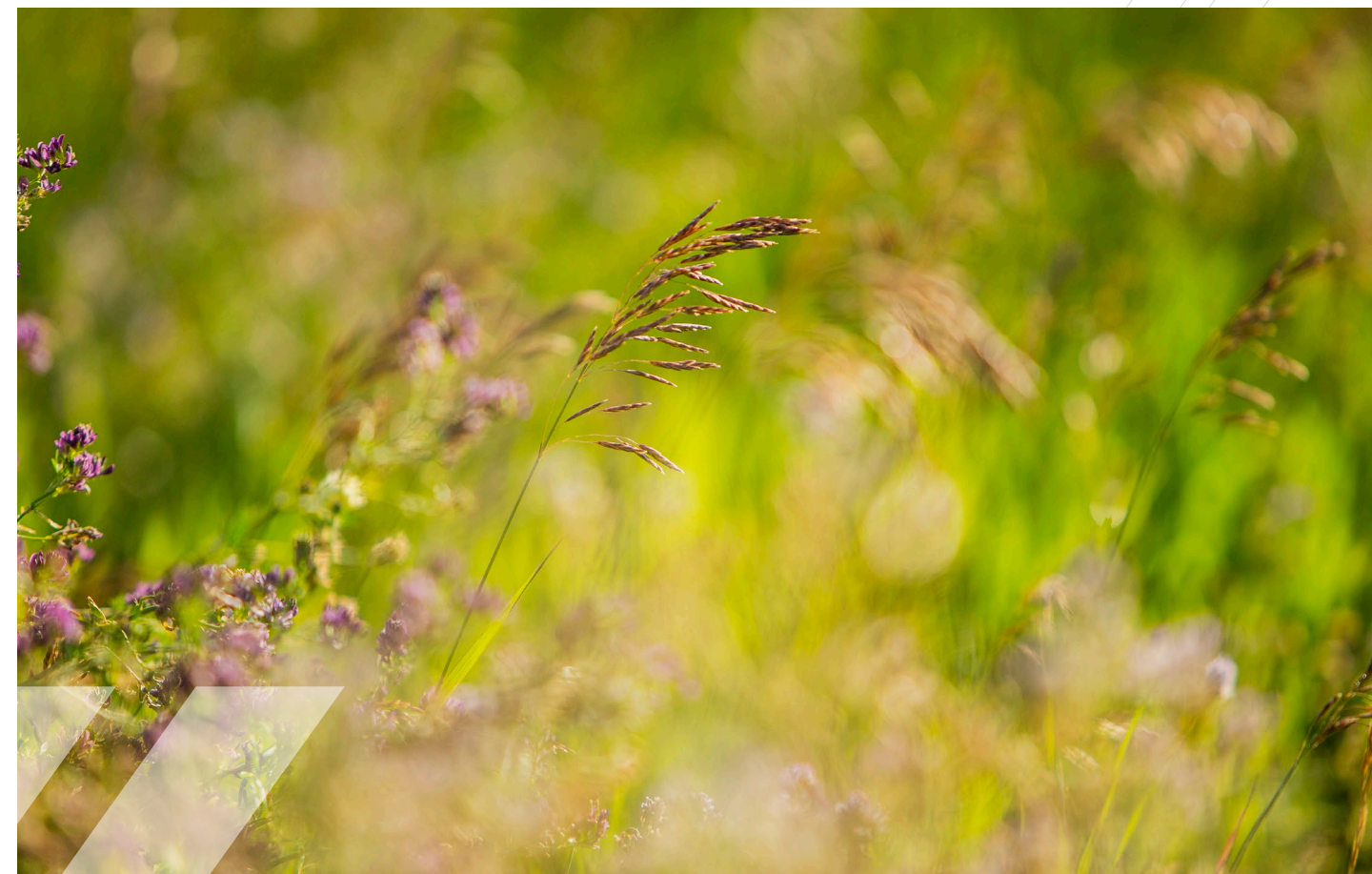
We are committed to Indigenous consultation with nearby communities. Taking community needs and recommendations into account allows us to make better decisions that are based on the effects any future developments may have on key land use areas and surrounding ecosystems.

DEVELOPMENT

Minimizing impacts

Reducing land disturbance is a priority in our development activities. We decrease the amount of land disturbance while increasing production by utilizing extended-reach horizontal drilling, building new multi-well pads, and expanding existing sites to accommodate multi-well operations. Our pipeline inspection and testing program is aimed at ensuring the integrity of existing pipelines to reduce the likelihood of spills. We also strive to repurpose existing pipeline infrastructure, when safe and feasible.

As directed by provincial and federal regulators, or requested by private landowners or communities, we complete wildlife sweeps prior to site development, looking for any active wildlife in the area. If we find active wildlife, steps are taken to ensure minimal impact including delaying work until wildlife have left the area or adjusting work plans to limit disturbance.



ACTIVITIES TO PROTECT BIODIVERSITY

OPERATIONS

Spill prevention and response

We are dedicated to preventing spills from our operations. We prioritize maintenance, inspection, monitoring, and mitigation programs designed to reduce the risk and potential severity of spills from our trucks, tanks, and pipelines.

Preventing pipeline spills

Through our pipeline integrity management program, we manage more than 4,500 km of pipelines in Alberta and Saskatchewan. Our integrity program is regularly audited and includes **corrosion prevention** (protective coatings and cathodic protection for the exterior, internal cleaning to prevent corrosion caused by deposits, and corrosion inhibition chemicals for the interior); **leak detection program** (daily checks for physical signs of leaks, verifying pressure and production numbers from the wells and facilities to account for all volumes, and remotely monitoring the flow of our highest-risk pipelines); **right-of-way and aerial inspections** (ground or aerial inspections for leaks, external damage, erosion, vegetation overgrowth); and **in-line inspections** (diagnostic devices are sent through the length of the pipeline to detect potential or actual leaks). In addition, we complete **specialized inspections** of pipelines that cross over bodies of water, including creeks and rivers, to protect water resources and aquatic life in our operating areas.

Preventing spills from tanks

We have more than 5,000 tanks across our operations that store oil, produced water, and chemicals. To keep these liquids safely contained we complete **integrity inspections** (daily checks, monthly visual inspections, and internal inspections as required); have **overflow prevention devices** (tank-side gauge boards that indicate the level of liquid inside and high-level shutdown devices that prevent fluids from overflowing); ensure there are **multiple layers of containment** (double-walled tanks, secondary containment systems, and/or grading and berms to prevent spills from migrating offsite); and use **forward-looking infrared (FLIR) cameras** to detect gas leaks from tanks that could indicate a perforation.

Preventing spills during trucking

Our operated trucking division uses tanker trailers hauled by contracted trucks to move oil and produced water from our sites. All trucking companies must follow our Health, Safety, and Environment (HSE) manual and Transportation of Dangerous Goods regulations as well as other required protocols and audits. In addition, we target common causes of spills in the trucking industry such as overfilling, failed hoses, and small equipment failures with practices or technologies including dual liquid-level indicators and audible overflow alarms;

bypass or high-pressure shutdown systems; preventative maintenance at least every 60 days for active trailers; and quarterly spot inspections. We also award bonuses to truck owners based on safety targets, including spills performance.

Responding to spills

If a spill occurs, we focus on protecting personnel and the public and minimizing damage to the environment. Our environmental staff and spill responders are trained to rapidly respond and remediate spills (including activating our emergency response plans, if warranted). During an initial spill response, we focus on stopping the release and recovering product. If soil or water impacts remain after the initial cleanup, we undertake remediation. Following remediation, qualified environmental consultants conduct sampling to confirm that soil or water quality meets regulations. We are members of the Western Canadian Spill Services oil spill cooperative and take part in simulated spill response exercises with industry and emergency personnel as part of our regulatory requirements.



DID YOU KNOW?

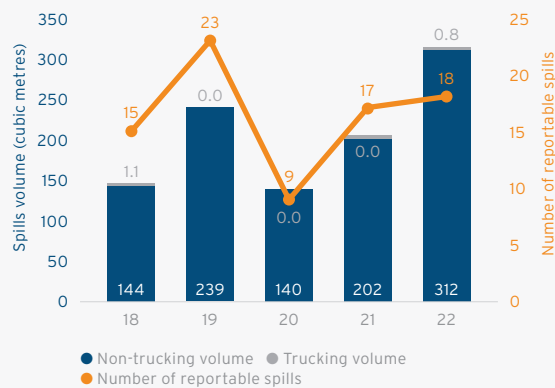
We own more than **4,500 km of pipelines in Alberta and Saskatchewan**. If we were to string these pipelines end-to-end, it would stretch from Calgary to Central America.

2022 UPDATE

SPILL PREVENTION AND RESPONSE PERFORMANCE

Despite our efforts, our total spilled volume increased over the last three years. Our goal is to reverse this trend by focusing on our asset integrity program and increasing data visibility.

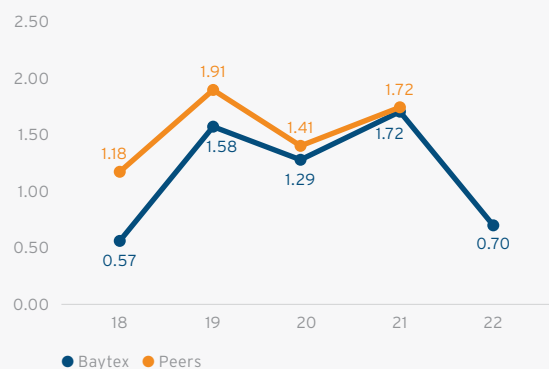
Reportable Spills



We continue to identify areas of improvement to prevent spills from occurring as our spill volumes continue to increase over the last three years. The largest contributor to our spills in 2022 was a spill of 160 m³ of released brine due to corrosion stemming from a breakdown of interior coating in one of our pipelines in Saskatchewan. We continue to investigate technology and material options to track and control pipeline leaks.

Pipeline Spills Rate

Incidents per 1,000 operating pipeline



Baytex's pipeline-related spills has historically been below peer average. ⁽¹⁾ 2022 peer average data was unavailable at the time of publication.

(1) Peers selected are companies operating between 1,500 and 3,500 km of total pipeline length.

In 2022, we conducted 39 aerial inspections on 263 pipelines (covering more than 7,100 km in total) and completed 175 km of in-line inspections.

We inspected 100% of water crossings in our high-risk areas – ranking in the top 6% of peer industries, including oil and gas, industrial, forestry, and municipalities.



ACTIVITIES TO PROTECT BIODIVERSITY

RESTORATION

Planning for the full life cycle

Our commitment to responsible development extends to managing our assets to the end of their life. Our plan for full lifecycle development of our properties includes managing the restoration, abandonment, and reclamation of assets that have reached the end of their productive life.

Linking restoration efforts to compensation

Since 2020, we have set internal annual abandonment and reclamation activity targets to support our restoration initiatives. Performance against our annual abandonment and reclamation obligation (ARO) target is included in our short-term incentive program and impacts the compensation of all employees, including executives.

Exceeding regulatory requirements

In the jurisdictions where we operate, there are regulatory requirements for mandatory spending towards reducing liabilities associated with inactive wells. To support our long-term target, we anticipate spending more than these regulatory requirements in the next few years. In 2022, we spent \$22.4 million on asset retirement (including government grant funding). Baytex's direct spend totaled more than three times our mandatory obligations. Going forward, we are committed to investing \$100 million, or approximately \$20 million per year, towards ARO spending (2022 to 2026).

Following through on our 2040 reclamation target, we spent \$22.4 million on reclamation activities in 2022, including government funding.



OUR TARGETS

Long-term

Restore our existing 2020 end-of-life well inventory of **4,500 wells to zero by 2040.**

Short-term

Invest **\$100 million towards ARO** over the next five years (2022 to 2026).

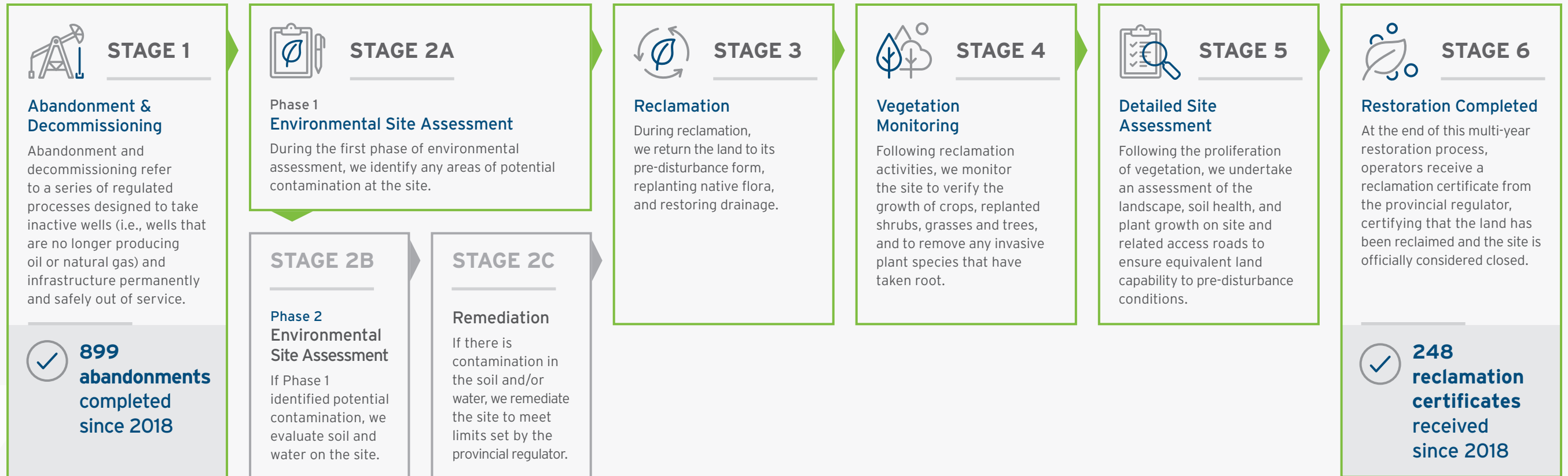


RESTORATION PROCESS

The restoration process begins with a comprehensive plan covering expected reclamation activities on the site and potential challenges. These plans are reviewed and updated regularly. **The restoration process includes many stages and the time from first to final stage can vary depending on land use, topography, access, and remediation requirements.**⁽¹⁾

- Mandatory
- Activities undertaken only if required.

Figure 2.1: Stages of asset retirement and associated restoration activities



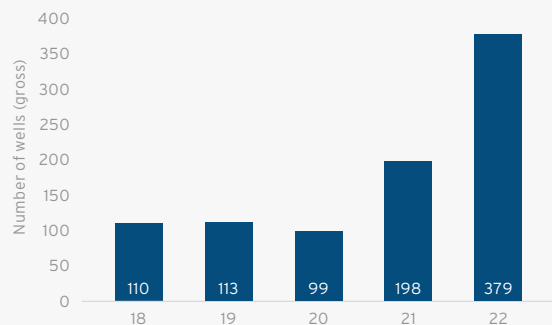
(1) Alberta Energy Regulator <https://www.aer.ca/regulating-development/project-closure/reclamation>

2022 UPDATE

ABANDONMENT AND RECLAMATION PERFORMANCE

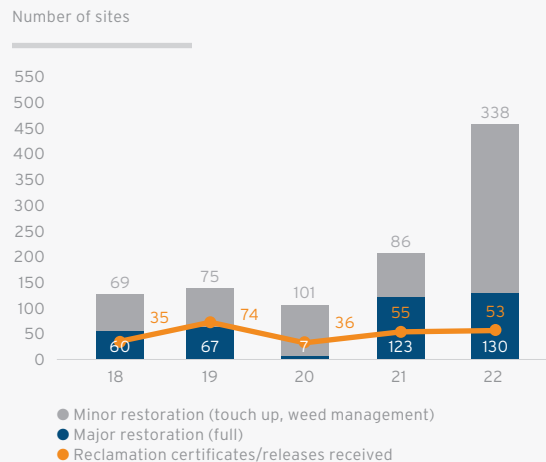
In 2022, Baytex's abandonment and reclamation teams completed our highest number of well abandonments to date. **We continue to work towards our target of restoring 4,500 inactive wells to zero by 2040.**

Abandonment



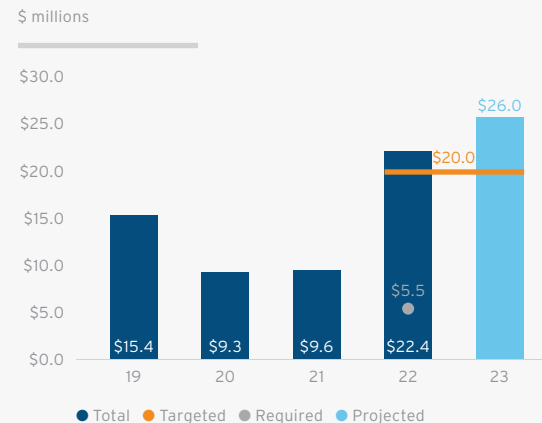
In 2022, we completed the abandonment of 379 wells and 93 pipelines.

Reclamation

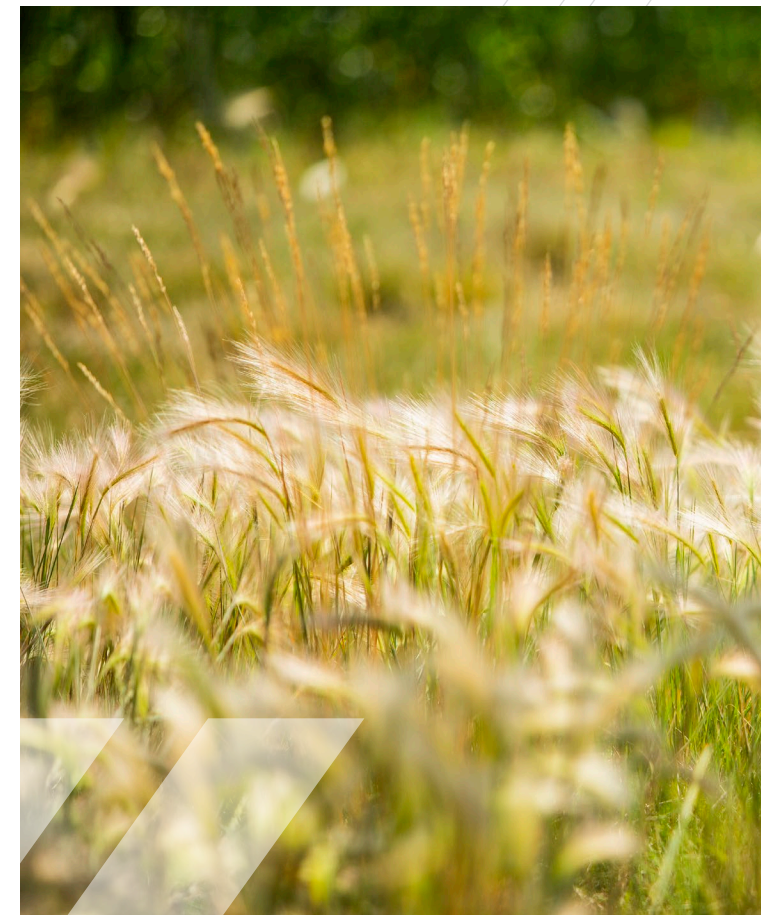


We were issued 53 reclamation certificates in 2022 and carried out reclamation activities on 468 sites.

Total Abandonment and Reclamation Spending



In 2022, we spent \$22.4 million on abandonment and reclamation activities (including government grant funding). Baytex contributed more than three times our required spend. Note: 2023 targeted spend is an estimate at the time of publication.



CASE STUDY

RESTORING CARIBOU AND GRIZZLY BEAR HABITAT

Baytex operated sites in the Chinchaga area of Alberta since 1997. **As part of our 2040 restoration target, we are working to restore sites in this region to their pre-disturbance state. As of December 2022, we have restored 22 hectares of land in caribou and grizzly bear wildlife zones.**

The Chinchaga

Located in northwestern Alberta, the Chinchaga region comprises more than three million acres of Alberta's boreal forests and is home to diverse vegetation and wildlife. The Chinchaga region is covered by the province's Caribou Protection Plan, including specific regulations for companies operating in the region to protect the local woodland caribou population and reclaim the area following operations.

The site

Our restored assets include five wells, two remote sumps previously used to store generated waste, and associated access roads in the area.

Reclamation progress

Our sites in the Chinchaga can only be accessed by ice road during winter months making reclamation activities in the region more challenging than in other areas. To increase the pace of our reclamation activities, we applied for and received funding through the Alberta government's Site Rehabilitation Program to support environmental site assessments and remediation and reclamation activities in designated wildlife zones. All well sites on caribou lands are now abandoned and reclaimed and are currently in the vegetation monitoring stage.



Pre-restoration



During restoration

Using excavator to help stockpile clay fill for dozer to push.



Vegetation monitoring phase

WATER MANAGEMENT

As a responsible producer, we are committed to pursuing water management strategies that minimize our freshwater use and help to support long-term water security and maintain healthy ecosystems in our operating areas. Baytex has developed a water management framework to guide decision-making, further demonstrating our sustainable approach to managing and developing our business into the future.

OUR APPROACH

Water Management Framework

The purpose of Baytex's Water Management Framework (Figure 3) is to support our approach to responsible energy development through proactive water management practices that mitigate the environmental and social impacts associated with our water use. The framework helps us identify operations with increased water access risks, track key performance indicators, and assess our performance year over year. The framework is flexible to accommodate regional water use levels and risks.



OUR TARGET

By 2025, implement our Water Management Framework across all high-risk regions.

MINIMIZE FRESHWATER USE AND SUPPORT WATER SECURITY AND HEALTHY ECOSYSTEMS

Figure 3: Water Management Framework

Understanding the Local Context
Recognize how our operations can impact local communities and watersheds.

Operational Resilience
Continuously improve water management practices within our operations.



Impact Mitigation
Consider the social and environmental impacts associated with water use through its lifecycle.

Empowered, Collaborative Team
Team members understand Baytex's water strategy and have the knowledge and resources to progress our initiatives.

FOCUS AREAS AND KEY ACTIVITIES

To optimize oil production from some assets, we use techniques such as multi-stage fracking, SAGD (steam assisted gravity drainage), and water-supported enhanced oil recovery (water or polymer flooding), all of which can be water-intensive operations. The following four focus areas guide strategic decision-making for water use in our operations:



LOCAL CONTEXT

Water is a critical shared resource in our operating areas, and we recognize the impact our operations can have on communities and watersheds. We strive to better understand our impact by:

- » **Understanding watersheds** and their capacity to meet the current and future needs of the communities in which we operate.
- » **Considering watersheds** in our fresh water withdrawals, abiding by provincial guidelines to maintain flow levels and protect local ecosystems.
- » **Communicating with communities** to solicit input and share our water management successes, opportunities, and challenges.
- » **Integrating Indigenous and community** knowledge, perspectives, and cultural values into our planning.
- » **Collaborating with stakeholders** to address our shared water management issues.



IMPACT MITIGATION

Building on our collaboration and consultation activities with local communities, Baytex works to mitigate our environmental and social impacts associated with water use in all our activities, including sourcing, use, reuse, transportation, and disposal, by:

- » **Establishing targets** for water reduction across our high-risk operations.
- » **Seeking partnerships** to obtain diverse, non-fresh water sources for our operations while maintaining operational resiliency.
- » **Reducing fresh water use** through technology improvements, operational innovations, produced water opportunities, and procurement of non-fresh water sources.



OPERATIONAL RESILIENCY

Continuously improving our water management practices supports Baytex's long term resilience. We identify and monitor our water-related risks through data collection and analysis, and manage risks across our assets by:

- » **Advancing innovative approaches and technologies** to reduce reliance on freshwater in new projects.
- » **Evaluating produced water opportunities**, emerging and proven, to manage our produced water efficiently and safely.
- » **Monitoring water management regulations** in our industry and adjusting our decision-making in line with new regulations when required.
- » **Meeting regulatory requirements** and, where feasible, exceeding requirements for water sourcing, use, reuse, transportation, disposal, and reporting.



EMPOWERED AND COLLABORATIVE TEAM

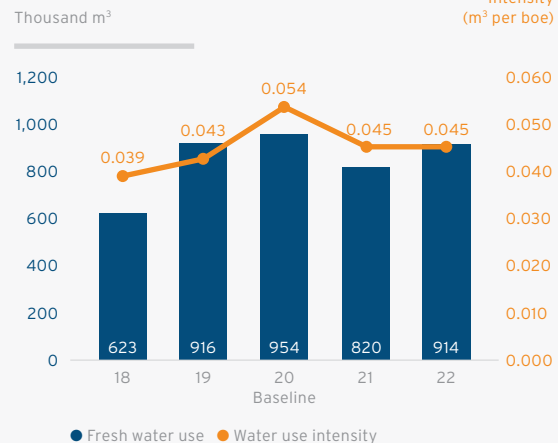
Our approach to water management involves many members of our organization, including our operations, development, sustainability, and environmental teams. We will empower team members to engage in water management programs, identify opportunities, and understand our water strategy by:

- » **Leveraging internal expertise** to ensure appropriate resourcing for water management activities, including data gathering and management.
- » **Preparing asset-specific water updates** and regularly comparing these against our established targets to make pragmatic, timely decisions in line with our focus areas.
- » **Promoting ongoing education** to ensure internal stakeholders are up to date on our water management activities and opportunities.

2022 UPDATE

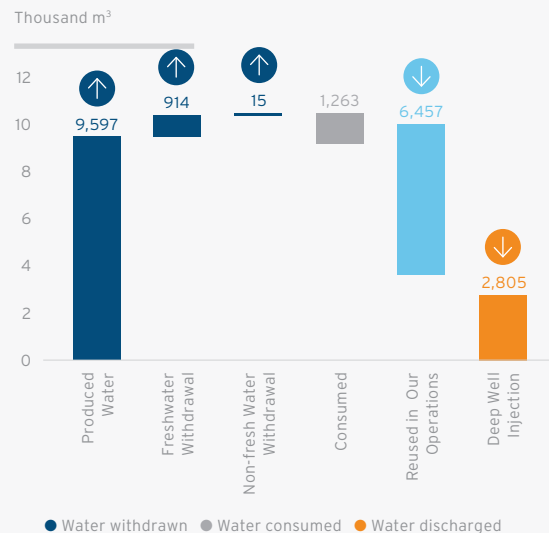
WATER PERFORMANCE

Fresh Water Use



In 2022, we reduced our water intensity 17 percent from 2020, largely due to efforts to replace fresh water with alternative sources in our completion operations. We measure our efforts against 2020 baseline levels. In the last five years, our fresh water use has increased due to a rise in fracking activities.

2022 Water Balance



In 2022, we reused approximately 67 percent of our produced water.

In 2022, we reduced our water intensity by 17%, from 2020 baseline levels.

ACTIVITIES

We continued to find ways to reduce our freshwater consumption for completion and production activities in 2022. Trial initiatives focused on replacing fresh water with recycled produced water or non-fresh water sources. In 2022, we used non-fresh water for 25 percent of our completion operations. Our water management activities for the past year included:

Securing non-fresh water sources

To reduce freshwater use in our operations, we consider technologies and partnerships that allow for alternative water sources. In the Duvernay, we partnered with a local municipality to use effluent in our operations, following a pilot project in 2021 that contributed approximately 65 percent of our freshwater supply in the region. The five-year agreement provides Baytex with a secure, non-freshwater source of water for approximately 50 percent of the annual water needs of our southern Duvernay operations. This decision is supported by a water basin study which found that water availability and access across the Duvernay region presented logistical challenges and could impact our resilience in a prolonged drought period. We are investigating similar partnerships with other local municipalities near our operating areas. Read more about our approach in the Duvernay on page 24.

Recycling produced water for completion operations

We continue to maximize recycled water use in our operations. In 2022, our Viking operations used approximately 65,000 m³ of recycled water. This water comes from our thermal operations, reducing fuel use and lowering the costs associated with water transportation.

Maintaining water quality

We follow strict regulatory protocols to protect water quality during each phase of our operations and work to minimize our impact on groundwater and surface water bodies in the following ways:

Responsible fracking

» To protect groundwater, we conduct fracking at regulated depths and at authorized setbacks from groundwater wells. Cemented steel casings surround the wellbore to prevent well fluids from reaching the groundwater.

Safe disposal of produced water

» If produced water is not reused, we transport it for treatment and safe disposal at a licensed disposal well. The produced water is then injected into a geological formation that minimizes risk to fresh water. We review well data to confirm hydraulic isolation and the safe disposal of saltwater from our operations.

Minimizing surface impacts

» We position our drill sites at regulated distances from surface water bodies to protect aquatic and riparian ecosystems. We also test accumulated rainwater or snowmelt on our leases to verify compliance with provincial standards.

Spill prevention

» We take a comprehensive approach to preventing accidental discharge of oilfield fluids from tanks, trucks, and pipeline infrastructure into bodies of water. Learn about our preventive measures and equipment on page 14.

AIR QUALITY

We believe that preserving air quality is part of being a good neighbour to people who live and work near our operations.

Managing emissions, odours, and air quality is a priority for Baytex.

OUR APPROACH

How we impact air quality

Emissions from our operations that impact air quality include volatile organic compounds (VOCs), nitrous oxides (NOx), sulphur dioxide (SO₂), and particulate matter (PM), among others generated from combustion and flaring at our sites.

Mitigating air emissions

We operate in accordance with air emissions regulations in the regions where we operate. Given our experience in the Peace River area, where rigorous emissions control requirements have been in place since 2015, we have developed significant expertise and practical experience in the management of emissions and air contaminants. Our emissions management activities include:

Vapour recovery for storage tanks

We have invested in vapour recovery units (VRUs) on oil storage tanks. VRUs safely recover methane and remove other air pollutants such as VOCs. We have deployed this technology at sites in our Peace River region and locations in our Lloydminster and conventional operating areas.

Scrubbing units for transport trailers

We use vapour scrubbing units at all trucking sites in Peace River (including Peavine Clearwater) and at three sites in Lloydminster to reduce odour-causing VOCs and

sulphur compounds during truck loading. Odours and emissions can occur while loading trailers when the vapour inside is displaced by liquid during the filling process and released into the environment. Scrubbers help preserve air quality by removing the compounds that cause odours or negatively impact air quality.

Monitoring air quality

We monitor air emissions from our operations and collaborate with community members, governments, and industry peers on initiatives to monitor regional ambient air quality. We are a member of eight monitoring groups across our Alberta and Saskatchewan regions. A Baytex representative co-chairs the independent Peace River Area Monitoring Program (PRAMP), which monitors and publicly reports hydrocarbon emissions and odour data.

Preparing for new regulations

In 2022, we continued testing the NOx levels of our compressor fleet to inform our plans to meet the 2026 Multi-Sector Air Pollutants Regulations (MSAPR). These regulations, applicable to our Canadian sites, require investments to reduce the rate of NOx emissions from combustion by 2026.

2022 UPDATE

PERFORMANCE

We continue to monitor the air quality of our operations and ensure we meet or exceed regulatory requirements.

Other Air Emissions <small>(kg CO₂e/boe)</small>	2019	2020	2021	2022
SO ₂	626	672	93	182
NOx	1,795	1,895	2,343	2,730
VOCs	16,336	6,597	10,956	5,350
PM	127	196	170	177

VOCs continue to account for the majority of our air pollutants and are the focus of our activities. We have reduced our VOCs by 67 percent since 2019.

CASE STUDY

APPROACH TO ENERGY DEVELOPMENT IN THE DUVERNAY

We are focused on the responsible development of our Duvernay assets through a **comprehensive, community-oriented approach** that seeks to minimize our impact.

Minimizing emissions from methane

In the Duvernay region, we are designing new sites to minimize venting sources and will be retrofitting our existing sites by the end of 2023. In our current operations, we use mitigation technologies including tank top capture and electric compressors. In our development plans, we are considering incorporating additional gas conservation infrastructure, where feasible and appropriate. As a result of this low impact approach, the Duvernay is our lowest emission intensity region at 17 kg per boe in 2022. See page 10 for details.

Reducing freshwater use

We entered a five-year commitment with a local municipality for use of their effluent in our southern Duvernay operations. This allows our operations to access 450,000 m³ per year of effluent water, which can reduce freshwater use by approximately 50 percent through a multi-well program.

Minimizing our land footprint

Our use of multi-well pads and horizontal drilling, as well as reusing existing site infrastructure where feasible, helps us reduce our site footprint. For example, one of our wells from a fully developed pad in the Duvernay basin takes up 44 percent less area than a typical three-well pad used in the area.

Being a good neighbour

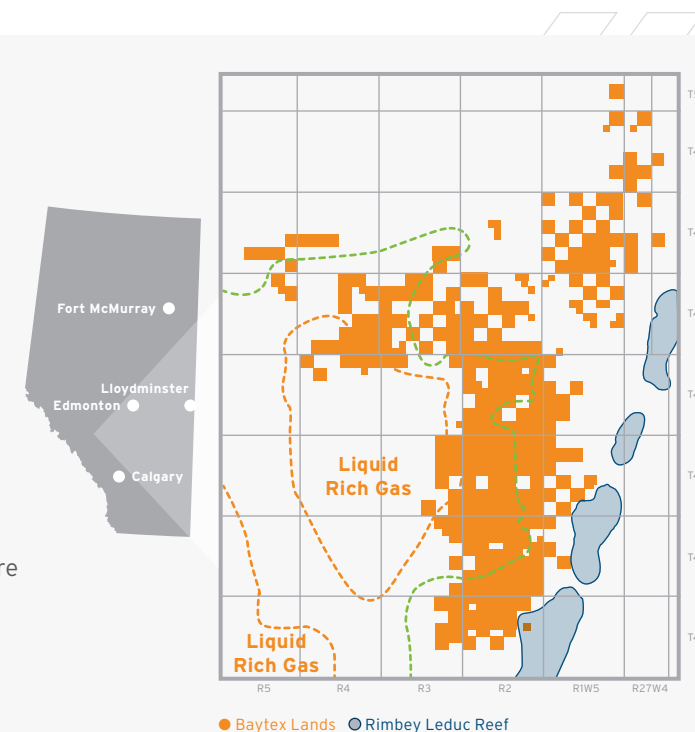
To reduce impacts on the community, we aim to schedule completions for the least disruptive season near small towns and recreational areas. We also complete noise impact assessments and implement a noise reduction strategy for each site. Options we consider include building sound walls, directing noise away from residential areas, slowing compressor fans, adding hospital-grade mufflers, and converting compressors to electric power.

Procuring locally

We focus on local procurement. Approximately 90 percent of Duvernay suppliers are located within an hour's distance. In 2022, approximately \$3 million of operating expenditures were on local supplier services.

Supporting the community

To give back to the local community, we announced a five-year support agreement for the Rimbey Aquatic Centre and supported the Rimbey Ag Society and the Alberta Jr. High Rodeo. Our commitment to purchase municipal effluent also provides a significant and reliable income stream for the municipality over the next five years.



The Duvernay play, located near Rimbey and Pigeon Lake in central Alberta, is a liquids-rich shale basin with future development opportunities for Baytex. Innovations in drilling and completion technologies provide increased access to unconventional reservoirs that were previously difficult to reach.

SOCIAL

We strive to be a good neighbour, a safe operator, and a supportive employer. We stay agile and empower our employees to deliver on our plans. We also commit to open and transparent engagement with our stakeholders that respects Indigenous rights, contributes to the economic and social well-being of the communities where we operate, and creates long-term value for our stakeholders.



2022 HIGHLIGHTS



LOOKING FORWARD

- » Achieved a 14 percent decrease in our combined lost time injury rate compared to 2018.
- » Completed 360-degree performance reviews for leaders and expanded mental health training for all employees.
- » Contributed economic value of \$262 million to governments through property tax, royalty, and income tax payments.
- » Donated more than \$530,000 to community and international organizations.

- » Focus on continual improvement of our safe operating practices.
- » Contribute long-term value through responsible energy development.
- » Continue to support communities across our asset base.



EMPLOYEE SAFETY

At Baytex, we are committed to fostering a strong culture of safety and continuous improvement among employees and contractors. **Our goal is to get everyone home safely at the end of the day.**

OUR APPROACH

Developing a strong safety culture

Building a strong safety culture requires a combination of encouraging consistent behaviours, implementing robust systems, focusing on continual improvement, and making sure our teams are prepared for emergencies.

A safety mindset

We promote guidelines that ensure all team members understand our safety culture. Our **Five Beliefs** underpin our safety culture and are communicated company-wide and reinforced through regular safety discussions. See Figure 4 for details.

We encourage consistent safety awareness on-site through regular safety meetings and toolbox talks and by embedding our safety advisors directly within our field teams, facilitating frontline engagement and responsiveness on safety issues.

One of our most important tools in creating safety awareness is our **Combat Pause**, inspired by final checks U.S. Navy Seals make before stepping into the line of fire. A Combat Pause encourages employees to “Stop. Focus. Act.” and assess risk before starting an activity. We also normalize hazard identification as a key part of our day-to-day activities, empowering all staff to recognize and promptly report hazards that could lead to an incident.

Effective systems

We maintain high safety standards through our Health, Safety, and Environment (HSE) management system, which outlines safety responsibilities, standards, critical practices, and our commitment to meeting or exceeding regulatory requirements. Independent third-party audits are completed on our HSE system every three years as part of the provincial Certificate of Recognition process. We also support consistent access to critical safety information by digitalizing resources through SiteDocs, our web-based safety management application.

We require safety training for every new employee or contractor in the field and ongoing training for many essential tasks. Additional training varies by position and may require industry certification and requalification. For example, field personnel may require training for specific hazards such as working in areas with H₂S (sour gas), working at heights, and entering confined spaces.

Our [Health, Safety and Environment Policy](#) outlines our commitment to the health and safety of our employees, contractors and the public, while protecting the environment.



BAYTEX'S FIVE BELIEFS

Figure 4: Baytex's Five Beliefs

Our focus on safety extends across our business and through everything we do. These beliefs help prioritize safety for all employees and contractors. They are:

Strong communication

We believe that field personnel have a deep understanding of what is working and what is not. By valuing their feedback, we can develop effective systems and continually improve.

Relationships

We believe in partnering with service providers who are like-minded to Baytex, who are always improving and strengthening their HSE management system.

Preparedness

We believe that practicing and simulating emergency events prepares us for the most effective response possible.

Developing our people

We believe that learning and growth sets us, and those who follow us, up for success, from the newest worker to top management.

Managing risk

We believe in habitually stopping and engaging 100 per cent of the conscious mind to identify the risks prior to proceeding with a task.

At Baytex, we have adopted a multi-year view of safety planning, focusing on a rotating panel of key safety topics such as training and frontline leadership, life saving rules, and more. We adjust the focus areas annually, carrying several forward from the previous year and adding new topics as needed. This process creates continuity in our safety programming and messaging, promotes employee engagement in safety, and allows us to adapt to changing conditions and challenges each year.

Continual improvement

We follow up on high-potential events, or incidents that could have or did lead to serious injury and/or significant environmental or financial impact. This includes investing extra time and attention in understanding the causes of these events, enacting thorough corrective actions, and communicating our findings across the organization.

Additionally, we take an educational, positive reinforcement approach to safety inspections and training, encouraging team members to learn from experts and each other and be ready to adjust their behaviours and practices.

Emergency preparedness

We maintain and rehearse our corporate emergency response plan and make specialized plans for areas with unique hazards to protect our people, the public, and the environment near our operations. We often collaborate with service providers for emergency response drills. In 2022, we completed 23 emergency response drills, most of which involved service providers. We also take part in regional emergency spill response exercises with emergency responders and other companies in our areas of operation.

Baytex maintains a subscription to Vigilant, an emergency call centre and response service for remote locations, provided by STARS. Along with 24-hour call centre service and priority response, we set up a permanent STARS site in the Peavine Métis Settlement to allow for better access to services. See page 36 for details.

In 2022, we completed 23 emergency response drills, most of which involved service providers.



CONTRACTOR SAFETY

Contractors are responsible for approximately 81 percent of our annual worked hours and are vital partners in field safety. **We believe in working with our contractors to continually improve our safety systems and culture and recognize positive safety behaviours.**

OUR APPROACH

Working together

As a key component of our workforce, we ensure hired contractors meet our high safety standards and enforce our safety culture on-site.

Choosing responsible contractors

All Baytex contractors must register with ComplyWorks, a third-party safety data management firm that consolidates safety performance and insurance information and verifies contractor compliance and certifications. We make past safety performance a priority when selecting our contractors. We request that contractors either hold, or be in the process of obtaining, a Certificate of Recognition proving their safety management procedures have passed a third-party audit.

Promoting safe behaviours

All contractors receive in-person or online safety orientation sessions before starting work, and we hold on-site, pre-job meetings that address the specific safety requirements of each site. We also reinforce stop work authority for contractors, empowering them to stop work if they feel the task is unsafe.

TRUCKING SAFETY



Our commitment to a culture of safety extends to the **safe delivery of our product.**

We transport the majority of our product by truck, either through our trucking division or third parties. We rely on five strategies to help ensure safe delivery of our product:

Selecting safe contractors

We review references, safety management systems, past performance, and insurance history.

Onboarding new drivers

New drivers complete a safety orientation session, a one-day oilfield driver awareness course, and a ride along with an experienced driver.

Maintaining safe equipment

Active trailers undergo preventive maintenance at least every 60 days at a certified maintenance shop in addition to quarterly spot inspections. We began conducting an Assessment of Regulatory Compliance for owned and third-party commercial vehicles in 2022, and aim to have all trucks inspected by 2027. In 2022, we inspected 28 percent of all owned and third-party trucks, exceeding our goal of 20 percent.

Leveraging GPS technology

We utilize a GPS system in our trucking division with a worker check-in and safety alert monitoring for drivers working alone. This includes a distress signal in the event a driver needs immediate assistance. GPS technology is also used to monitor trucking fleet movements, recognize bottlenecks in the dispatch process, reduce wait times, and monitor for safe driving behaviors.

Planning safe routes

We encourage contractors to avoid areas of concern and mitigate risk, where feasible.

In 2022, we inspected 28% of all third-party trucks, exceeding our goal of 20%. We aim to have all trucks inspected by 2027.

2022 UPDATE

ACTIVITIES

In 2022, our employees and contractors worked approximately 6.5 million hours in support of our operations. We drew on our culture of continuous improvement to refine or expand existing safety programs. Examples included:

Provided incident training for leaders

Our field leadership, operations managers, and two executive members completed a TapRoot® root cause analysis incident training course. Through this program, they learned how to identify and fix the root causes of human errors and equipment failures that cause safety incidents.

Expanded mental health training

Following our 2021 pilot, we held three online sessions of The Working Mind mental health first aid course for field and office staff to break the stigma of mental illness in the workplace and encourage open conversations between team members.

Adopted multi-year safety planning

To support our safety culture, we introduced a new multi-year safety plan with rotating topics to highlight each calendar year. Our 2022 plan focused on contractor management, frontline leadership, risk tolerance, combat pause (page 26), and life saving rules.

Continued our focus on high-risk activities

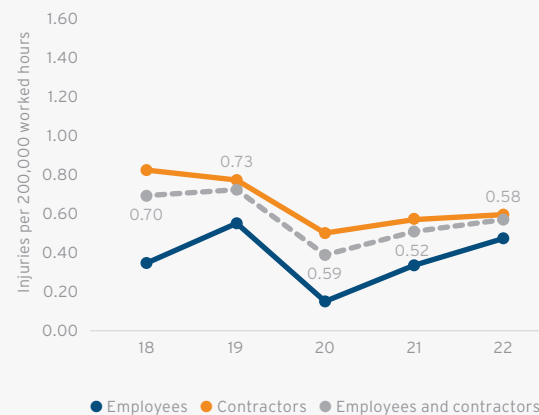
As part of our increased focus on rigging and hoisting safety, we added a contract crane and rigging specialist role to our team. This role provides support, guidance, and planning for high-risk activities.

Facilitated knowledge transfer and education

During our 10 drilling and completion inspections for 2022, experienced inspectors held informal discussions and formal feedback sessions with employees and contract service providers to share key insights and knowledge. This opportunity to discuss safety with experienced inspectors enhanced our team members' safety knowledge, recognition, and focus.

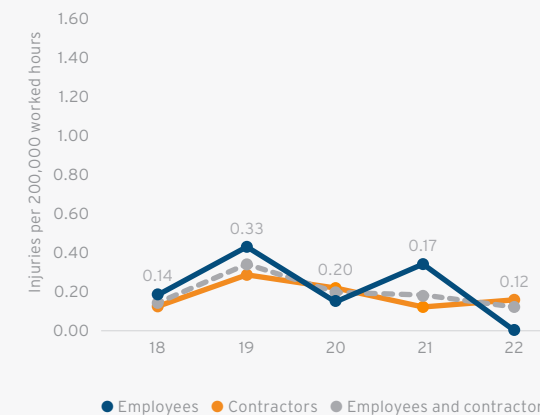
Safety Performance

Total Recordable Injury Rate



Our 2022 recordable injury frequency was slightly higher than last year, due in part to increased work activities. We continue to improve our safety culture and programs.

Total Lost Injury Rate



Since 2018, we have seen a 14 percent decrease in our combined lost time injury rate.

DIVERSITY AND INCLUSION

We are committed to building an organization where all employees and contractors are supported, treated fairly, and feel respected. We make decisions regarding hiring, training, and promotion based on qualifications, ability, and performance. We believe diverse perspectives and experiences contribute to the success of the organization and our ability to deliver on our commitments.

OUR APPROACH

Diversity policy

Our commitment to diversity starts with our written *Board and Management Diversity Policy*. This policy applies to both director and executive officer appointments and recognizes that it is in the best interests of our company and our stakeholders to have diversity in gender, age, and ethnicity within our Board and management. We committed to and achieved at least 30 percent of our directors being women by our 2023 shareholder meeting. At the time of our 2023 shareholder meeting, 33 percent of our directors were women. The Board’s Audit and HR committees are currently headed by women directors (see our *2022 Information Circular* for more information). We report the gender breakdown of our staff to the Nominating and Governance Committee every November.

Our Code of Business Conduct

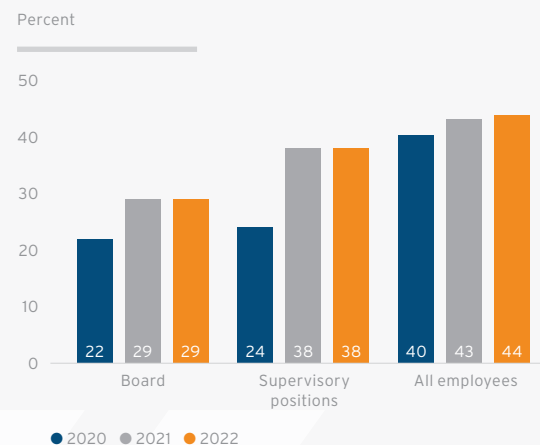
Our *Code of Business Conduct (Code)* strictly prohibits harassment in any form, including verbal, physical, and visual harassment. We take workplace harassment seriously and investigate all reported complaints. If, after appropriate investigation, any person is found to have harassed or discriminated against another employee, they are subject to disciplinary action, up to and including dismissal. We require our employees to annually review and acknowledge in writing their agreement to abide by the Code, and we review the Code with new employees during our onboarding process.

2022 UPDATE

PERFORMANCE

We continue to work on creating an inclusive and respectful workplace.

Women at Various Levels



Currently, 44 percent of our employees and 38 percent of our supervisors (team leads and above) are women. We are committed to ensuring that at least 30 percent of our Board members are women. The Board had 29 percent female representation on Dec. 31, 2022.



OUR FOCUS

Continue surveying our employees annually and reporting on the **gender diversity** of our workforce.



Baytex was the Platinum sponsor of the 2022 Women in the North Conference, hosted by Community Futures Peace County. A multi-location event in the Peace region, the conference brings training, motivational speakers, and networking opportunities to women in business and leadership positions.

EMPLOYEE DEVELOPMENT AND ENGAGEMENT

We are committed to informing, supporting, and empowering our employees.

OUR APPROACH

Empowering and developing our people

Working to build and enhance our culture is important to us. We do this through:

Employee surveys

Baytex annually surveys employees to assess their engagement and our overall organizational health and effectiveness. Survey results inform our ongoing culture and engagement activities, including social and charitable activities that foster connection among employees across our operations. See page 35 for more details on our charitable and community investments.

BayFlex

Baytex's distributed workforce framework, called BayFlex, offers eligible employees the flexibility to work from home and the office. BayFlex empowers employees to be productive, regardless of location, and provides a competitive advantage for Baytex as we seek to recruit and retain the best talent in the business.

Our voluntary turnover rate in 2022 was 1%, Baytex's lowest rate since 2018.

Performance reviews

We work to help our employees grow professionally and provide development opportunities and mentoring to advance their careers. We have annual performance reviews for employees to discuss opportunities for development and future growth with their managers. Managers review specific performance and development goals with their teams every quarter to focus the team's collective efforts on driving results.

Communication

Our goal is to make sure employees have the information they need to maintain safe, compliant, and competitive operations as well as to celebrate collective achievements. Communications include town halls where executive management discuss business performance and strategy, highlight achievements, and answer employee questions.

2022 UPDATE

FOCUSING ON CONNECTION AND MENTAL HEALTH

In 2022, we focused on enhancing connections between Baytex employees across locations by increasing the number of field visits and social events. Our 2022 employee survey showed positive results, and our voluntary turnover rate in 2022 was 1 percent, Baytex's lowest rate since 2018. As part of our activities, leaders completed a 360-degree performance review. With the opportunity for self-evaluation and feedback from peers, direct reports, and managers. These reviews support actionable improvements.

Another key initiative in 2022 was our effort to expand mental health awareness through three training sessions designed to empower employees to improve their own mental health and learn how they can support others who may be struggling.

The Working Mind

Open to all team members, this training (often referred to as "mental health first aid") highlighted the importance of mental wellness, how to respond to mental health issues, and what impacts mental illness can have on a person's day-to-day life.

Leadership Resiliency

Available for team leads, managers, directors, and executives, this training discussed what it means to be a leader and how to support team members in tough times, especially while working remotely.

Be Safe Not Sorry and Mental Toughness

Open to all staff members, these sessions emphasized the importance of personal safety and how to perform under pressure.

STAKEHOLDER ENGAGEMENT AND COMMUNITY RELATIONS

Our continued success in developing our assets depends on our ability to build and maintain respectful relationships with all landowners, communities, and other stakeholders where we operate. **Our objective is to always be a good neighbour:** earning trust, being transparent in our communications, listening to concerns and finding solutions, and contributing to the social and economic health of the community.

OUR APPROACH

Seeking understanding and collaboration

Our approach is to engage with stakeholders early and often throughout our projects. We strive to ensure stakeholders understand what the proposed work entails and have opportunities to express their perspectives or concerns about the project. We communicate with stakeholders through in-person meetings, open houses, video meetings, phone calls, and emails, depending on our stakeholders' needs and preferred methods of communication. Building and improving our relationships with stakeholders and our neighbours relies on trust and requires that we fit our communication to each specific community and address their concerns.

Tailored approach

Depending on the location and scale of our operations and their potential impacts, our stakeholders can range from a single landowner to an entire community, Indigenous community, or government body. We tailor our engagement to the needs of each stakeholder and to the regulatory requirements relevant to their circumstances. We also strive to go beyond requirements by working proactively to understand our potential impacts, address concerns, and identify opportunities for shared value.

Addressing concerns

We strive to understand stakeholder concerns and to share credible, thoughtful, and detailed information on what are sometimes challenging topics. Each municipality or community has concerns specific to its area. Common issues raised by local stakeholders often relate to potential noise, dust, odours, or traffic that could be generated by our operations. Our initiatives and investments to minimize these impacts include:

- » Installing muffler systems to reduce noise from engines used to run well equipment and utilizing sound-blocking walls around lease boundaries during fracking.
- » Applying GPS tracking to manage traffic impacts on communities in areas of concern such as school bus routes and high traffic congestion areas.
- » Scheduling drilling and other loud activities during the least disruptive seasons for small towns, communities, and recreational areas.
- » Installing odourless truck-filling systems.

Connecting with Synergy Groups

We participate in multi-stakeholder initiatives in Alberta through Synergy Groups. These groups hold regular meetings (usually monthly) to bring together community members and stakeholders with industry, government, and regulator representatives. Topics of discussion include health, safety, and environmental issues associated with energy development in the region. We belong to four Synergy Groups within our operating areas. These sessions represent an opportunity for us to hear from diverse voices and to share updates on projects and ongoing operations.

Monitoring for induced seismicity

We do not operate directly within zones with high seismic risk, and, to date, we have no knowledge of seismic events related to our fracking operations. However, our Duvernay property is adjacent to one of three areas the Alberta regulator has determined to be of high seismic risk. As a precaution, we have implemented special protocols for fracking in this region, including seismic monitoring while fracking. These measures are not regulatory requirements within our Duvernay operating area but are in place to ensure we are monitoring the impacts of our operations.

INDIGENOUS RIGHTS

We are committed to building and maintaining respectful relationships with Indigenous communities. In our operations, we seek to create opportunities for meaningful economic participation and inclusion, which are integral to supporting long-lasting relationships.

OUR APPROACH

Building relationships based on mutual trust

While 11.3 percent of our proved and probable reserves are directly within Indigenous lands, a larger portion lies within the traditional territory and Métis harvesting areas occupied by both Treaty 6 and Treaty 8 First Nations and by the Métis people. We respect treaty, traditional use, and harvesting rights in these areas and strive to establish constructive, mutually beneficial relationships with Indigenous communities that focus on:

- » **Building reciprocal trust and understanding**
- » **Identifying and addressing community concerns**
- » **Fostering meaningful economic development opportunities**
- » **Protecting the land for future generations**

Throughout our operations, we work alongside Indigenous communities to build relationships based on mutual trust and respect. This includes our more than 15 years of collaboration with Indigenous communities in the Peace River area of Alberta.

Respectful consultation and engagement

We are committed to maintaining ongoing, respectful dialogue with Indigenous communities throughout the life cycle of our operations and seek community guidance on the sensitive use of traditional lands and harvesting areas. For new project proposals, we adhere to consultation procedures defined by federal and provincial governments while working empathetically with each community to understand their individual needs.

Collaborative economic development

While we tailor our engagement strategies to the unique needs of each community, a common thread in all our activities is the desire to create economic benefits for Indigenous communities through Indigenous participation in our operations, such as preferred contractor or joint venture arrangements.

We are committed to building and maintaining respectful relationships with Indigenous communities.

2022 UPDATE

ACTIVITIES

In 2022, we focused on increasing our awareness and understanding of Indigenous history and culture through:

Truth and Reconciliation Day

On Sept. 30, 2022, Baytex recognized the National Day for Truth and Reconciliation by inviting employees to learn more about the history of Indigenous peoples from Doreen Healy, Resident Elder for the Alberta Energy Regulator. Baytex also donated \$25,000 to the Indigenous Resource Network, a non-partisan platform supporting Indigenous engagement in the resource sector.

Executive and Board Education

Bee Schadeck: The founder of Center of the Sky, a consultancy focused on creating more Indigenous awareness – hosted an elder sharing session with our Board and executive members during their fall 2022 retreat. Team members spent one-on-one time with Bee to discuss the history of Indigenous Peoples in Canada and the future of Truth and Reconciliation.

ECONOMIC IMPACT AND COMMUNITY INVESTMENT

Our community contributions go beyond charitable and philanthropic efforts. Part of this contribution takes the form of royalties and taxes paid to federal, provincial, and municipal governments. We also create economic prosperity in communities through job creation, payments to landowners, and the hiring of small and large companies that provide products and services.

OUR APPROACH

Creating positive economic benefits

We aim to create economic and social benefits through employment, procuring goods and services, and giving back to the communities in which we operate.

Local hiring and procurement

We strive to generate economic opportunities for local workers and companies. Local hiring helps us to manage operating costs and supports our commitment to the long-term economic and social well-being of the communities where we operate. We also procure locally for our projects, when feasible, and access water from area landowners or local municipalities for completions operations.

Government payments

In 2022, we paid approximately \$262 million in taxes to various levels of government in taxes and royalties that help fund infrastructure, education, and health care. See our [Extractive Sector Transparency Measures Act \(ESTMA\) report](#) for details.

Community investment

We are committed to supporting the communities in which we operate. By providing financial and volunteer support to vital community initiatives, we not only strengthen community sustainability, but also build trust with stakeholders and deepen employee engagement. We direct our community investments to four key areas that reflect our corporate values and provide support for important community causes: Education and Training, Health Care, Children and Youth, and Indigenous Communities. Read more about our 2022 Community Investments on the following page.

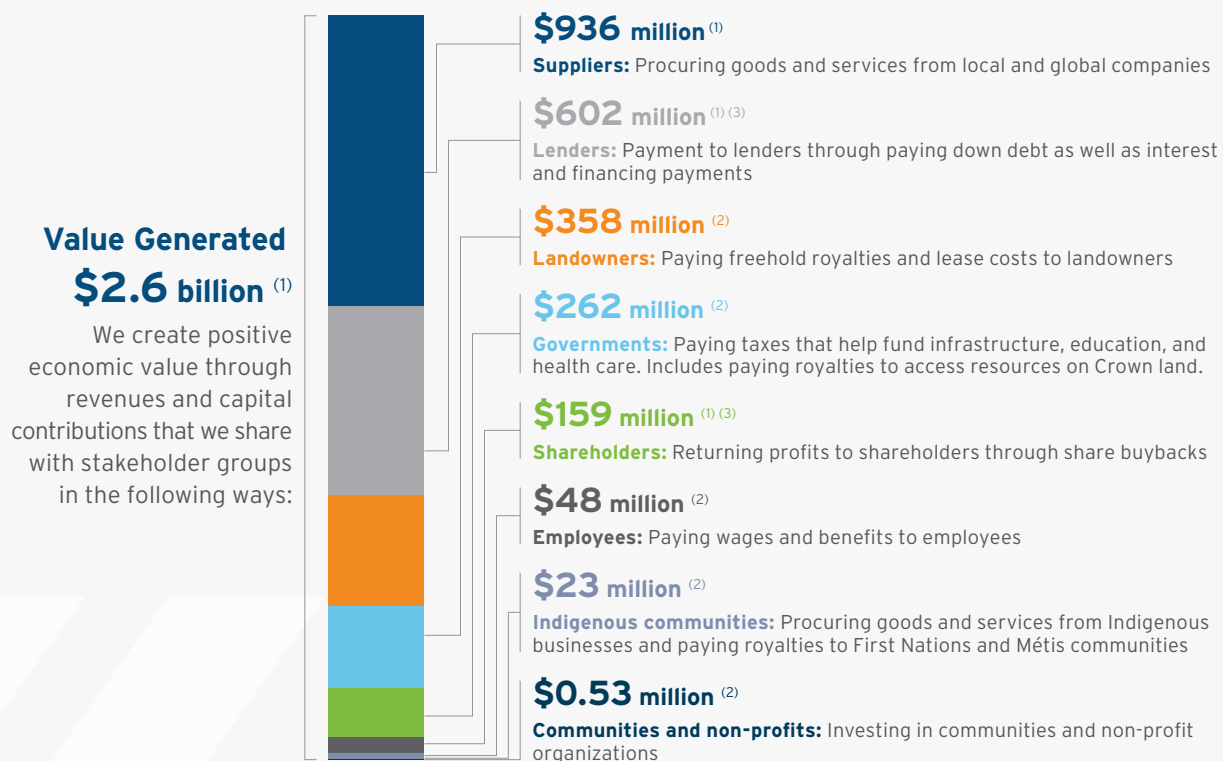
Responsible resource development creates long-term value through payments to governments, employment, and sharing profits with shareholders and communities.

2022 UPDATE

PERFORMANCE

We contributed to the economic and social well-being of communities in 2022 through our business activities and our support of charitable initiatives.

Figure 5. Sharing economic value with our stakeholders



(1) Specified financial measure that does not have any standardized meaning prescribed by IFRS and may not be comparable with the calculation of similar measures presented by other entities. Refer to the Specified Financial Measures section in this report for further information.

(2) Refer to the Performance Table section of this MD&A for description of the composition of these measures.

(3) "Providers of Capital" amount disclosed in the Performance Table section of this report is comprised of "Lenders" and "Shareholders" disclosed in Figure 5.

2022 UPDATE

ACTIVITIES

Each year, we invest in our communities through four pillars. This year, our investments included:



EDUCATION AND TRAINING

- » Provided 17 scholarships to high school students in our operating areas.
- » Sponsored the 2022 Women in the North Conference, an event supporting women in business from northern Alberta with networking, training, and learning opportunities.



HEALTH CARE

- » Continued support for the West Central Crisis and Family Support Centre in Kindersley, a critical resource for those experiencing family violence and crisis.
- » Maintained our commitment to the Shock Air Trauma Rescue Service (STARS) to aid medical response in rural and remote communities across the Prairies. We have committed \$50,000 annually for five years for a total of \$250,000. See page 36 for details.

More than \$71,000 in Baytex employees and matching corporate donations to the Canadian Red Cross in support of Ukrainians fleeing violence.



INDIGENOUS COMMUNITIES

- » Supported a land-based management program for the Peavine Métis Settlement in which Indigenous youth can explore culture through canoeing, shelter building, and other adventures.
- » Donated \$25,000 to the Indigenous Resource Network, an organization dedicated to building a sustainable, supportive, and respectful resource industry in Canada.

More than \$530,000 donated to communities in 2022.



CHILDREN AND YOUTH

- » Continued funding of the Baytex Energy Centre in Peace River, providing a place for families to access recreation and sport activities.
- » Sponsored the Alberta Junior High School Rodeo finals, an opportunity for youth to preserve and promote the sport of rodeo.



Participants from the Alberta Junior High School Rodeo Final

SPOTLIGHT

SUPPORTING STARS FOR OVER 15 YEARS

At Baytex, our commitment to safety goes beyond caring for our own team members and extends to the communities near our operations.

Since 1994, we have proudly supported STARS (Shock Trauma Air Rescue Service), a non-profit organization that provides access to critical care in rural and remote areas in Western Canada. As our relationship with STARS has grown over the years, so has our commitment. In 2021, we pledged \$250,000 over five years to support STARS and the critical role they play in communities across Western Canada.

The oil and gas industry in Canada has long recognized the importance of timely medical responses to remote communities. Through \$1 million in funding from two Canadian oil and gas producer associations, STARS was able to launch a service called the Vigilant Emergency Link Centre (Centre). The Centre provides subscription-based services to industries working in rural and remote areas. Services include coordinated emergency response plans and simulations, a dedicated emergency line, and work-alone monitoring systems.

Already a subscriber to the Centre, we increased our contribution in 2021 so that members of the Peavine Métis Settlement could have access to the STARS services, protecting our neighbours in the local community.

Since its inception, STARS has relied on community and corporate fundraising in addition to government grants to support their mission. Charitable donations such as ours and fees paid by industry members for services ensure that STARS has the technology and medical equipment to provide emergency response for those who live, work, and play in remote areas. We are proud to support this essential service as a reflection of our shared values of safety and teamwork.

In 2021, we committed \$250,000 over five years to support STARS.



About STARS

Founded in 1985 as the Lions Air Ambulance, STARS is dedicated to providing timely emergency response in areas of Western Canada with limited emergency infrastructure.

Most recognized for its 'big red helicopters', STARS's mission is to provide timely, quality medical treatment during the first 60 minutes of a medical emergency, to patients in rural or remote areas. Referred to as "the golden hour", care received during this time is crucial to improved medical outcomes.

Today, STARS has six bases and serves communities across Manitoba, Saskatchewan, Alberta, and eastern British Columbia, completing 3,365 helicopter missions and handling more than 36,390 emergency requests over the 2022/23 fiscal year.



GOVERNANCE

We are committed to effectively managing risk and operating ethically, compliantly, and transparently. Fostering good governance facilitates the resilient leadership culture we need to meet our sustainability goals and strengthen shareholder value.



2022 HIGHLIGHTS



LOOKING FORWARD

- » Appointed a new CEO, Eric Greager
- » Increased representation of women on our Board to 29 percent, and to 33 per cent subsequent to year end

- » Maintain our focus on climate disclosure and corporate resiliency by advancing TCFD reporting with quantitative scenario analysis
- » Maintain strong governance practices on ESG matters of key importance to our stakeholders, shareholders, and business
- » Continue monitoring risks and evaluating new opportunities as a responsible energy producer



CORPORATE GOVERNANCE

Strong stewardship by our Board of Directors underpins the strategies and structures that guide our decisions as we work to achieve our business objectives. Read about the role of our Board in overseeing climate-related risks in our [TCFD Report](#).

OUR APPROACH

Board structure

Our Board executes its mandate through four committees comprised of independent directors: the Audit Committee, the Human Resources and Compensation Committee, the Nominating and Governance Committee, and the Reserves and Sustainability Committee. For details on committee mandates, see our [Information Circular](#).

Board diversity

We seek Board directors with diverse competencies and skills who can devote sufficient time and resources to Baytex. We also strive for diversity in gender, age, and ethnicity within our Board and management, as outlined in our [Board and Management Diversity Policy](#). Accordingly, the Nominating and Governance Committee considers diversity factors when recommending individuals for appointment or election to the Board. Our Diversity Policy also includes a target of at least 30 percent women on our Board by our 2023 shareholder meeting; our current Board has 38 percent women. Two of our four committees are chaired by women.

Board renewal

We do not have term limits or a formal retirement policy for Board members. At Baytex, we believe it is important that directors understand our industry and business and that we preserve a certain amount of institutional knowledge on our Board. This requires some directors to have a longer tenure than others. We also want diverse viewpoints. Therefore, we seek to achieve an appropriate balance of long-standing and new Board members to ensure the Board functions effectively. The average tenure of a director on our Board is four years.

Executive compensation

The underlying principle for compensation in our company is pay-for-performance that is linked to the achievement of specific goals. This helps ensure the alignment of management and shareholder interests and supports our ability to attract and retain highly capable individuals. We believe this philosophy helps us achieve our goal of rewarding behaviours that reinforce our values and deliver on our corporate objectives. An average of 73 percent for named executive officers and 79 percent of our CEO compensation is “at risk” or dependent on performance against targets.

GOVERNANCE INFORMATION

(as of Dec. 31, 2022)

Shareholder rights

Ability to call a special meeting	Yes
Say on Pay advisory vote	Yes

Shareholding

Share ownership requirements for directors	Yes
Share ownership requirements for executive officers	Yes
Share ownership guidelines for management	Yes

Ethics

Code of Conduct for directors, officers, and employees	Yes
Policy on Share Trading and Hedging	Yes

Board composition and independence

Size of Board	8
Number of independent directors	7
Separate chair and CEO	Yes
Independent chair	Yes
Annual Board and committee assessment process	Yes
Board meetings held in 2022	6
Average meeting attendance	100%

Board renewal and diversity

Annual election of directors	Yes
Majority Voting Policy	Yes
Average age of directors	60
Mandatory retirement age	No
Average director tenure	4 years
Women Board members	29%
Board Diversity Policy with gender targets	Yes

ETHICS

Ethical conduct is the foundation of our business and vital to maintaining the trust of our stakeholders. We provide detailed guidance to our people to ensure they understand and uphold our standards for responsible business practices.

OUR APPROACH

Setting expectations

Our *Code of Business Conduct and Ethics* outlines our expectations for ethical behaviour. It applies to all employees, consultants, officers, and directors of Baytex who are required to annually confirm that they have read, understood, and complied with the Code. Our *Human Rights Policy* Statement helps to ensure Baytex, our suppliers, and service providers uphold human rights in our business. Contractors are required to sign an acknowledgement of the policy, and we make the policy available to service providers as well to ensure they are aware of our expectations. Our employees must also confirm in writing their commitment to our *Disclosure, Trading, and Confidentiality Policy; Health, Safety, and Environment Policy; Drug and Alcohol Policy; and Human Rights Policy*. New employees are required to acknowledge that they have read and understand these policies during the onboarding process.

Reporting misconduct

We encourage employees to report any misconduct through our confidential ethics hotline (operated by an independent third party), to their manager or a senior executive, or to our Audit Committee or legal department. As outlined in our *Whistleblower Policy*, employees can report misconduct on a confidential and anonymous basis without the threat or fear of dismissal, harassment, or other retaliation. Our legal department follows up on all reports and informs the Audit Committee about any investigations on a quarterly basis. Where appropriate, a third party is hired to investigate.

Assessing fraud risk

Every year, we conduct a fraud risk assessment with the goal of identifying, managing, and mitigating our company's fraud risk. In 2022, we changed our approach from roundtable discussions to individual meetings of our Manager, SOX Compliance with key senior and executive management team members, including Operations, Development, and Drilling. Through these meetings, we aim to raise awareness of the different types of fraud that may occur in the environment in which we operate, identify fraud risks, and evaluate the potential damages that these risks may pose (considering the likelihood of occurrence and potential financial and reputational loss). We then determine whether we have effective mitigating internal controls in place (based on the determined magnitude of potential damage) and if there is a need to implement additional internal controls. Examples of risks typically discussed by the group include management override, financial statement fraud, asset misappropriation, and bribery and corruption.

Our Code of Business Conduct and Ethics outlines our expectations for ethical behaviour.

GOVERNANCE FOR ESG MATTERS

The ESG landscape is constantly changing as new regulatory and reporting requirements, technologies, and stakeholder interests arise. To help us proactively identify risks and opportunities for Baytex in this evolving environment, **we have developed formal structures for oversight and management of ESG matters** that include accountabilities for the Board, management, and all Baytex employees.

OUR APPROACH

Embedding ESG oversight

To make certain that our decision-making incorporates ESG considerations, we have embedded oversight of ESG into our governance structures in two ways:

Owned by Board committee

The *mandate* of the Reserves and Sustainability Committee includes sustainability matters. This committee meets at least twice per year and reports to the Board after each committee meeting. It has responsibility for the oversight and monitoring of our health, safety, environment, climate, and other sustainability matters, including the setting, benchmarking, and measurement of performance and achievement targets. Our Audit Committee *mandate* includes oversight for the security of Baytex's information technology systems.

Tied to compensation

We have expanded the ESG metrics included in our incentive program to include GHG emissions. In 2022, 10 percent of the annual bonus pool for management (executive officers) and all employees was linked to four targets: safety, spills, abandonment and reclamation, and GHG emissions reductions. To make performance visible and increase accountability throughout the company, we share our safety and environmental performance with all employees via monthly emails and in our town halls which occur at least once per quarter.

Read about our identification and management of climate-related risks in our [TCFD Report](#).

Shared accountability for ESG matters

Responsibility for ESG efforts start with our leadership team and is supported by our business functions and a multidisciplinary team exclusively dedicated to ESG activities.

Sustainability leadership

Baytex's executive management teams works with our Director, Sustainability to lead our sustainability efforts and work to reinforce our commitment to developing responsible energy for the future.

Business functions

To implement our sustainability goals across the organization, we require the collaboration of the following internal groups: Health and Safety, Regulatory and Environment, Integrity Management, Operations, Sustainability, Human Resources, Legal, Land (includes Stakeholder Relations), and Investor Relations. These groups execute our strategy, monitor best practices, develop company policies and standards, and support operational adherence to these policies and standards.

Environmental Sustainability Team (EST)

Our cross-functional EST plays a key role in managing regulatory change, enhancing our environmental

performance, and improving our reporting. Members are employees across Baytex's business, including from our operations, facilities engineering, sustainability, regulatory, and environment teams. Reporting to the executive team and twice yearly to the Reserves and Sustainability Committee, the EST's key responsibilities include:

- » Tracking performance against key environmental objectives and targets.
- » Working with business units to translate decisions into effective sustainability projects on the ground.
- » Monitoring and evaluating advancements in technologies to improve environmental performance.
- » Executing programs to support compliance with methane regulations.

The EST promotes pragmatic, employee-driven solutions to help ensure our current and future environmental compliance and encourage oilfield practices that promote environmental stewardship. In 2022, this included executing our first dedicated GHG reduction budget, refining our GHG Emissions Management Framework, developing our new Water Management Framework, and working with industry groups and governments.

ESG-RELATED QUESTIONS

Some of our stakeholders, including rating agencies via surveys, ask questions about ESG risks not covered in this report. [Here are some facts and views on various topics:](#)

How do you ensure tax transparency? Do you disclose taxes paid?

Responsible administration, transparency, and payment of required taxes is an important part of our business, and we regularly evaluate tax matters as part of our decision-making process. We are required to report annually under Canada's Extractive Sector Transparency Measures Act (ESTMA). The Act requires mining and oil and gas entities to disclose and report specific payments made to any level of government either within Canada or abroad. These obligations extend beyond tax transparency and include royalties and other payments made to municipal, provincial, and federal governments. The goal of ESTMA is to increase transparency and deter corruption in the global extractive sector by making government revenues from natural resources transparent to the public. Read Baytex's [2022 ESTMA Report](#) for details.

Given the global shift to a more remote workforce, how do you ensure cybersecurity?

The onset of the COVID-19 pandemic required a shift to working from home and accelerated the pace of technological change at Baytex. While the shift in remote work enabled our teams to continue their work with minimal interruption, it also exposed Baytex to higher potential for cybersecurity risks such as exposed user devices and increased phishing scams. We rapidly moved to Microsoft Office 365 and deployed hundreds of computer-mounted cameras to facilitate meetings via Microsoft Teams. To help ensure employees were aware of cybersecurity risks like phishing and social engineering, we increased our simulated phishing attacks and training. The pandemic also helped us identify our need for a formal cybersecurity policy. We engage a third party to undertake a formal assessment of our cybersecurity system and the [mandate](#) of our Audit Committee includes oversight for the security of Baytex's information systems and the information technology used by the company.

Do you operate in the Canadian oil sands? Do you have tailing ponds?

The Peace River and Cold Lake regions where we produce heavy oil are considered to be part of the oil sands deposits in the province of Alberta. However, we do not participate in open pit mining operations that require tailing ponds. Several of our regions produce heavy oil (outside of the specific regions considered oil sands). This heavy oil is deeper in the ground and cannot be extracted through surface excavation. Therefore, we rely mainly on primary production techniques to extract our heavy oil. These techniques (e.g., Cold Heavy Oil Production with Sand, or CHOPS) result in produced sand and/or water. We separate the solids from the liquids and dispose of the produced water at licensed injection wells and the solid waste at licensed waste management facilities.

Do you have a human rights policy?

In our business and operations, we respect human rights and expect everyone working for us, or on our behalf, to respect human rights. We have a [Human Rights Policy](#) which is posted on our external website. All our operations are in North America and are subject to strong Canadian and U.S. human rights and labour laws that protect the rights of individuals.

How do you promote a responsible supply chain?

We evaluate the safety performance of contractors who work at our sites or who transport our product by truck. Our selection criteria include safety and spill performance, and we use ComplyWorks to review contractors' safety performance. All contractors must abide by our Health, Safety, and Environment guidelines, and trucking contractors must also abide by Transportation of Dangerous Goods regulations. We also evaluate bribery and corruption risks in our interactions with contractors and suppliers through our annual fraud risk assessment (read more on page 39).

Do you have formal lobbying efforts? How do you provide input to public policy development?

We mainly work through industry associations such as the Explorers and Producers Association of Canada and other organization such as Canada Action to support industry positions and stay informed of policy development.

ESG REPORTING SCOPE

- » This is Baytex's sixth corporate Environmental, Social, and Governance (ESG) or Sustainability report. Through this report, we communicate our ESG metrics, achievements, and challenges.
- » 2022 represents our third year publishing this report annually. From 2012 to 2020, we published reports every two years.
- » Unless otherwise noted, this report covers quantitative performance for the five years ended Dec. 31, 2022, and qualitative information for the 2022 calendar year.
- » We report environmental data on the basis of operational control, which means we include data for joint ventures where Baytex is the operator.
- » In 2022, all our Eagle Ford assets (located in Texas) are operated by other companies. Consequently, Baytex does not report environmental data for these assets. As a result, the production data used in this report is different from the production data presented in our Annual Report, MD&A, and Financial Statements.
- » We apply the Operational Control method of setting our organizational emissions boundary, as defined by The GHG Protocol Corporate Accounting and Reporting Standard (The GHG Protocol). In order to calculate GHG emissions, Baytex uses the Global Warming Potential (GWP) values published by Environment and Climate Change Canada, which reference the GWPs stated in the International Panel on Climate Change's Fourth Assessment Report.
- » Unless noted, data does not cover third-party service providers or temporary employees.
- » If not industry standard, techniques for data measurements and calculations are stated with the data.
- » Financial data is in Canadian dollars, environmental data is in metric units, and production data is in barrels of oil equivalent (boe).
- » Natural gas production and reserves volumes are converted to barrels of oil equivalent by using the industry-accepted standard conversion of six thousand cubic feet of natural gas to one barrel of oil (6 Mcf = 1 barrel).
- » The accuracy of this report is of significant importance. Senior management and relevant staff have reviewed all information and believe it is an accurate representation of our ESG performance. Internal assurance activities for this report included HSE performance audits. Third-party assurance was conducted on our GHG emissions. See side bar for details.
- » The terms Baytex, our, we, the company, and the corporation refer to Baytex Energy Corp. and its subsidiaries.

Reporting Standards

Our 2022 disclosures on our ESG performance are guided by three reporting frameworks:

- » Sustainability Accounting Standards Board (SASB) (See page 50 for the SASB Index)
- » Global Reporting Initiative (GRI) (See page 54 for the GRI Index)
- » Task Force on Climate-Related Financial Disclosures (TCFD) (See our [TCFD Report](#) for details)

GHG Emissions Assurance

We engaged an independent third party to verify our 2022 reported GHG emissions data. The assurance engagement was conducted in accordance with the ISO Standard ISO 14064-3:2006 "Greenhouse gases – Part 3: Specification with guidance for the validation and verification of greenhouse gas assertions" and The GHG Protocol. GHD Limited has provided a reasonable assurance opinion on our 2022 Scope 1 and Scope 2 emissions. We are committed to disclosing accurate and transparent information to our stakeholders. The assurance letter can be found on page 58 of this report.

MATERIALITY ASSESSMENT

Material topics are **environmental**, **social**, and **governance** topics of high stakeholder interest and potential impact on our business. We identified material topics through a formal materiality assessment in 2021. A group of subject matter experts from across the company evaluated and prioritized topics extracted from reporting standards, peer reports, and best practices. The list of material topics resulting from the assessment was reviewed and approved by our senior management. Each year, we review this list to ensure it reflects our business and external expectations. To reflect increased stakeholder interest, we added land stewardship, which includes items related to biodiversity and two previously material topics (spills, abandonment and reclamation) to this year’s report.

MATERIAL TOPICS



ENVIRONMENT

- » GHG emissions management
- » Land stewardship (includes biodiversity, spills, abandonment and reclamation)
- » Transition to a low-carbon economy (covered in our *TCFD report*)
- » Water management
- » Air quality



SOCIAL

- » Employee Safety
- » Contractor safety (includes trucking)
- » Diversity and inclusion
- » Employee development and engagement
- » Stakeholder engagement and community relations
- » Indigenous rights
- » Economic impact and community investment



GOVERNANCE

- » Corporate governance
- » Ethics
- » Governance for environmental and social matters

PERFORMANCE TABLE

NR: not reported

	Units	2018	2019	2020	2021	2022	5-year Trend
Daily Production (Operated Properties)	boe/d	43,382	58,624	48,602	49,424	55,274	27%
Throughput (Operated Properties) ⁽¹⁾	boe/d	69,614	67,768	57,606	59,053	65,431	-6%
Environment ⁽²⁾							
Greenhouse Gas Emissions (Operational Control)							
GHG emissions (total) ⁽³⁾	tonnes CO ₂ e	2,842,590	2,342,638	1,277,869	1,173,678	1,091,030	-62%
Scope 1 ⁽³⁾	tonnes CO ₂ e	2,739,887	2,230,163	1,188,227	1,078,283	1,001,008	-63%
Scope 2 ⁽³⁾	tonnes CO ₂ e	102,703	112,475	89,642	95,395	90,022	-12%
Scope 1 intensity	tonnes CO ₂ e/boe	0.108	0.090	0.057	0.050	0.042	-61%
Intensity (Scope 1 and Scope 2) ⁽⁴⁾	tonnes CO ₂ e/boe	0.112	0.095	0.061	0.054	0.046	-59%
Emissions from methane	tonnes CO ₂ e	2,096,430	1,612,150	559,794	409,606	334,553	-84%
Percent of Scope 1 emission from methane	percent	77%	72%	47%	38%	33%	-43%
Methane intensity	tonnes CO ₂ e/boe	0.083	0.065	0.027	0.019	0.014	-83%
Emissions covered under a carbon-limiting regulation ⁽⁵⁾	tonnes CO ₂ e	-	289,921	1,188,227	1,078,283	1,001,008	

(1) Throughput is the volume of oil and gas that is processed at our facilities and includes volumes from joint venture partners and other third parties.

(2) We report environmental data using the operational control approach. This means we include data for joint ventures for which Baytex holds the operating permit or is identified as the operating entity in the contract, regardless of financial ownership. For the reporting period noted above, the majority of our Eagle Ford assets (located in Texas) were operated by Marathon Oil EF LLC, a wholly owned subsidiary of Marathon Oil Corporation, pursuant to the terms of industry-standard joint operating agreements. Consequently, Baytex does not report environmental data for these assets.

(3) GHG emissions from 2018-2022 are calculated using the Global Warming Potential (GWP) values from the IPCC's Fourth Assessment (AR4). The 2018 GHG emissions metrics reflect the combined full calendar year emissions from both Baytex and Raging River after the strategic combination completed on August 22, 2018. The 2018 number serves as a baseline year to measure reduction strategies and initiatives against.

(4) Emission intensity, or production carbon intensity, is the measure of total gross operated GHG emissions (tonnes CO₂e) per total operated throughput (BOE). We use throughput in the calculation of GHG intensity.

(5) GHG limiting regulations includes jurisdictions with methane regulations in force.

PERFORMANCE TABLE

NR: not reported

	Units	2018	2019	2020	2021	2022	5-year Trend
Environment							
Scope 1 Emissions by Source							
Combustion emissions	tonnes CO ₂ e	481,147	515,920	461,378	503,011	502,002	4%
Flare emissions	tonnes CO ₂ e	173,357	93,692	194,663	190,368	178,022	3%
Fugitive emissions	tonnes CO ₂ e	78,241	88,422	15,577	19,634	20,366	-74%
Venting	tonnes CO ₂ e	2,007,141	1,532,129	516,609	365,270	300,618	-85%
Volume of flared gas	thousand m ³	75,819	58,519	79,847	83,593	83,277	10%
Volume of vented gas	thousand m ³	134,770	101,735	38,915	30,542	20,751	-85%
Other Air Emissions							
Sulfur Dioxide (SO ₂)	tonnes	NR	626	672	93	182	
Nitrogen Oxides (NO _x)	tonnes	NR	1,795	1,895	2,343	2,730	
VOCs	tonnes	NR	16,336	6,597	10,956	5,350	
PM	tonnes	NR	127	196	170	177	
Energy							
Direct energy consumption	GJ	NR	NR	NR	12,462,508	12,786,403	
Electricity energy consumption	GJ	NR	NR	NR	491,394	518,444	
Total energy consumption	GJ	-	-	-	12,953,901	13,304,847	
Total energy consumption intensity	GJ/boe	-	-	-	0.600	0.560	
Water							
Water withdrawal	m ³	622,775	916,457	954,226	819,526	914,408	47%
Water intensity	m ³ /boe	0.039	0.043	0.054	0.045	0.045	15%
Volume of produced water	thousand m ³	7,467,582	9,584,226	7,086,350	9,170,290	9,596,511	29%
Produced water injected (deep well)	thousand m ³	NR	3,741,405	2,825,997	2,810,296	2,805,300	
Produced water recycled	thousand m ³	NR	5,738,670	4,152,489	5,618,875	6,457,090	

PERFORMANCE TABLE

NR: not reported

	Units	2018	2019	2020	2021	2022	5-year Trend
Environment							
Abandonment							
Abandoned wells	wells (gross)	110	113	99	198	379	245%
Reclamation							
Sites undergoing major restoration	sites	60	67	7	123	130	117%
Sites undergoing minor restoration	sites	69	75	101	86	338	390%
Reclamation certificates received	count	35	74	36	55	53	51%
Reclaimed land	hectares	77	139	67	90	79	2%
Hydrocarbon Spills ⁽⁶⁾							
Number	count	NR	50	46	36	26	
Volume	m ³	NR	29	31	26	112	
Volume recovered	m ³	NR	29	31	26	112	
Spills							
Reportable spills	count	15	23	9	17	18	20%
Trucking, reportable spills	count	4	0	0	2	1	-75%
Volume of reportable spills	m ³	145	239	140	206	313	116%
Trucking, volume of reportable spills	m ³	1.1	0	0	4	1	-27%
Pipeline incident rate	incidents per 1,000 kms	0.57	1.58	1.29	1.71	0.70	22%

(6) A hydrocarbon spill is defined as spills of more than 1 barrel that reached the environment, excludes spills contained in impermeable secondary containment. This spill reporting is consistent with IPIECA and SASB requirements. Volume recovered through short-term spill response activities. This is consistent with SASB definitions.

PERFORMANCE TABLE

NR: not reported

	Units	2018	2019	2020	2021	2022	5-year Trend
Safety							
Recordable injury rate - employees	cases per 200,000 work hours	0.35	0.56	0.16	0.34	0.48	37%
Recordable injury rate - contractors	cases per 200,000 work hours	0.83	0.78	0.50	0.58	0.60	-28%
Recordable injury rate - combined	cases per 200,000 work hours	0.70	0.73	0.39	0.52	0.58	-17%
Lost time injury rate - employees	cases per 200,000 work hours	0.18	0.42	0.16	0.34	0.00	
Lost time injury rate - contractors	cases per 200,000 work hours	0.13	0.29	0.21	0.12	0.15	15%
Lost time injury rate - combined	cases per 200,000 work hours	0.14	0.33	0.20	0.17	0.12	-14%
Serious potential injury frequency - combined	cases per 200,000 work hours	0.00	0.98	0.54	0.28	0.49	
Fatalities - employees and contractors	count	1	0	0	1	0	
Employees							
Workforce profile	count	251	227	206	208	222	-12%
Full-time	count	251	227	206	208	222	-12%
Part-time	count	0	0	0	0	0	
Employees covered by collective bargaining agreements	count	0	0	0	0	0	
Employees by Country							
U.S.	count	0	0	0	0	0	
Canada	count	251	227	206	208	222	-12%
Women at Various Levels							
Board	percent	10%	29%	22%	29%	29%	19%
Officers	percent	0%	0%	0%	0%	14%	14%
Supervisory positions	percent	31%	29%	24%	38%	38%	7%
All Employees	percent	43%	39%	40%	43%	44%	1%

PERFORMANCE TABLE

NR: not reported

	Units	2018	2019	2020	2021	2022	5-year Trend
Employees							
Employee age categories							
30 years and under	percent	6%	6%	5%	6%	6%	0%
30 to 50	percent	67%	70%	71%	70%	65%	-2%
50 plus	percent	26%	24%	24%	24%	29%	3%
Turnover rate							
Total	percent	18%	14%	13%	8%	6%	-12%
Voluntary	percent	10%	9%	4%	3%	1%	-9%
Involuntary	percent	8%	5%	8%	5%	5%	-3%
Training spending per employee ⁽⁷⁾	\$/employee	989	1,304	975	2,046	2,213	124%

(7) Spending per employee is calculated as training costs divided by employee headcount for the applicable period.

PERFORMANCE TABLE

NR: not reported

	Units	2018	2019	2020	2021	2022	5-year Trend
Economic							
Value generated ⁽⁸⁾	millions of \$	1,360.4	1,882.1	1,676.2	1,692.7	2,581.8	90%
Value Distributed to:							
Suppliers ⁽⁸⁾	millions of \$	814.0	955.4	588.2	640.1	936.2	15%
Employees (wages and benefits) ⁽⁹⁾	millions of \$	47.0	46.8	32.1	41.9	61.7	31%
Providers of capital ⁽⁸⁾	millions of \$	104.8	316.3	146.6	494.7	760.5	626%
Governments (Taxes and Royalties) ⁽¹⁰⁾							
Domestic governments ⁽¹¹⁾	millions of \$	78.9	88.7	51.2	103.1	224.9	185%
Foreign governments ⁽¹¹⁾	millions of \$	29.1	27.0	20.3	27.9	37.0	27%
Landowners ⁽¹²⁾	millions of \$	248.1	256.1	146.3	256.9	357.8	44%
Communities & non-profits (charitable contributions) ⁽¹³⁾	millions of \$	0.1	0.9	0.2	0.3	0.7	471%
Indigenous communities (purchases and royalties) ⁽¹⁴⁾	millions of \$	2.2	1.8	10.3	7.3	23.0	932%
Value retained ⁽⁸⁾	millions of \$	36.0	188.9	680.9	120.3	180.0	401%
Purchases from Indigenous suppliers ⁽¹⁵⁾	millions of \$	2.2	1.7	10.2	7.3	22.9	943%

(8) Specified financial measure that does not have any standardized meaning prescribed by IFRS and may not be comparable with the calculation of similar measures presented by other entities. Refer to the Specified Financial Measures section in this report for further information.

(9) Payments to employees (wages and benefits) consists of salaries, bonuses and benefits which are components of operating expense and general and administrative expense.

(10) Payments to Governments: Baytex is committed to transparency and responsible tax payments. We are guided by tax principles that follow the intent of the law in our tax calculations and payments.

(11) Payments to domestic and foreign governments are calculated as the portion of royalties expense, operating expense, general and administrative expense and additions to exploration and evaluation assets, oil and gas properties and other plant and equipment attributable to domestic or foreign governments.

(12) Payments to landowners is calculated as the freehold portion of royalties expense and lease costs portion of operating expense that are attributable to landowners.

(13) Payments to communities and non-profits is calculated as the portion of general and administrative expense attributable to charitable contributions.

(14) Payments to indigenous communities is calculated as the portion of royalties expense and operating expense that includes direct purchases and royalties paid to indigenous communities. It excludes a significant amount of indirect contributions through private contractors who we encourage to provide jobs to and sub-contract with indigenous individuals and companies.

(15) Purchases from indigenous suppliers is comprised of the portion of operating expense, general and administrative expense and additions to exploration and evaluation assets, oil and gas properties and other plant and equipment attributable to businesses owned at least 50 percent by First Nations, Inuit, Metis or by a band.

SASB INDEX

NR: not reported

Below are the metrics and references to qualitative descriptions in this report that align with the **Sustainability Accounting Standards Board standard for the Oil and Gas** - Exploration and Production industry.

SASB Ref	SASB Suggested Disclosures	2022
Activity metrics		
EM-EP-000.A	Total production (operated)	55,274 boed
EM-EP-000.A	Production of oil	83%
EM-EP-000.A	Production of natural gas	17%
EM-EP-000.A	Production of synthetic oil	0
EM-EP-000.A	Production of synthetic gas	0
EM-EP-000.B	Number of offshore sites	0
EM-EP-000.C	Number of terrestrial sites	5,740 total wells
Greenhouse Gas Emissions		
EM-EP-110a.1	Gross global Scope 1 emissions	1,001,008 tonnes CO ₂ e
EM-EP-110a.1	Emissions from methane	33%
EM-EP-110a.1	Percentage of emissions covered under an emissions-limiting regulation	100%
EM-EP-110a.2	Scope 1 emissions from combustion	50%
EM-EP-110a.2	Scope 1 emissions from flared hydrocarbons	18%
EM-EP-110a.2	Scope 1 emissions from process emissions	0
EM-EP-110a.2	Scope 1 emissions from directly vented releases	30%
EM-EP-110a.2	Scope 1 emissions from fugitive emissions	2%
EM-EP-110a.3	Description of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	Pages 7-11

SASB INDEX

NR: not reported

SASB Ref	SASB Suggested Disclosures	2022
Air quality		
EM-EP-120a.1	NOx (excluding N ₂ O)	2,730 tonnes
EM-EP-120a.1	SOx	182 tonnes
EM-EP-120a.1	Volatile organic compounds (VOCs)	5,350 tonnes
EM-EP-120a.1	Particulate matter (PM ¹⁰)	177 tonnes
Water and wastewater management		
EM-EP-140a.1	Total fresh water withdrawn	NR m ³
EM-EP-140a.1	Total fresh water consumed	914,408 m ³
EM-EP-140a.1	Percentage water withdrawn in regions with High or Extremely High Baseline Water Stress	NR
EM-EP-140a.1	Percentage water consumed in regions with High or Extremely High Baseline Water Stress	NR
EM-EP-140a.2	Volume of produced water and flowback generated	9,596,511 m ³
EM-EP-140a.2	Produced water/flowback generated discharged	NR
EM-EP-140a.2	Produced water /flowback injected (deep well injection)	33%
EM-EP-140a.2	Produced water/flowback recycled	67%
EM-EP-140a.2	Hydrocarbon content in discharged water	NR
EM-EP-140a.3	Percentage of hydraulically fractured wells for which there is public disclosure of all fracturing fluid chemicals used	NR
EM-EP-140a.4	Percentage of hydraulic fracturing sites where ground or surface water quality deteriorated compared to a baseline	NR
Biodiversity Impacts		
EM-EP-160a.1	Description of environmental management policies and practices for active sites	Pages 12-15
EM-EP-160a.2	Number of hydrocarbon spills	26
EM-EP-160a.2	Volume of hydrocarbon spills	112 m ³
EM-EP-160a.2	Volume of hydrocarbon recoverd	112 m ³
EM-EP-160a.2	Volume of spills in the Arctic	0
EM-EP-160a.2	Volume of spills near shorelines with ESI rankings 8-10	0
EM-EP-160a.3	Proved reserves in or near sites with protected conservation status or endangered species habitat	NR
EM-EP-160a.3	Probable reserves in or near sites with protected conservation status or endangered species habitat	NR

SASB INDEX

NR: not reported

SASB Ref	SASB Suggested Disclosures	2022
Security, Human Rights, and Rights of Indigenous Peoples		
EM-EP-210a.1	Proved reserves in or near areas of conflict	0
EM-EP-210a.1	Probable reserves in or near areas of conflict	0
EM-EP-210a.2	Proved reserves in or near indigenous land	6.7%
EM-EP-210a.2	Probable reserves in or near indigenous land	18.6%
EM-EP-210a.3	Discussion of engagement processes and due diligence practices with respect to human rights, indigenous rights, and operation in areas of conflict	Page 33
Community Relations		
EM-EP-210b.1	Discussion of process to manage risks and opportunities associated with community rights and interests	Pages 24, 32
EM-EP-210b.2	Number and duration of non-technical delays	0
Health, Safety, and Emergency Management		
EM-EP-320a.1	Total Recordable Injury Rate (TRIR) employees and contractors	0.58 incidents per 200,000 worked hours
EM-EP-320a.1	Fatalities	0
EM-EP-320a.1	Near misses (count not rate)	58
EM-EP-320a.1	Average hours of health, safety, and emergency response training for employees	NR
EM-EP-320a.1	Average hours of health, safety, and emergency response training for contractors	NR
EM-EP-320a.2	Discussion of management systems used to integrate a culture of safety and emergency preparedness throughout the value chain and throughout the exploration and production lifecycle	Pages 26-29
Reserves Valuation and Capital Expenditures		
EM-EP-420a.1	Sensitivity of hydrocarbon reserve levels to future price projection scenarios that account for a price on carbon emissions	NR
EM-EP-420a.2	Estimated carbon dioxide emissions embedded in proved hydrocarbon reserves	NR
EM-EP-420a.3.	Amount invested in renewable energy	NR
EM-EP-420a.3.	Revenue generated by renewable energy sales	
EM-EP-420a.4.	Discussion of how price and demand for hydrocarbons and/or climate regulation influence the capital expenditure strategy for exploration, acquisition, and development of assets	NR

SASB INDEX

NR: not reported

SASB Ref	SASB Suggested Disclosures	2022
Business Ethics and Payments Transparency		
EM-EP-510a.1.	(1) Proved and (2) probable reserves in countries that have the 20 lowest rankings in Transparency International's Corruption Perception Index	0
EM-EP-510a.2.	Description of the management system for prevention of corruption and bribery throughout the value chain	Page 39
Management of the Legal and Regulatory Environment		
EM-EP-530a.1.	Discussion of corporate positions related to government regulations and/or policy proposals that address environmental and social factors affecting the industry	NR
Critical Incident Risk Management		
EM-EP-540a.1.	Tier 1 Process Safety Event (PSE) rate	0
EM-EP-540a.2.	Description of management systems used to identify and mitigate catastrophic and tail-end risks	NR

GRI INDEX

IC: Information Circular (2023)

This report references the GRI Standards but has not fulfilled all the requirements to be “in accordance”. The index below list key performance indicators and qualitative disclosures as suggested by the GRI Standards.

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FORWARD LOOKING STATEMENT

Advisory Regarding Oil and Gas Information

When converting volumes of natural gas to oil equivalent amounts, Baytex has adopted a conversion factor of six million cubic feet of natural gas being equivalent to one barrel of oil, which is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Oil equivalent amounts may be misleading, particularly if used in isolation.

Advisory Regarding Forward-Looking Statements

In the interest of providing information regarding Baytex, including management's assessment of Baytex's future plans and operations, certain statements in this document are "forward-looking statements" or "forward-looking information" within the meaning of applicable Canadian and United States securities legislation (collectively, "forward-looking statements"). In some cases, forward-looking statements can be identified by terminology such as "anticipate", "believe", "continue", "estimate", "expect", "forecast", "may", "might", "objective", "ongoing", "potential", "project", "plan", "seek", "should", "target", "will" or similar expressions and includes suggestions of future outcomes.

Specifically, this document contains forward-looking statements relating to: our business strategies, plans, objectives, targets, and goals in respect of emissions intensity, asset retirement obligations, and board diversity; reducing our GHG emissions intensity by 65 percent by 2025 from our 2018 baseline, developing a 2030 target for GHG emissions, executing on our annual GHG mitigation budgets, eliminating our 2020 end-of-life well inventory through our "4,500 Wells to Zero by 2040" initiative, our commitment to invest \$100 million in ARO spending from 2022 to 2026, implementing our internal Water Management framework across all high-risk regions by 2025, expanding our baseline to include multiple dimensions of diversity and apply our process to measure employee engagement and our commitment to at least 30 percent of our directors being women by our 2023 shareholder meeting; we will be a leader in the responsible production of energy the world needs for the future; how we prevent pipeline spills, spills from tanks, and spills during trucking and implement our asset integrity program; our asset abandonment and reclamation commitment and process; our commitment to minimize freshwater use; that we monitor seismic activity when fracking in certain areas; that managing emissions, odours, and air quality is a priority; that we intend to undertake performance testing on our compressor fleet and

conduct an Assessment of Regulatory Compliance for owned and third-party commercial vehicle fleet; that we intend to apply continued improvements to our safe operating practices, support communities across our assets base and support long-term value through responsible energy development; that we commit to open and transparent engagement with our stakeholders that respects Indigenous rights and contributes to the economic and social well-being of communities; that we will provide flexible work options to our workforce; our safety, stakeholder relations, and Indigenous rights objectives; the amount of abandonment and reclamation work to be carried out with Indigenous contractors; that we intend to focus on climate disclosure and corporate resiliency by advancing TCFD reporting with quantitative scenario analysis, maintain strong governance practices on ESG matters of key importance to our stakeholders, shareholders, and business, and continue monitoring risks and evaluating new opportunities as a responsible energy producer; that we aim to identify fraud risks and evaluate potential damages; that we plan to advance our scenario analysis to support our understanding of the implications of the energy transition on our business; and how we mitigate the physical and transition risks of climate change. Readers are cautioned not to place undue reliance on forward-looking statements as our actual results may differ materially from those expressed or implied.

Forward-looking statements are based on Baytex's current expectations, estimates, projections, and assumptions that were made by the company in light of information available at the time the statement was made and consider Baytex's experience and its perception of historical trends, including expectations and assumptions concerning: petroleum and natural gas prices and differentials between light, medium, and heavy oil prices; well production rates and reserve volumes; our ability to add production and reserves through our exploration and development activities; capital expenditure levels; our ability to borrow under our credit agreements; the receipt, in a timely manner, of regulatory and other required approvals for our operating activities; the availability and cost of labour and other industry services;

interest and foreign exchange rates; the continuance of existing and, in certain circumstances, proposed tax and royalty regimes; our ability to develop our crude oil and natural gas properties in the manner currently contemplated; and current industry conditions, laws, and regulations continuing in effect (or, where changes are proposed, such changes being adopted as anticipated). Baytex believes the expectations and assumptions reflected in the forward-looking information are reasonable, but no assurance can be given that these factors, expectations, and assumptions will prove to be correct.

The forward-looking statements included in this report are not a guarantee of future performance and should not be unduly relied upon. Such forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements; these are described under "Forward-Looking Statements" in the Management's Discussion and Analysis contained in our most recent Interim Report. For a full discussion of our material risk factors, see "Risk Factors" in our Annual Information Form or Form 40-F for our most recently completed financial year, and such risk factors are incorporated herein by reference. Readers should also refer to the risk factors described in other documents we

file from time to time with securities regulatory authorities, which are available at www.sedar.com, www.sec.gov and www.baytexenergy.com.

The forward-looking statements contained in this document speak only as of the date of this document and are expressly qualified by this cautionary statement. There is no representation by Baytex that actual results achieved during the forecast period will be the same in whole or in part as those forecast and Baytex disclaims any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events, or otherwise, except as may be required by applicable law.

SPECIFIED FINANCIAL MEASURES

This report includes references to certain financial measures which do not have standardized meanings prescribed by IFRS.

These financial measures are considered non-standardized measures and therefore are unlikely to be comparable with similar measures presented by other issuers.

NON-GAAP FINANCIAL MEASURES

Free Cash Flow

We use free cash flow to evaluate our financial performance and to assess the cash available for debt repayment, common share repurchases, dividends and acquisition opportunities.

Free cash flow is comprised of cash flows from operating activities adjusted for changes in non-cash working capital, additions to exploration and evaluation assets, additions to oil and gas properties and payments on lease obligations. For additional information and quantitative reconciliations related to this specified financial measure, which has been incorporated by reference into this document, please see the Management's Discussion and Analysis, dated February 24, 2023 and July 27, 2023, of Baytex's operating and financial results as at the year ended December 31, 2022 and three and six months ended June 30, 2023 respectively. Copies are available on SEDAR at www.sedar.com, on the EDGAR section of the SEC's website at www.sec.gov and our website at www.baytexenergy.com.

Value Generated

We use value generated to measure the value that is generated from the funds invested in the Company. Value generated is comprised of petroleum and natural gas sales, proceeds from dispositions, net proceeds from issuance of long-term notes, realized financial derivatives gain or loss and realized foreign exchange gain or loss.

Value generated is calculated as follows:	Units	2022
Petroleum and natural gas sales	\$ thousands	2,889,045
Proceeds from dispositions	\$ thousands	25,649
Net proceeds from issuance of long-term notes	\$ thousands	-
Realized financial derivatives gain (loss)	\$ thousands	(334,481)
Realized foreign exchange gain (loss)	\$ thousands	1,632
Value Generated	\$ thousands	2,581,845

Payments to Suppliers

We use payments to suppliers to measure the value that we return to these stakeholders through procuring goods and services from local and global companies. Payments to suppliers is calculated as transportation expense, asset retirement obligations settled, supplier related operating expense, supplier related general and administrative expense, and supplier related additions to exploration and evaluation assets, oil and gas properties and other plant and equipment.

Payments to suppliers is calculated as follows:	Units	2022
Transportation expense	\$ thousands	48,561
Asset retirement obligations settled	\$ thousands	18,351
Operating expense - suppliers ⁽¹⁾	\$ thousands	342,081
General and administrative expense - suppliers ⁽²⁾	\$ thousands	13,111
Additions to exploration and evaluation assets, oil and gas properties and other plant and equipment - suppliers ⁽³⁾	\$ thousands	514,077
Payments to Suppliers	\$ thousands	936,181

(1) Calculated as operating expense less payments to employees and Governments.

(2) Calculated as general and administrative expense less payments to employees and payments to communities & non-profits (charitable contributions).

(3) Calculated as additions to exploration and evaluation assets, additions to oil and gas properties and additions to other plant and equipment less payments to Domestic Governments.

Payments to Providers of Capital

We use payments to providers of capital to measure the value that we provide to shareholders and lenders. This measure is calculated as share repurchases, interest paid, payments on lease obligations, decrease or increase in credit facilities and redemption of long-term notes.

Payments to providers of capital is calculated as follows:	Units	2022
Interest paid	\$ thousands	84,225
Payments on lease obligations	\$ thousands	3,732
Decrease (increase) in credit facilities	\$ thousands	136,980
Redemption of long-term notes	\$ thousands	376,589
Share repurchases	\$ thousands	159,000
Payments to Providers of Capital	\$ thousands	760,526

Value Retained

We use value retained to measure the remaining value generated by the Company after distributions to stakeholders. This measure is calculated as value generated less payments to suppliers, employees, providers of capital, domestic and foreign Governments, landowners, communities and Non-profits and Indigenous communities.

Value retained is calculated as follows:	Units	2022
Value generated	\$ thousands	2,581,845
Payments to Suppliers	\$ thousands	(936,181)
Payments to Employees	\$ thousands	(61,711)
Payments to Providers of Capital	\$ thousands	(760,526)
Payments to Domestic Governments	\$ thousands	(224,870)
Payments to Foreign Governments	\$ thousands	(37,008)
Payments to Landowners	\$ thousands	(357,821)
Payments to Communities and Non-Profits	\$ thousands	(734)
Payments to Indigenous Communities	\$ thousands	(22,956)
Value Retained	\$ thousands	180,038

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Our ref: 12574487-LTR-4

16 June 2023

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Baytex Energy Ltd. – Assurance Opinion for 2022 Greenhouse Gas Inventory

1. Introduction

Baytex Energy Ltd (Baytex) retained GHD Limited (GHD) to complete an independent verification of its greenhouse gas (GHG) inventory report (GHG Inventory) for the period of January 1 to December 31, 2022. The purpose of verification was to have an independent third-party assess Baytex's 2022 GHG inventory and to provide Baytex with an assurance opinion as to whether there are any material misstatements in the 2022 GHG Inventory. GHD understands that Baytex intends to use the GHG inventory to support its submission to the CDP (formerly Carbon Disclosure Project).

GHD is accredited by the ANSI National Accreditation Board (ANAB) under ISO 14065 as a Greenhouse Gas Validation and Verification Body. GHD completed the verification in accordance with ISO 14064-3¹.

¹ ISO 14064 Greenhouse gases - Part 3: Specification with guidance for the validation and verification of greenhouse gas assertions, ISO, March 2006.

2. Scope

The verification included all Baytex corporate operations, which are located in Alberta and Saskatchewan, Canada. Baytex's GHG Inventory includes emissions and production from 2,164 facilities. The reporting period verified was January 1 to December 31, 2022. The verification was conducted to a reasonable level of assurance. Materiality for the verification was $\pm 5\%$ of the total reported GHG emissions, and $\pm 5\%$ of the total reported production. The GHG emission sources and production types included within the scope of the verification were as follows:

- Scope 1 – Direct Emissions Sources:
 - Stationary combustion
 - Flaring
 - Venting
 - Fugitive emissions
- Scope 2 – Indirect Emissions Sources:
 - Imported Electricity
- Production:
 - Throughput (BOE^[2])

3. Methodology

The purpose of GHD's verification procedures was to assess the following critical items:

1. Accuracy and completeness of annual GHG emissions
2. Uncertainty of external data sources used
3. Emission assumptions
4. Accuracy of emission calculations
5. Potential magnitude of errors and omissions

² BOE - Barrel of Oil Equivalent.

The GHD verification team identified and determined risks related to emissions during both the desktop reviews and the follow-up interviews. The components of the document review and follow-up interviews were:

- Document Review:
 - Review of data and information to confirm the reasonableness of presented information via comparison to previous years and industry averages
 - Cross-checks between information provided in the GHG Report and information from independent background investigations
- Follow-up Interviews:
 - Via telephone
 - Voice over Internet Protocol (VoIP) using Microsoft Teams (or similar programs)
 - Via email

The GHD verification team's document review during the verification process comprised of, but was not limited to, an evaluation of the following:

- Documentation is complete and comprehensive and follows the structure and criteria given in ISO 14064-3
- Monitoring methodologies are justified and appropriate
- Activity data are of an appropriate type
- Emission factors used are current and correct
- Calculation of the inventory is appropriate and uses conservative assumptions

The GHD verification team interviewed Baytex staff in order to:

- Cross-check information provided
- Review data management and recording procedures
- Test the correctness of critical formulae and calculations

The review of the data management system ensured the following:

- Access to the data is protected from tampering or alteration
- The equipment associated with the monitoring and measurement of GHG data is adequately calibrated and maintained
- Methods prevent breaches of information security

4. Summary of Assertions

GHD verified the following emissions and production assertions from Baytex's GHG Inventory:

Total Entity-Wide Emissions Verified:	1,091,030 tonnes CO ₂ e ^[3]
Total Scope 1 Emissions:	1,001,008 tonnes CO ₂ e
Total Scope 2 Emissions:	90,022 tonnes CO ₂ e
Production (Throughput):	23,882,306 BOE
Emissions Intensity:	0.046 tonnes CO ₂ e/BOE

5. Conclusions

Based on the verification conducted by GHD per the methods above, the assertions in Baytex's GHG Inventory were determined to be free of material misstatements, fairly presented, and substantiated by sufficient and appropriate evidence.

Please note, this letter is a summary of GHD's verification. Detailed findings are provided in GHD's verification report dated May 5, 2023.

Regards,



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³ CO₂e - carbon dioxide equivalent

2022

TCFD REPORT



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TCFD:

CLIMATE-RELATED FINANCIAL DISCLOSURES

We believe that investors, insurers, and banks can make better decisions on the basis of improved climate-related disclosures. Each year, we continue to expand our disclosures, in alignment with the Task Force on Climate-Related Financial Disclosures (TCFD).



We also respond annually to the CDP (formerly Carbon Disclosure Project) survey on greenhouse gas emissions and related programs. The CDP requests standardized climate change information from companies around the world through an annual questionnaire sent on behalf of more than 740 institutional investors with US\$136 trillion in assets under management. You can access our disclosure [here](#).



ABOUT BAYTEX

Baytex Energy Corp. (“Baytex”) is a North American focused energy company, with assets located in Canada and the United States. The Canadian operated segment includes heavy oil assets in Peace River and Lloydminster, light oil assets in the Viking and Duvernay as well as conventional oil and natural gas assets across Western Canada. The U.S. segment includes non-operated Eagle Ford assets in eastern Texas. Baytex’s common shares trade on the Toronto Stock Exchange and New York Stock Exchange under the symbol BTE.

This document is one part of our suite of corporate disclosures, which includes:

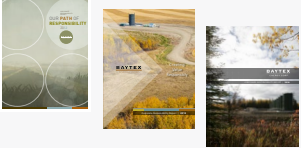





- » ESG Report (annual)
- » CDP questionnaire
- » Annual Report and Financial Statements
- » Management’s Discussion and Analysis
- » Annual Information Form
- » Information Circular
- » Extractive Sector Transparency Measures Act (ESTMA) Report



ADVANCING CLIMATE-RELATED DISCLOSURES

Baytex has been reporting climate-related information since 2018, when the Task Force on Climate-Related Financial Disclosures (TCFD) first published its reporting framework. **We have taken a pragmatic and phased approach to identifying and managing climate-related risks.** We continue to improve our TCFD climate disclosures to keep ahead of mandatory requirements and provide meaningful disclosure to our stakeholders. In 2023, the International Sustainability Standards Board (ISSB) released inaugural standards for climate-related financial disclosures that incorporate the TCFD.

ADVANCING CLIMATE DISCLOSURE AND EMISSIONS REDUCTION

					
<p>2012-2016</p>	<p>2018</p>	<p>2020</p>	<p>2021</p>	<p>2022</p>	<p>LOOKING FORWARD</p>
<ul style="list-style-type: none"> » Produced biannual sustainability reports » Disclosed our GHG emissions and GHG intensity » Described our GHG reduction activities 	<p>Set our first GHG reduction target Reduce our corporate GHG emissions intensity (Scope 1 and Scope 2) by 30% from 2018 to 2021</p> <p>TCFD</p> <ul style="list-style-type: none"> » Started reporting our governance for climate-related risks and describing our regulatory risks 	<p>Achieved our first target, and set our second more ambition GHG target Reduce our corporate GHG emissions intensity (Scope 1 and Scope 2) by 65% from 2018 to 2025</p> <p>TCFD</p> <ul style="list-style-type: none"> » Published our first TCFD report » Started annual ESG report disclosures 	<p>Obtained third party reasonable assurance on our 2021 Scope 1 and Scope 2 emissions.</p> <p>TCFD</p> <p>Focused on risk assessments:</p> <ul style="list-style-type: none"> » Enterprise risk assessment, with a focus on climate risk » Qualitative transition scenario analysis 	<p>Reduced our GHG intensity by 59 percent from our 2018 baseline.</p> <p>TCFD</p> <ul style="list-style-type: none"> » Developed our GHG Emissions Management Framework to guide decision-making » Executed our first dedicated GHG reduction capital budget investing \$7 million 	<ul style="list-style-type: none"> » Annually update enterprise risks » Quantify the impact of climate risks » Advance scenario analysis » Apply our GHG Emissions Management Framework in the development of a 2030 target

I. GOVERNANCE OF CLIMATE-RELATED ISSUES

Board's oversight of climate-related risks and opportunities.

The Reserves Committee changed its name and mandate in 2019 to ensure sustainability-related matters had formal oversight at the Board level. The Reserves and Sustainability Committee has the highest level of oversight for sustainability-related matters, including health, safety, environment, and climate. Its responsibilities include sustainability strategy, benchmarking, setting performance targets, and reviewing progress and achievement against those targets. Specifically, in relation to climate change and the reduction of our company's GHG emissions, the committee provides oversight of targets and objectives, reviews performance, and discusses future opportunities. This committee meets twice a year and reports to the Board after each committee meeting. The *Reserves and Sustainability Committee* is currently composed of three independent members of the Board, one of whom chairs the committee.

Management's role in assessing and managing climate-related risks.

Our executive officers (management) report to the Reserves and Sustainability Committee and the full Board on environmental and social risks and opportunities. Executives are also responsible for approving budgets for the implementation of emission reduction plans and reviewing and approving the company's disclosures of the major risks faced by Baytex, which include climate-related risks.

Our efforts to reduce our emissions and manage climate-related risk are supported by two groups within the company, the Health, Safety, and Environment Committee and the Environmental Sustainability Team.

» **The Health, Safety, and Environment Committee** is composed of the Chief Executive Officer, Chief Legal Officer and Corporate Secretary, the Operations Vice Presidents, the Director Health and Safety, and the Environment and Regulatory Manager. The committee reports to the Reserves and Sustainability Committee and the Board on issues related to health, safety, and environment.

» **The Environmental Sustainability Team (EST)** is a cross-functional team of employees and managers that are responsible for reporting climate-related issues and initiatives to executive management. The EST is led by the Director, Sustainability and is responsible for monitoring, implementing, and managing systems required to support climate-related initiatives. In relation to climate change and the reduction of the company's GHG emissions, this committee is responsible for the assessment and setting of our targets and the oversight of the preparation of our public disclosures and performance in this area.



II. RISK IDENTIFICATION AND INTEGRATION

Baytex's processes for identifying, assessing, and managing climate-related risks.

We evaluate a variety of risks to our organization, including climate and transition-related risks. Risks that could have a material future adverse effect on the value and amount of our reserves and on the operations, financial condition, and future sustainability of the business are considered substantive by the company. Our approach to risk management includes:

Risk identification and Assessment

For many years, Baytex has had quarterly and annual long-range planning reviews and reporting processes in place to ensure risks, including environmental and social ones, were appropriately identified and managed. Since 2021 we have enhanced our processes with additional enterprise risk identification and assessment exercises.

Enterprise risk identification and assessment

The enterprise risk identification process included:

- » Interviews with risk owners across the company, including two Board members;
- » Identification of a complete list of enterprise risks that could impact Baytex from achieving its strategic objectives, including climate-related physical and transition risks;
- » The assessment of each risk based on expected impact and likelihood of occurrence;
- » Identification and alignment of top risks; and
- » Assignment of the top risks to key executives as risk owners, who then identified key risk indicators that will be monitored.

After this comprehensive assessment, our risk update process includes:

- » **Quarterly:** We plan to update the Audit Committee on the status of the top risks identified and any significant developments related to the other risks.
- » **Annually:** We plan to review all risks with the Board at our annual strategy meeting to ensure alignment between our corporate strategy and risk assessment.

In addition to the enterprise risk assessment process, when climate-related risks directly impact a business unit, a specific risk assessment and mitigation planning process is undertaken. For example, emerging GHG emission regulations and changes to existing regulations are assessed by the Environmental Sustainability Team to understand the current and future impacts on the business. Findings and recommendations are communicated to the executive management team and, where significant, to the Reserves and Sustainability Committee.

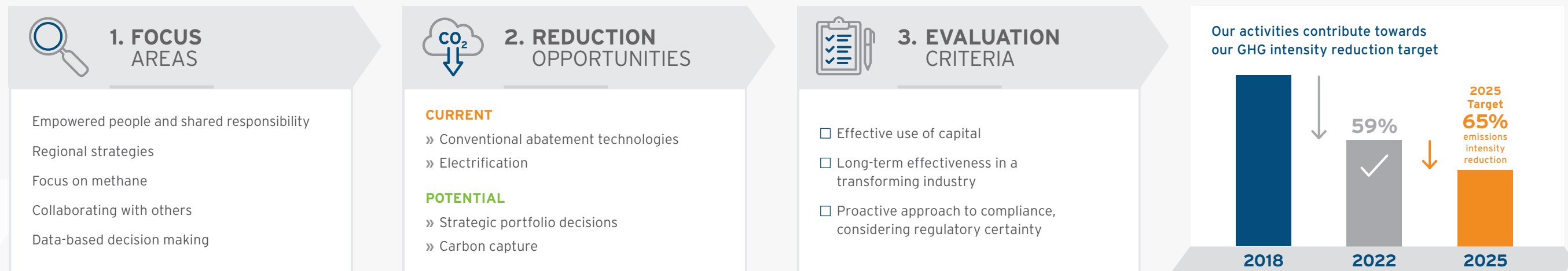
Risk integration into financial planning processes

Once climate-related risks have been identified, we incorporate them into the following aspects of our business:

- » **Operating Costs:** We conduct financial analysis on the potential increase to operating costs in jurisdictions with carbon pricing schemes, including factors such as regulatory compliance costs, compliance program fees, and the operations and maintenance of GHG mitigation infrastructure.
- » **GHG Mitigation Budget:** To continue reducing our GHG emissions, we have a dedicated GHG mitigation budget embedded within our capital budgeting process for exploration and development expenditures. We invested \$7 million in 2022 towards GHG reduction and improvement efforts. In 2022 we developed our GHG Emissions Management Framework to guide us towards our current and future emissions reduction targets. The framework helps us incorporate emissions management into decision-making and long-range planning. See pages 7-9 of our [ESG Report](#) for more details.

GHG EMISSIONS MANAGEMENT FRAMEWORK

Figure 1: Baytex's GHG Emissions Management Framework



» **Capital Expenditures and Capital Allocation:** We factor opportunities to reduce energy consumption, reduce emissions, and ensure regulatory compliance into our capital budget. We also evaluate the economics of gas conservation and GHG mitigation projects, consider the costs and benefits of such initiatives, and track project costs and subsequent performance. The availability of government grants to lower the capital expenditures of emission reductions or new energy projects is also a consideration.

» **Acquisitions and Divestments:** When Baytex evaluates acquiring or divesting of assets, we consider the emissions intensity of the assets, methane regulatory compliance in future years, and a transaction's potential impact on our corporate emissions profile.

Our management team also considers the potential financial impacts that acquired properties may have in terms of future emissions intensity reduction initiatives and regulatory compliance costs.

» **Compensation:** ESG matters form part of our annual budget and performance objectives, which are monitored and reported on regularly. For many years, we have included safety and spill metrics as part of our scorecard. Since 2020, an annual GHG emissions intensity target has been part of our short-term incentive plan scorecard. The short-term incentive plan scorecard is assessed annually and impacts annual compensation for our executive team and all employees.

» **Revenues:** A long-term supply or demand disruption could have a meaningful positive or negative impact on our sales revenues.

III. STRATEGY

Resilience of Baytex's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

SCENARIO ANALYSIS

Qualitative scenario analysis for this report involved five senior leaders, including three executive officers, who participated in several facilitated climate change scenario analysis workshops over the course of three months.

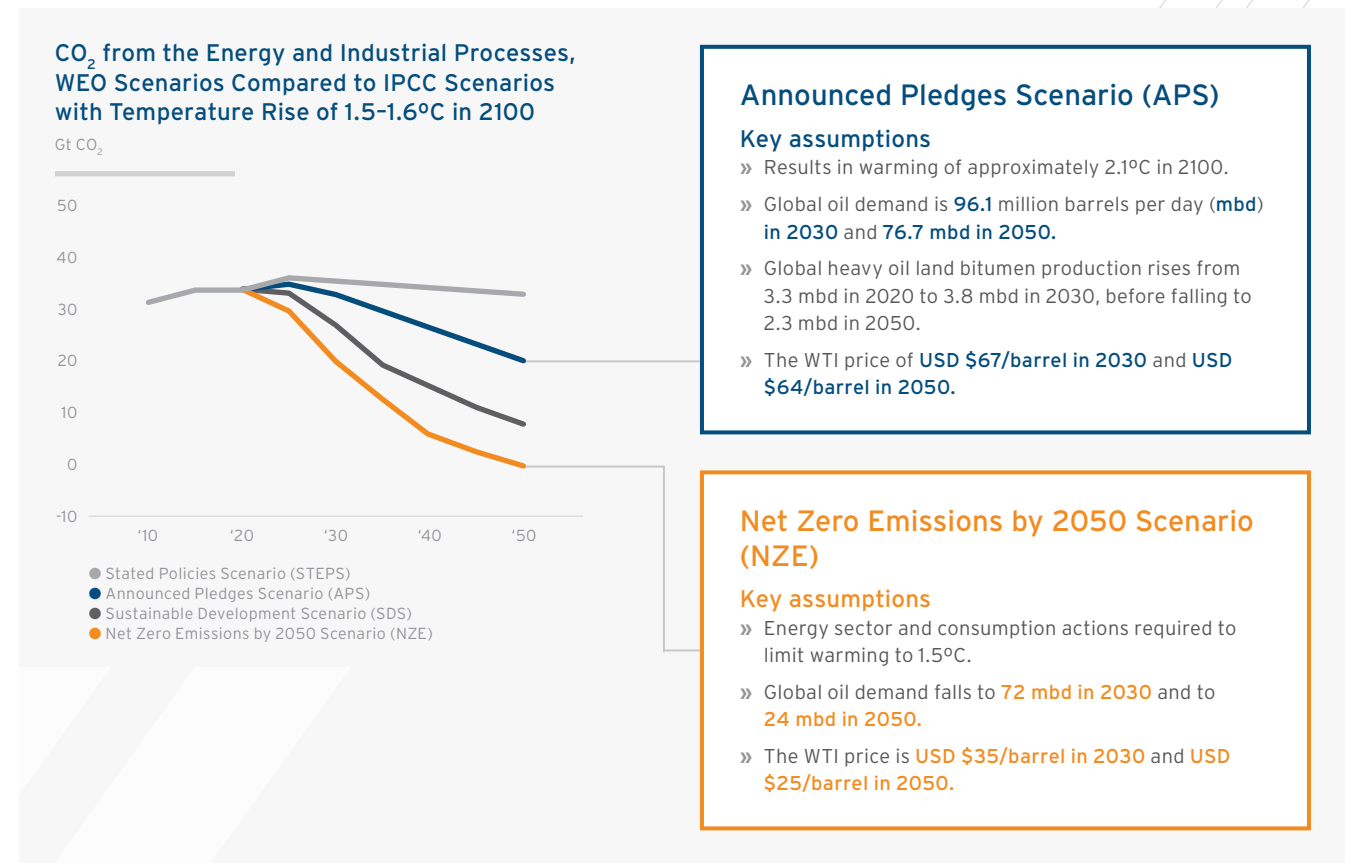
To allow for comparability with other companies and alignment with the TCFD recommendations, we used two transition-risk scenarios developed by the International Energy Agency (IEA):

- » the Announced Pledges Scenario (APS); and
- » the Net Zero Emissions by 2050 scenario (NZE).

An overview of the qualitative scenario analysis was reviewed with management.

Scenarios Overview

Scenarios were used to discuss our resiliency and further integrate climate-related risks and opportunities into our decision-making. However, it is important to note that scenarios are hypothetical constructs that use assumptions and estimates to highlight central elements of a possible future, and are not a forecast, prediction, or sensitivity analysis. In the figure to the right, we outline some of the key assumptions contained in the IEA scenarios we analyzed.



SOURCES OF RESILIENCY TO 2030

In this discussion, resiliency refers to our ability to respond and withstand regulatory and market challenges brought on by the energy transition. Our preliminary scenario analysis indicates that we can remain competitive and resilient in an Announced Pledges Scenario (APS) in the near and medium-term. However, new technologies or business lines would be needed to remain resilient under a Net Zero by 2050 scenario. Additional insights related to our longer-term resiliency can be found on page 11.

The following four characteristics contribute to the resiliency of our business in the near and medium-term, in an environment that is comparable to the APS.

1. Financial resiliency

We share a five-year outlook with investors to communicate our financial and operational resiliency. Our development program is self-funded, which means that we can execute our drilling plans and develop our assets for the entirety of our five-year outlook, without external sources of capital.

In 2022, we utilized 75 per cent of free cash flow⁽¹⁾ for debt repayment and allocated 25 per cent or \$159 million to share buybacks. Subsequent to year-end, we closed a strategic acquisition on June 20, 2023 of Ranger Oil Corporation (“transaction”). The Transaction accelerates our returns to shareholders with 50 per cent of free cash flow⁽¹⁾ directed to shareholder returns through the combination of share buybacks and the introduction of a quarterly dividend. We plan to further increase shareholder returns in the future while maintaining flexibility to run our business through the commodity price cycles.

We continue to focus on cost management and have a competitive break-even oil price (approximately US\$45 WTI). We define break-even price as the lowest oil price at which we can generate a positive internal rate of return (IRR) considering the capital and operating costs of all of our assets. This price is much lower than the price illustrated in the Announced Pledges Scenario (Figure 2).

The key elements of our business strategy that ensure our financial resiliency include:

- » **Disciplined capital allocation:** We are committed to a disciplined returns-based capital allocation strategy, targeting modest organic production growth. Each of our core assets has 10 or more years of development inventory at our current pace of development. This provides us the ability to efficiently allocate capital in response to changes in regional commodity prices and other economic or risk factors.
- » **Focus on free cash flow⁽¹⁾ generation:** Our commitment to efficient capital allocation across our portfolio is expected to generate meaningful free cash flow⁽¹⁾.
- » **Maintaining financial strength:** Baytex has a strong balance sheet with significant financial liquidity. Our commitment to a strong balance sheet is unwavering and, with our 50% allocation of free cash flow⁽¹⁾ to debt repayment, we intend to further strengthen our balance sheet.
- » **Hedging program:** We employ a disciplined hedging program to help mitigate volatility in revenue due to changes in commodity prices.

West Texas Intermediate (WTI)

\$US per barrel

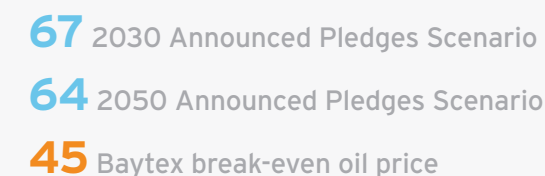


Figure 2: Our breakeven price compared to prices in APS.

⁽¹⁾ Specified financial measure that is not a standardized financial measure under IFRS and may not be comparable to similar measures disclosed by other issuers. For additional information and quantitative reconciliations related to this specified financial measure, which has been incorporated by reference into this document, see “Specified Financial Measures” in the Management’s Discussion and Analysis, dated February 24, 2022 of Baytex’s operating and financial results as at and for the three months and year ended December 31, 2022. Copies are available on SEDAR at www.sedar.com, on the EDGAR section of the SEC’s website at www.sec.gov and our website at www.baytexenergy.com.

2. Diversification

We are exposed to different regulations in the various jurisdictions where we operate. In 2022, 38 per cent of our production came from non-operated assets in the U.S. with no exposure to current carbon pricing or methane regulations. Our Canadian production is split between the provinces of Alberta and Saskatchewan that also have different regulations and compliance instruments (Figure 3). The Transaction further diversifies our portfolio with increased operated exposure to the U.S.

3. Track record of implementing GHG reductions

There are administrative and reporting requirements associated with maintaining good standing in the regulations that apply to our business. We have invested in methane and GHG emission reductions across our properties to reduce this impact. Our Peace River assets are subject to some of the most stringent regulations in Canada and we consistently meet or exceed our

obligations. We have applied learnings from Peace River in developing and implementing our plans for our Viking assets, showcasing our organizational adaptability and the resilience of our teams.

In 2020, we set our current target to reduce our GHG intensity (Scope 1 and Scope 2) by 65 per cent from 2018 to 2025, which is equivalent to 39 kg of CO₂e per boe in 2025. This target will take Baytex below the global average (see Figure 4) and reduce future compliance costs.

4. Carbon decision tools

We currently have GHG emissions data and related tools to make informed and effective capital and operating cost decisions. However, we see an additional opportunity to further embed carbon into decision making processes at the operational level. See the next page for details about our current processes and tools to use GHG-related information.

Production by Core Area

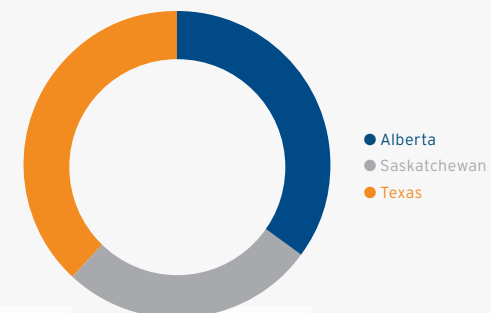


Figure 3: 2022 production by province or state.

GHG Emissions

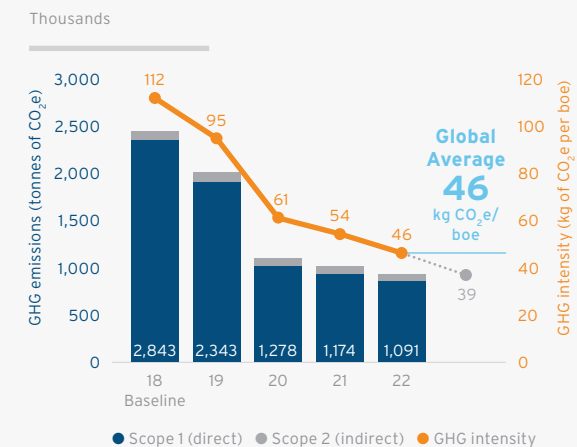
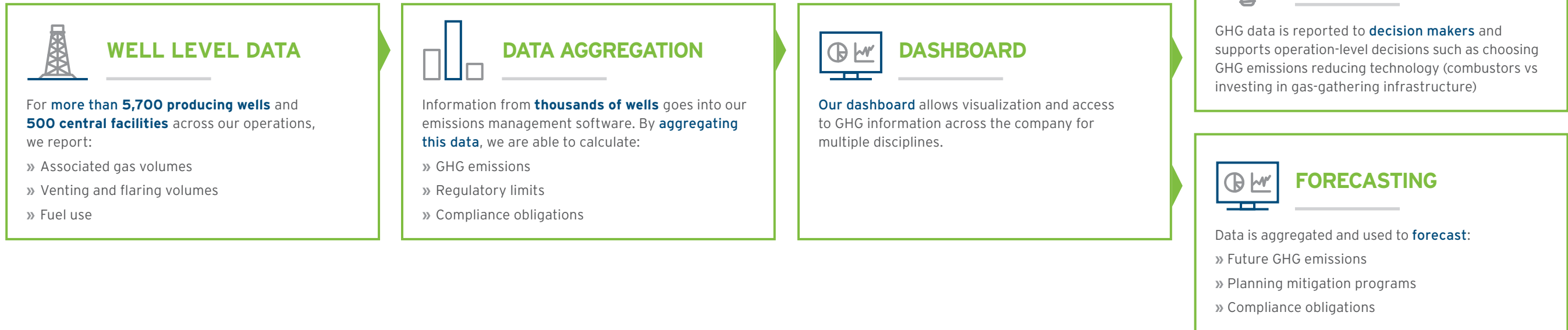


Figure 4: Reductions achieved and targeted in comparison with global GHG intensity average. Global GHG intensity average (WEO 2018).

ENHANCING CARBON-BASED DECISION MAKING

We believe that accurate measurement and a strong understanding of our GHG emissions leads to better decision making. This information enables us to remain competitive and choose the most effective way to comply with carbon regulations in the jurisdictions where we operate.



LONG-TERM THINKING, BEYOND 2023

Scenario analysis is an iterative process. We expect to assess the transition-related impacts of scenarios and the resiliency of our business regularly, especially as governments announce and implement additional carbon related policies. We have been able to operate in a lower carbon policy environment over the past few years, and have a track record of adapting to fast changing regulations during years of low oil prices. As we consider impacts beyond 2030, we believe we can apply some of our past experiences and learnings to enhance the resiliency of our business longer-term.

In a Net Zero by 2050 scenario, the IEA expects that global oil demand would need to reach 24 million barrels per day in 2050 and WTI oil prices would need to be around US\$25 per barrel in 2050. Keeping in mind that this scenario is not a forecast, in order to compete in a market with such low demand and low oil prices, we would need to make significant changes to our business. Although there are no current levers that we have that would allow us to compete in this environment, activities that we could pursue in the Net Zero scenario are:

1. Optimize our business

To remain competitive, we would have to substantially lower the cost structure associated with our business or complete a portfolio shift that would give us different assets that are commercial at the stated commodity prices.

2. Further reduce our GHG intensity

We would need to reduce our GHG intensity below the current target through selective application of technology or by changing our product portfolio (e.g., focus on lower carbon oil, acquire natural gas resources or production). In order to achieve further reductions, technologies that reduce the carbon footprint of our operations, which do not currently exist, would need to be invented and commercially deployed. Additional changes could include maximizing production from low-cost and low-carbon resources or we could divest of or limit production from our higher carbon assets.

3. Refine our capital allocation and development approach

In order to balance financial resources and regulatory needs, we could change the timing of development and/or invest in gas gathering infrastructure or other emissions reduction technologies which are economically viable in an even higher carbon cost environment.

4. Explore other technologies and partnerships

To stay up to speed on regulations and new technologies, we will continue to be part of industry groups where operators, industry associations, and other stakeholders discuss challenges to implementing and operationalizing current or proposed climate policies and methane regulations. In the Net Zero by 2050 scenario, we would significantly enhance our collaboration efforts to identify shared pathways to reduce emissions and may explore joint ventures and other opportunities to diversify into lower carbon solutions such as carbon capture or hydrogen.

As we consider impacts beyond 2030, we believe we can apply some of our past experiences and learnings to enhance the resiliency of our business longer-term.



CLIMATE-RELATED PHYSICAL RISKS AND THEIR IMPACT

Physical risks are risks associated with the physical impacts from climate change. We also evaluate their impact on our company, qualitatively or quantitatively, and implement actions to mitigate that impact.

Physical risk	Impact mechanism	Risk mitigation
<p>Acute physical (Canada)</p> <p>Severe weather events that could impact our operated properties in Western Canada include flooding, wildfires, heavy precipitation events, and extreme temperatures.</p>	<p>Decreased revenues Reduced production capacity can impact our sales revenues.</p> <p>Damage to assets In the past the company has had to temporarily shut-in production due to flooding and wildfires.</p>	<p>For our operated assets, where there could be an impact, we:</p> <ul style="list-style-type: none"> » Have systems that allow for the rapid implementation of emergency response measures. » Have contingencies to re-route production to sales via trucks and rail, if required. » Participate in wildfire control planning and emergency response exercises. » Have business interruption insurance for key infrastructure and property insurance coverage on larger facilities. <p>For our non-operated assets:</p> <ul style="list-style-type: none"> » The Eagle Ford non-operated assets are managed by a reputable operator with emergency response measures in place. We maintain a strong working relationship with the operator of the asset. » We carry general liability insurance to cover our working interest share.
<p>Acute physical (U.S.)</p> <p>Tropical cyclones can impact production and refining capacity in various offshore producing regions (e.g., U.S. Gulf Coast). This could directly impact South Texas properties, in the Eagle Ford Basin.</p>	<p>Decreased revenues Negative impact on commodity prices can result from supply and/or demand disruptions. Longer-term supply or demand disruption could have a meaningful impact on the company's revenues.</p>	
<p>Chronic physical</p> <p>Precipitation events and temperature extremes (atypically hot and/or cold events).</p>	<p>No material impact We do not anticipate that moderate changes to temperature or precipitation would result in a material impact to our assets or operations.</p>	
<p>Water scarcity</p> <p>To develop some of our resources using hydraulic fracturing, SAGD or waterflooding, we need to have access to sufficient volumes of water, or other liquids.</p>	<p>Decreased revenues Limited access to water may reduce the amount of oil and natural gas that we are able to produce and therefore can decrease our revenues.</p>	

CLIMATE-RELATED TRANSITION RISKS AND THEIR IMPACT, AS IDENTIFIED OVER THE SHORT, MEDIUM, AND LONG-TERM.


Transition-related risks are regulatory, market, technological and reputational risks arising from the energy transition. The table below outlines our current understanding of the most important transition-related risks that can impact Baytex.







Some of these risks are considered enterprise risks (identified in our Enterprise Risk assessment) and as such are disclosed and described in our *2022 Annual Information Form (AIF)*.











Estimated impact

We use the symbols:



As we have not yet completed an impact quantification analysis, the arrows indicate relative impact. For example  means lower relative to other risks.

Transition-related risks	Impact mechanism	Estimated impact	Timeframe	Risk mitigation
<p>Market</p> <p>Lower oil prices</p> <p>Some scenarios suggest that we will have an accelerated decline in oil prices, which will be sustained during the energy transition.</p>	<p>Decreased revenues</p> <p>This presents a risk if we reach prices lower than our break-even price or if they stay low for a longer period of time.</p>	 <i>Page 34-35 of our 2022 AIF.</i>	 1-3 years / 3-10 years / 10-30 years	<ul style="list-style-type: none"> » We use a hedging program to mitigate the volatility that can occur through low commodity price periods. » Discipline and flexibility are key features our capital program that allow us to adapt to longer-term commodity price changes. » In the future, we can focus on low-cost assets (including carbon costs) and could divest of some higher cost assets.
<p>Regulatory</p> <p>GHG regulation for large emitters</p> <p>Canadian provincial and federal regulations on carbon impact our operating cost and business plans. Regulations for large emitters (TIER, OBPS) might become more stringent to align with Canada's commitment to net-zero by 2050 and potentially include the implementation of a cap on emissions from oil and gas production.</p>	<p>Increased cost</p> <p>There are direct costs as well as inflationary influences on the costs of services and products as the cost of carbon increases.</p>	 <i>Pages 50-51 of our 2022 AIF.</i>	 1-3 years / 3-10 years / 10-30 years	<ul style="list-style-type: none"> » Our risk assessments consider the current and proposed legislative methane and emission requirements. » We are registered in performance standards in Alberta and Saskatchewan that significantly lower our direct costs and financial exposure to carbon pricing in our operations. » Emissions reduction initiatives are focused on maintaining compliance in a tightening regulatory environment and reducing our financial exposure to carbon pricing in the future.
<p>Regulatory</p> <p>Methane regulation</p> <p>Tightening methane regulations in future years may require additional equipment, equipment upgrades, GHG reduction project planning, air monitoring, and other reporting requirements.</p>	<p>Increased cost</p> <p>Additional future costs will be associated with equipment, projects, monitoring, and reporting.</p>	 <i>Page 51 of our 2022 AIF.</i>	 1-3 years / 3-10 years / 10-30 years	<ul style="list-style-type: none"> » We set emissions reduction targets to ensure our continued compliance with methane regulations and to lower our financial exposure to carbon pricing. » We maintain an emissions database which is used for regulatory filings. It is also used for internal reporting and analysis of GHG emissions. » We monitor ongoing development and proposed regulations to ensure regulatory compliance can be achieved.

Transition-related risks	Impact mechanism	Estimated impact	Timeframe	Risk mitigation
<p>Market</p> <p>Carbon competitiveness</p> <p>Regulatory or market changes that take into account upstream and downstream GHG emission intensity that may result in preferential access or premium pricing for lower carbon intensity oil.</p>	<p>Increased costs</p> <p>The cost to further reduce the carbon intensity to competitive levels might not be economic in a lower price environment.</p>		 <p>1-3 years / 3-10 years / 10-30 years</p>	<p>» We regularly review emerging GHG regulations and participate in government/industry working groups to:</p> <ol style="list-style-type: none"> 1. Provide input into the regulations as they are being developed. 2. Better understand the future impact the regulations will have on the company. <p>» We use internal staff where possible to undertake planning, evaluation, operations, and reporting activities. This includes the Environmental Sustainability Team, facilities engineering, operations, and sustainability reporting.</p> <p>» We engage specialized third parties when needed in areas of environmental engineering, verification, measurement, and grant writing.</p>
<p>Market</p> <p>Reduced demand for oil in North America</p> <p>Accelerated adoption of electric vehicles in advanced economies and increased use of biofuels may lead to faster declines in oil demand in North America.</p>	<p>Decreased revenues</p> <p>In a lower demand environment, preference might be given to lower cost and lower carbon oil.</p>	 <p><i>Page 36 of our 2022 AIF.</i></p>	 <p>1-3 years / 3-10 years / 10-30 years</p>	<p>» Capital discipline and flexibility in the capital program allows us to adapt to reductions in demand.</p> <p>» In the future, market and product diversification can help us withstand a market contraction.</p>
<p>Technology</p> <p>Technology risks</p> <p>Technology risks include the risk of not utilizing appropriate technology to mitigate emissions or the risk of not having appropriate emissions technology available (i.e., still in development stage and not ready for deployment).</p>	<p>Increased cost</p> <p>The cost to choose and invest in the right mitigation technology.</p>		 <p>1-3 years / 3-10 years / 10-30 years</p>	<p>» We invest in various technologies aimed at reducing our GHG emission intensity. These technologies are trialed in smaller pilot projects before being deployed on a large scale.</p> <p>» To remain current on technology and innovation we collaborate with peers. Employees monitor technological developments, including emissions reduction opportunities.</p> <p>» Staying current and encouraging collaboration within the company and with peers reduces our technology related risks.</p>
<p>Reputational</p> <p>Perceived inaction</p> <p>Baytex could be perceived as not taking meaningful action to reduce its GHG emissions or address climate change.</p>	<p>» Reduced access to talent.</p> <p>» Reduced access to capital.</p>		 <p>1-3 years / 3-10 years / 10-30 years</p>	<p>» Continue to invest in GHG emission reduction technology.</p> <p>» Work towards our current 2025 GHG intensity target and use our GHG Emissions Management Framework in the development of a 2030 target.</p> <p>» Disclose our emissions and efforts. We report emissions to the CDP, the National Pollutant Release Inventory (NPRI), and the EPA using the Electronic Greenhouse Gas Reporting Tool (e-GGRT).</p>
<p>Reputational</p> <p>Perceptions around fossil fuels</p> <p>Social perceptions of our industry could impact our social license to operate or ability to access financing.</p>	<p>» Reduced access to talent.</p> <p>» Reduced access to capital.</p>	 <p><i>Page 39 of our 2022 AIF.</i></p>	 <p>1-3 years / 3-10 years / 10-30 years</p>	<p>» Participate in industry groups, such as the EPAC Climate and Saskatchewan Methane Emissions Management working groups.</p> <p>» Continue looking for opportunities to collaborate with others in our industry.</p>

CURRENT CLIMATE POLICIES AND REGULATIONS

The climate policies and regulations most relevant to our company are:

Carbon Pricing Systems

In 2019, the Government of Canada implemented the federal Greenhouse Gas Pollution Pricing Act. The Act established a federal benchmark carbon pollution pricing system applied to fuel and combustible waste. The enacted federal carbon pricing impacts provincial jurisdictions that do not have an equivalent Output-Based Pricing System in place. The Provinces of Saskatchewan and Alberta, where Baytex operates, have performance standards in place which determine our financial exposure to the federal fuel tax. Both provinces have obtained and must maintain federal equivalency for their programs. These provincial programs have associated compliance costs when performance standards, relative to an emissions

benchmark, cannot be fully met. Compliance costs differ by province depending on the performance standard requirement and compliance cost rate. Emissions coverage includes stationary combustion from the implementation of the performance standards and expanding coverage to stationary combustion and flaring emissions in 2023.

Carbon pricing in Canada increased from \$50 per tonne of CO₂e (tCO₂e) in 2022 to \$65 per tCO₂e in 2023, and will continue to increase \$15 per tCO₂e annually to \$170 per tCO₂e in 2030. There are direct costs of compliance fees in performance standards, as well as inflationary influences on the cost of services and products as carbon pricing increases fuel costs for service providers. Registering our facilities in provincial performance standards limits the financial exposure of compliance fees. In 2022, regulatory reviews were completed on the provincial standards that outline the compliance rates and carbon pricing out to 2030.



SENSITIVITY ANALYSIS

As part of the scenario analysis we conducted in 2022, we in tested the impact of different carbon prices.

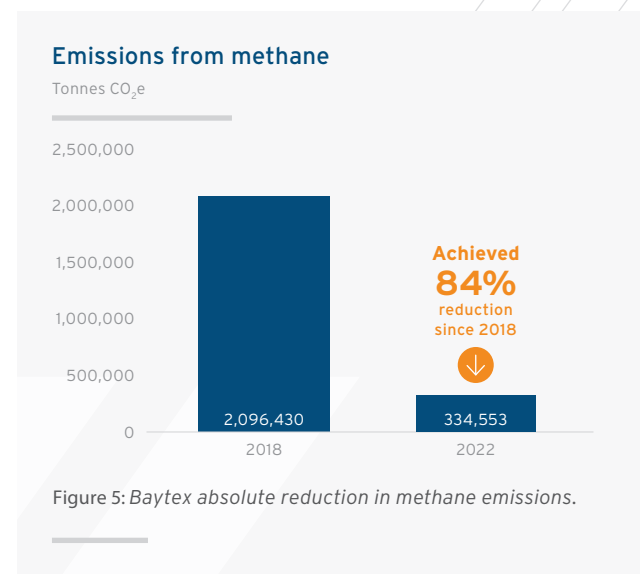
We included prices announced by the Canadian Federal government (\$170 in 2030) and different taxable rates.

Methane Regulations

In 2018, Environment and Climate Change Canada set in place federal regulations for methane emissions from the oil and gas sector which came into force January 1, 2020. These regulations are set to achieve a methane reduction from upstream oil and gas facilities of 40-45 per cent below 2012 levels by 2025. The Provinces take responsibility for energy and natural resources within their boundaries and have bodies to govern these activities. The Provinces of Alberta and Saskatchewan have developed GHG emissions reduction programs of their own, that have achieved equivalency under the federal regulations. These programs have increasing regulatory stringency in subsequent years and, if specified climate-related outcomes are not met, additional regulations could come into force. The government of Canada has committed to expanding its oil and gas methane emissions reduction target to at least a 75 per cent reduction below 2012 levels by 2030. In November 2022, a proposed federal regulatory framework for the oil and gas sector was released to achieve the 2030 target.

Tightening methane regulations in future years may require retrofitting existing sites, equipment upgrades, GHG reduction project planning, capital investment, air monitoring, and other reporting requirements. Additional future costs will be associated with equipment, projects, monitoring, and reporting.

Methane has been the focus of our GHG emissions reduction efforts for the last five years and we have achieved an impressive 84 percent reduction of our methane emissions during that time period (Figure 5). We continue to monitor ongoing developments and proposed regulations to ensure regulatory compliance can be achieved.



IV. METRICS AND TARGETS

Metrics used to assess climate-related risks and opportunities in line with strategy and risk management process.

GHG emissions ⁽³⁾	Unit	2018	2019	2020	2021	2022
Scope 1 GHG emissions	tonnes CO ₂	2,739,887	2,230,163	1,188,227	1,078,283	1,001,008
Scope 2 GHG emissions	tonnes CO ₂	102,703	112,475	89,642	95,395	90,022
Scope 1 and Scope 2 GHG emissions	tonnes CO ₂	2,842,590	2,342,638	1,277,869	1,173,678	1,091,030
Intensity (Scope 1 and Scope 2)	total kg CO ₂ e/boe	112	95	61	54	46

Our current climate-related target is to reduce our emissions intensity (Scope 1 and Scope 2) by 65 per cent from 2018 levels by 2025. To date we have reduced our emissions intensity by 59 per cent from our 2018 baseline, and are progressing towards our target. We have reduced more than 1.8 million tonnes of CO₂e since 2018, which is equivalent to taking approximately 340,000 cars off the road annually.

We have measured and reported our controlled GHG emissions (Scope 1 and Scope 2) since 2012. Read more about how we manage our GHG emissions on pages 7-9 of our [ESG Report](#).

GHG Emissions Assurance

We engaged an independent third-party, GHD Limited, to verify our 2022 reported GHG emissions data. The assurance engagement was conducted in accordance with the ISO Standard ISO 14064-3:2006 and The GHG Protocol Corporate Accounting and Reporting Standard. A reasonable assurance opinion was provided on our 2022 Scope 1 and Scope 2 emissions. The assurance letter can be found on pages 19-22 of this report.



OUR TARGET

By 2025, **reduce our emissions intensity by 65%** from our 2018 baseline.

(3) GHG emissions from 2018-2022 are calculated using the Global Warming Potential (GWP) values from the IPCC's Fourth Assessment (AR4).

FORWARD LOOKING STATEMENT

Advisory Regarding Oil and Gas Information

When converting volumes of natural gas to oil equivalent amounts, Baytex has adopted a conversion factor of six million cubic feet of natural gas being equivalent to one barrel of oil, which is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Oil equivalent amounts may be misleading, particularly if used in isolation.

Advisory Regarding Forward-Looking Statements

In the interest of providing information regarding Baytex, including management's assessment of Baytex's future plans and operations, certain statements in this document are "forward-looking statements" or "forward-looking information" within the meaning of applicable Canadian and United States securities legislation (collectively, "forward-looking statements"). In some cases, forward-looking statements can be identified by terminology such as "anticipate", "believe", "continue", "estimate", "expect", "forecast", "may", "might", "objective", "ongoing", "potential", "project", "plan", "seek", "should", "target", "will" or similar expressions and includes suggestions of future outcomes.

Specifically, this document contains forward-looking statements relating to: our business strategies, plans, objectives, targets, and goals in respect of emissions intensity, asset retirement obligations, and board diversity; reducing our GHG emissions intensity by 65 percent by 2025 from our 2018 baseline, developing a 2030 target for GHG emissions, executing on our annual GHG mitigation budgets, eliminating our 2020 end-of-life well inventory through our "4,500 Wells to Zero by 2040" initiative, our commitment to invest \$100 million in ARO spending from 2022 to 2026, implementing our internal Water Management framework across all high-risk regions by 2025, expanding our baseline to include multiple dimensions of diversity and apply our process to measure employee engagement and our commitment to at least 30 percent of our directors being women by our 2023 shareholder meeting; we will be a leader in the responsible production of energy the world needs for the future; how we prevent pipeline spills, spills from tanks, and spills during trucking and implement our asset integrity program; our asset abandonment and reclamation commitment and process; our commitment to minimize freshwater use; that we monitor seismic activity when fracking in certain areas; that managing emissions, odours, and air quality is a priority; that we intend to undertake performance testing on our compressor fleet and

conduct an Assessment of Regulatory Compliance for owned and third-party commercial vehicle fleet; that we intend to apply continued improvements to our safe operating practices, support communities across our assets base and support long-term value through responsible energy development; that we commit to open and transparent engagement with our stakeholders that respects Indigenous rights and contributes to the economic and social well-being of communities; that we will provide flexible work options to our workforce; our safety, stakeholder relations, and Indigenous rights objectives; the amount of abandonment and reclamation work to be carried out with Indigenous contractors; that we intend to focus on climate disclosure and corporate resiliency by advancing TCFD reporting with quantitative scenario analysis, maintain strong governance practices on ESG matters of key importance to our stakeholders, shareholders, and business, and continue monitoring risks and evaluating new opportunities as a responsible energy producer; that we aim to identify fraud risks and evaluate potential damages; that we plan to advance our scenario analysis to support our understanding of the implications of the energy transition on our business; and how we mitigate the physical and transition risks of climate change. Readers are cautioned not to place undue reliance on forward-looking statements as our actual results may differ materially from those expressed or implied.

Forward-looking statements are based on Baytex's current expectations, estimates, projections, and assumptions that were made by the company in light of information available at the time the statement was made and consider Baytex's experience and its perception of historical trends, including expectations and assumptions concerning: petroleum and natural gas prices and differentials between light, medium, and heavy oil prices; well production rates and reserve volumes; our ability to add production and reserves through our exploration and development activities; capital expenditure levels; our ability to borrow under our credit agreements; the receipt, in a timely manner, of regulatory and other required approvals for our operating activities; the availability and cost of labour and other industry services;

interest and foreign exchange rates; the continuance of existing and, in certain circumstances, proposed tax and royalty regimes; our ability to develop our crude oil and natural gas properties in the manner currently contemplated; and current industry conditions, laws, and regulations continuing in effect (or, where changes are proposed, such changes being adopted as anticipated). Baytex believes the expectations and assumptions reflected in the forward-looking information are reasonable, but no assurance can be given that these factors, expectations, and assumptions will prove to be correct.

The forward-looking statements included in this report are not a guarantee of future performance and should not be unduly relied upon. Such forward-looking statements involve known and unknown risks, uncertainties, and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements; these are described under "Forward-Looking Statements" in the Management's Discussion and Analysis contained in our most recent Interim Report. For a full discussion of our material risk factors, see "Risk Factors" in our Annual Information Form or Form 40-F for our most recently completed financial year, and such risk factors are incorporated herein by reference. Readers should also refer to the risk factors described in other documents we

file from time to time with securities regulatory authorities, which are available at www.sedar.com, www.sec.gov and www.baytexenergy.com.

The forward-looking statements contained in this document speak only as of the date of this document and are expressly qualified by this cautionary statement. There is no representation by Baytex that actual results achieved during the forecast period will be the same in whole or in part as those forecast and Baytex disclaims any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events, or otherwise, except as may be required by applicable law.

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Our ref: 12574487-LTR-4

16 June 2023

Baytex Energy Ltd.
2800, 520-3rd Avenue SW
Calgary, Alberta
T2P 0R3

Baytex Energy Ltd. – Assurance Opinion for 2022 Greenhouse Gas Inventory

1. Introduction

Baytex Energy Ltd (Baytex) retained GHD Limited (GHD) to complete an independent verification of its greenhouse gas (GHG) inventory report (GHG Inventory) for the period of January 1 to December 31, 2022. The purpose of verification was to have an independent third-party assess Baytex's 2022 GHG inventory and to provide Baytex with an assurance opinion as to whether there are any material misstatements in the 2022 GHG Inventory. GHD understands that Baytex intends to use the GHG inventory to support its submission to the CDP (formerly Carbon Disclosure Project).

GHD is accredited by the ANSI National Accreditation Board (ANAB) under ISO 14065 as a Greenhouse Gas Validation and Verification Body. GHD completed the verification in accordance with ISO 14064-3^[1].

¹ ISO 14064 Greenhouse gases - Part 3: Specification with guidance for the validation and verification of greenhouse gas assertions, ISO, March 2006.

2. Scope

The verification included all Baytex corporate operations, which are located in Alberta and Saskatchewan, Canada. Baytex's GHG Inventory includes emissions and production from 2,164 facilities. The reporting period verified was January 1 to December 31, 2022. The verification was conducted to a reasonable level of assurance. Materiality for the verification was $\pm 5\%$ of the total reported GHG emissions, and $\pm 5\%$ of the total reported production. The GHG emission sources and production types included within the scope of the verification were as follows:

- Scope 1 – Direct Emissions Sources:
 - Stationary combustion
 - Flaring
 - Venting
 - Fugitive emissions
- Scope 2 – Indirect Emissions Sources:
 - Imported Electricity
- Production:
 - Throughput (BOE^[2])

3. Methodology

The purpose of GHD's verification procedures was to assess the following critical items:

1. Accuracy and completeness of annual GHG emissions
2. Uncertainty of external data sources used
3. Emission assumptions
4. Accuracy of emission calculations
5. Potential magnitude of errors and omissions

² BOE - Barrel of Oil Equivalent.

The GHD verification team identified and determined risks related to emissions during both the desktop reviews and the follow-up interviews. The components of the document review and follow-up interviews were:

- Document Review:
 - Review of data and information to confirm the reasonableness of presented information via comparison to previous years and industry averages
 - Cross-checks between information provided in the GHG Report and information from independent background investigations
- Follow-up Interviews:
 - Via telephone
 - Voice over Internet Protocol (VoIP) using Microsoft Teams (or similar programs)
 - Via email

The GHD verification team's document review during the verification process comprised of, but was not limited to, an evaluation of the following:

- Documentation is complete and comprehensive and follows the structure and criteria given in ISO 14064-3
- Monitoring methodologies are justified and appropriate
- Activity data are of an appropriate type
- Emission factors used are current and correct
- Calculation of the inventory is appropriate and uses conservative assumptions

The GHD verification team interviewed Baytex staff in order to:

- Cross-check information provided
- Review data management and recording procedures
- Test the correctness of critical formulae and calculations

The review of the data management system ensured the following:

- Access to the data is protected from tampering or alteration
- The equipment associated with the monitoring and measurement of GHG data is adequately calibrated and maintained
- Methods prevent breaches of information security

4. Summary of Assertions

GHD verified the following emissions and production assertions from Baytex's GHG Inventory:

Total Entity-Wide Emissions Verified:	1,091,030 tonnes CO ₂ e ^[3]
Total Scope 1 Emissions:	1,001,008 tonnes CO ₂ e
Total Scope 2 Emissions:	90,022 tonnes CO ₂ e
Production (Throughput):	23,882,306 BOE
Emissions Intensity:	0.046 tonnes CO ₂ e/BOE

5. Conclusions

Based on the verification conducted by GHD per the methods above, the assertions in Baytex's GHG Inventory were determined to be free of material misstatements, fairly presented, and substantiated by sufficient and appropriate evidence.

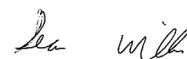
Please note, this letter is a summary of GHD's verification. Detailed findings are provided in GHD's verification report dated May 5, 2023.

Regards,



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³ CO₂e - carbon dioxide equivalent





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