



DELIVERING ON OUR COMMITMENTS

20 ^{ESG} REPORT 21

TSX BTE

CONTENTS



[CEO & Chair Letter](#)

[Our ESG Scorecard](#)

[About Baytex](#)

[Q&A: Meet Chad Lundberg,
Chief Operating and Sustainability Officer](#)

[Our Approach to ESG](#)

[ESG Reporting Scope](#)

[Materiality Assessment](#)

1 ENVIRONMENT

2 Emissions Management

3 GHG Emissions Reduction Activities

Abandonment and Reclamation

4 Water Management

Spills

5 Air Quality

7

8 SOCIAL

Employee Safety

Contractor Safety

Trucking Safety

COVID-19 Update

Diversity and Inclusion

Employee Development and Engagement

Stakeholder Engagement and Community Relations

Indigenous Rights

Economic Impact and Community Investment

9 GOVERNANCE

10 Corporate Governance

11 Ethics

14 Governance for ESG Matters

18

20 APPENDIX

22 ESG-Related Questions

Performance Table

23 SASB Index

24 GRI Index

25 Forward-Looking Statement

25 Specified Financial Measures

27 GHG Assurance Letter

28

29

31

32

33

35

36

38

39

40

40

41

45

48

49

50

53



DELIVERING ON OUR COMMITMENTS

We are pleased to share Baytex's 2021 annual ESG report. Since 2012, the company has proudly reported on its activities to reduce environmental impacts, promote the safety and wellbeing of employees, contractors, and communities, and ensure effective governance. After navigating the challenges of the COVID-19 pandemic, the company is fit for the future and delivering excellent business results. We remain focused on key ESG initiatives including GHG emissions, abandonment and reclamation, strong and mutually beneficial indigenous community relations, safety, and climate risk management. As such, these key areas of ESG have been built into our executive and organizational compensation metrics, reinforcing our culture of delivering on our commitments. Our focus on ESG is essential to drive sustainable outcomes and long-term viability, alongside improving shareholder returns.

ENVIRONMENT

We are making meaningful progress towards our GHG emissions intensity target of a 65 per cent reduction by 2025, relative to our 2018 baseline. In 2021, we reduced our GHG emissions intensity by 52 per cent from 2018 levels and 11 per cent from 2020 levels. We invested more than \$20 million in GHG reduction activities over the past four years, and continue to pursue innovative and pragmatic solutions to decarbonize our operations.

We have also advanced our abandonment and reclamation work, scaling up activities to record levels. In furtherance of our commitment to restore our 2020 inactive well inventory of "4,500 wells to Zero by 2040", we've announced an interim five-year target to invest \$100 million from 2022 to 2026, or approximately \$20 million per year, restoring our end-of-life assets.

SOCIAL

We continue to make safety a priority. During the year we surveyed our field staff and contractors to better understand what we do well and where we can improve. The majority of respondents felt that Baytex has a strong and effective safety program that is committed to protecting its people, but we know that we can always do

better. We used insights from the survey to help set five safety focus areas for our 2022 plan. We are saddened to report that in 2021, a contractor lost his life while working on a Baytex job. We completed an extensive investigation into this tragic event, provided enhanced training, and made procedural and equipment changes to help prevent a similar incident. Our top priority remains getting everyone home safe at the end of the day.

Our Clearwater appraisal program delivered extraordinary initial results in 2021. Our approach to this development applies best practices to minimize our impacts on the environment and promote social and economic benefits for the community. Building on our strong relationship with the Peavine Métis Settlement, the joint venture agreement continues to create opportunities for meaningful economic participation and inclusion. We look forward to the realization of further mutual benefits as production grows in this key development play.

Building on a positive that came from our COVID-19 pandemic response, we are embedding BayFlex – our distributed workforce framework – into how we work. BayFlex gives eligible employees the flexibility to work from home and the office – with the guiding principle that it must work for the employee, the team and for Baytex.

We set a new short-term diversity target for our Board with the goal to reach 30 per cent women Directors by our 2023 Annual General Meeting, and, in early 2022, Nicole Frechette was appointed Vice President, Light Oil. We continue to look for ways to make our company culture even stronger and more inclusive.

GOVERNANCE

ESG is of the utmost importance to us personally and to the full Board of Directors. Having expanded the mandate of our Reserves and Sustainability Board Committee in 2020 to include the oversight for sustainability-related matters, in 2021 we took risk management to the next level. We added climate-related risks to our enterprise risk management program and, using TCFD criteria, completed our first transition scenario analysis and a qualitative assessment of



Edward D. LaFehr
President and
Chief Executive Officer

Mark R. Bly
Board Chair

climate-related risks. We also announced the appointment of Chad Lundberg as Chief Operating and Sustainability Officer to lead our sustainability efforts and reinforce Baytex's commitment to responsible energy development by integrating our sustainability priorities into our capital allocation and strategic planning processes.

LOOKING FORWARD

The energy industry and society are undergoing a transition to a low-carbon economy. We believe oil and gas will be instrumental in this energy transition and that efficient operations aren't just good for business – they contribute to sustainable development and economic benefits for all Canadians. As a responsible energy producer, we are committed to reducing our GHG emissions intensity, restoring our end-of-life assets so they can be enjoyed by future generations, and providing safe, equitable, and rewarding employment.

Baytex's success is due to our dedicated and talented team of employees who are passionate about delivering on our commitments and creating value for shareholders. We look forward to further advancing our commitments and we thank you for your continued support.

July 27, 2022

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

2021 PROGRESS

LOOKING FORWARD



GHG EMISSIONS

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



Reduced our **emissions intensity by 52%** compared to our 2018 baseline

Execute our first annual **GHG mitigation budget** and develop an **emissions reduction pathway** to 2025 and beyond



ABANDONMENT AND RECLAMATION

Restore our entire 2020 end-of-life well inventory through our **"4,500 Wells to Zero by 2040"** initiative, returning them to their pre-disturbance productivity



Completed 198 well abandonments - **the most in company history**

Five-year commitment to **invest \$100 million from 2022 to 2026**, or approximately \$20 million per year



WATER USE

By 2022, **evaluate and test new methods** to reduce the intensity of freshwater use throughout our operations



Pilot projects resulted in **40% of completions water** coming from non-fresh water sources

Develop an **internal water management framework** that prioritizes reducing freshwater use



ENGAGEMENT AND DIVERSITY

By 2022, expand our baseline to **include multiple dimensions of diversity** and enhance our processes to measure **employee engagement**



Completed a **3rd party employee engagement survey** and set a baselines for engagement and key diversity variables

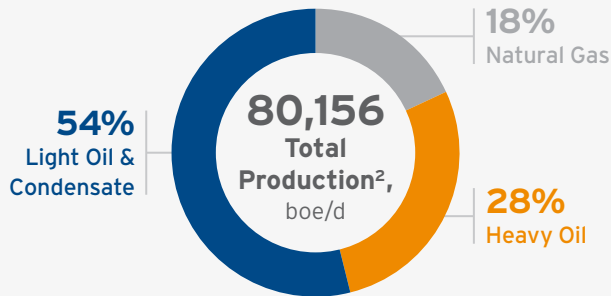
Committed to **at least 30% of our directors being women** by our 2023 shareholder meeting

Not started
 In progress
 Completed

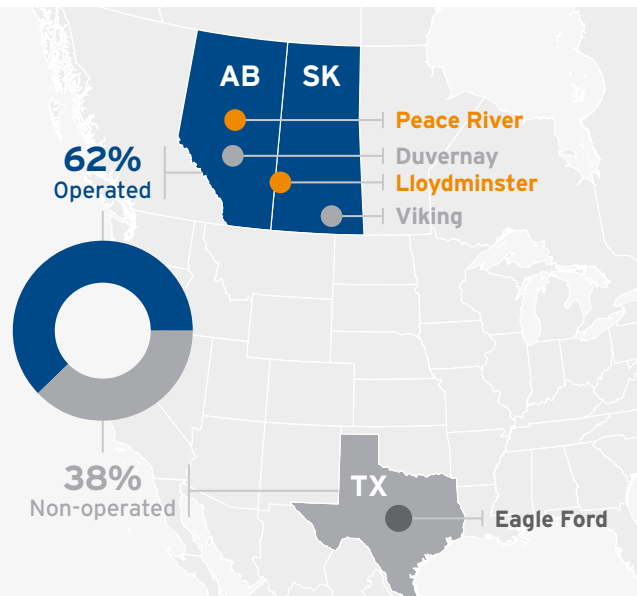
ABOUT BAYTEX

Baytex Energy Corp. (“Baytex”) is a North American-focused energy company based in Calgary, Alberta, with assets located in Canada and the United States. The Canadian operated segment includes light oil assets in the Viking and Duvernay, heavy oil assets in Peace River and Lloydminster, 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 under the symbol BTE.

OUR BUSINESS ACTIVITIES



- 231** wells drilled (gross)
- 5,594** producing wells
- 5,321** tanks
- 4,548** km of pipeline
- 92,888** truck loads



ABOUT OUR COMPANY

(all figures as of December 31, 2021)

- \$4.8 billion** in total assets
- \$313 million** in exploration and development expenditures
- 208** employees
- \$1.9 billion** in petroleum and natural gas sales
- 451 million boe** in reserves (proved plus probable)
- \$421 million** in free cash flow¹

SIGNIFICANT LEADERSHIP AND OPERATIONAL CHANGES

In April 2021, we announced an exciting discovery in the Peace River region. Our Clearwater appraisal program delivered positive initial results.

In July 2021, Chad Lundberg was appointed Chief Operating and Sustainability Officer to lead our sustainability efforts and reinforce Baytex’s commitment to developing responsible energy.



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. See “Specified Financial Measures” in the 2021 Annual MD&A for information on this measure, which information is incorporated by reference into this document.

² Based on total production (operated and non-operated)

Q&A: MEET CHAD LUNDBERG, CHIEF OPERATING AND SUSTAINABILITY OFFICER

In 2021, we demonstrated our commitment to embedding sustainability into our strategy with the promotion of Chad Lundberg to the position of Chief Operating and Sustainability Officer. The following is an interview with Chad about this new role at Baytex.



Chad Lundberg
Chief Operating and
Sustainability Officer

What does this role mean for Baytex Energy?

Appointing a C-suite position in charge of sustainability is proof that Baytex's commitment to ESG performance isn't just lip service. We have made it a priority at all levels and have dedicated resources to it. We have established a team to support ESG initiatives, like GHG emissions reduction and scaling up our abandonment and reclamation. At the same time, we are enhancing data collection and analysis to better understand our impacts and measure progress against our targets. And, we have appointed a Manager, Sustainability and Energy Transformation to help steward our progress.

What does this role mean for you personally?

This role has given me a renewed sense of personal purpose. At this point in my career, I feel alignment between who I am personally, my professional life, and my roots. I was raised in rural Alberta on a farm that has been in my family for a century. When the time came for me to take over the farm, I saw my role as my parents did: to make sure the land is there to feed future generations. This sense of purpose is woven into my DNA. In the same way, I truly believe that the work we are doing today will help Baytex not only return value to shareholders but also fulfill our aspiration to create a strong and vital organization that future generations will be proud to be a part of.

What is something readers may not know about ESG at Baytex?

I wish people knew how many individual contributions are made by people throughout the organization to support our activities and targets. Incremental movement towards our targets is made possible by individual operators who make operational decisions at each of our wells. When I talk with field operators, we end up discussing ideas to reduce fresh water use or GHG emissions. Those conversations wouldn't have happened a decade ago. They're a clear sign of how our vision has permeated the organization, and that achieving our targets is front and center for people making decisions everyday. The people we have on the Baytex team are essential to our success. It is my hope that they feel empowered, connected, and excited about the future of our company.

OUR APPROACH TO ESG

As a **responsible** energy company, we take a **sustainable** approach to managing and developing our business into the future. We aspire to create an organization that **future generations** will be proud to be a part of.

OUR ESG VISION

Baytex will be a leader in the responsible production 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 as a responsible energy company.



SUSTAINABILITY

For us, sustainability means managing our ESG 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 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 and have a track record of delivering on our commitments.
- » 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 incorporating environmental, social, and governance factors into 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

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

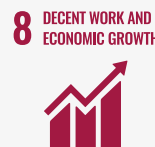
How it Contributes to Company Value Creation

- » 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 decarbonization of our operations

- » Supports the consistent and safe execution of our business plan and enhances company performance
- » Maintains social licence and enables growth in our operations by 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



ESG REPORTING SCOPE

This is Baytex's sixth Environmental, Social, and Governance (ESG) report. Through this report, we communicate our ESG metrics, achievements, and challenges.

- » 2021 represents our second year publishing this report annually. From 2012 to 2020, we published this report every two years.
- » Unless otherwise noted, this report covers quantitative performance for the five years ended December 31, 2021, and qualitative information for the 2021 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. All of 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).
- » 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 2021 disclosures on our ESG performance are guided by three reporting frameworks:

- » Sustainability Accounting Standards Board (SASB)
(See [page 45-47](#) for the SASB Index)
- » Global Reporting Initiative (GRI)
(See [page 48](#) 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 2021 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 2021 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 [pages 53-55](#) of this report.

MATERIALITY ASSESSMENT

In March 2021, we conducted a formal materiality assessment. A group of subject matter experts from across the company evaluated and prioritized **environmental**, **social**, and **governance** topics based on the level of stakeholder interest and potential impact on our business. Topics for discussion were 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.

OUR MATERIAL TOPICS



ENVIRONMENT

- » GHG emissions and energy use
- » Abandonment and reclamation
- » Transition to a low-carbon economy
- » Spills
- » Water use and fracking
- » Air quality



SOCIAL

- » Safety (employee, contractor, and trucking)
- » Diversity and inclusion
- » Development and engagement (including wellness)
- » Stakeholder engagement
- » Indigenous rights
- » Economic impact, job creation, and local hiring and procurement
- » Community investment



GOVERNANCE

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

ENVIRONMENT

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

2021 HIGHLIGHTS



AIR

Reduced corporate GHG intensity by 52 per cent from our 2018 baseline.

Methane emissions have been reduced 80 per cent from 2018 to 2021, changing the emissions profile of our operations.

LAND

Commenced the first year of our initiative to restore our 2020 inactive well inventory of “4,500 to Zero by 2040”. In 2021, we abandoned 198 wells – the most in company history – and received 55 reclamation certificates.

WATER

Decreased our fresh water intensity by 15 per cent from 2020 baseline.

Successfully trialed the use of non-fresh water sources for 40 per cent of 2021 completions.

LOOKING FORWARD



AIR

Execute our first annual GHG mitigation budget and develop an emissions reduction pathway to 2025 and beyond.

LAND

Incorporate a five-year commitment to invest \$100 million towards inactive site spending, as we work towards our “4,500 by 2040” target.

WATER

Develop an internal water management framework that prioritizes reducing freshwater use throughout our operations.



EMISSIONS MANAGEMENT

The energy industry and society are undergoing an energy transition driven by growing concerns over climate change. We believe oil and gas will be instrumental in this transition.

As a responsible energy producer, we are committed to monitoring greenhouse gas (GHG) emissions from our operations and pursuing cost-effective decarbonization strategies, as we progress towards our GHG emissions intensity reduction target.

OUR APPROACH

Our decarbonization efforts are grounded in accurate measurement of our emissions, the empowerment of our people to pursue innovative solutions, and strategic deployment of resources where they will make the greatest impact. We have a track record of delivering on our commitments, and have significantly improved our emissions performance since setting our first reduction target in 2019. Our GHG management initiatives include the following:

GHG Measurement and Tracking

We implemented emissions reporting software in 2019 to provide greater visibility and insight into the emissions intensity of our corporate portfolio, area assets, and individual facilities. These insights allows us to forecast future corporate emissions, identify high-impact reduction

initiatives, and assess the emissions impact of acquisition and divestiture opportunities. By integrating emissions data into our planning, we can understand the impact of decisions on our emissions intensity profile and progress towards our GHG emissions intensity reduction target.

Shared Accountability

Our approach to GHG reductions involves all levels of the organization, from field operations to business unit managers through to our executive team and Board of Directors. Baytex's annual budget and emissions reduction targets are overseen and approved by the Board of Directors. The annual budget includes dedicated funds for GHG emissions reductions; individual business units are then allocated their own budgets and given targets to meet and report on.

Specifically, data analytics and the emissions dashboard are used to:

- » Monitor compliance with regulatory thresholds by provincial jurisdictions
- » Identify and review emissions sources and opportunities to implement technologies at scale in certain fields or region
- » Monitor mitigation initiatives
- » Analyze emissions quantifications as well as fuel use, flaring and venting reporting



OUR COMMITMENT

Our goal is to reduce our emissions intensity by 65% by 2025 from our 2018 baseline.

Regional Approaches

Our GHG emissions profile varies across our operations by location and production method. Each business unit takes a multipronged approach to reducing GHG emissions to addresses its unique technical and operational challenges.

Focus on Methane

Since raw natural gas is typically composed of more than 95 per cent methane, and methane's global warming potential is 25 times more potent than carbon dioxide (CO₂), we focus many of our GHG reduction activities on reducing methane emissions associated with venting activities and fugitive equipment leaks.

MAKING EMISSIONS PERFORMANCE VISIBLE

Starting in 2021, we incorporate our emissions data into an emissions dashboard used throughout the company to enable data-driven decision making and support long-term planning and emissions forecasting.



GHG EMISSIONS REDUCTION ACTIVITIES

Reducing Venting

Gas conservation:

Baytex operates central gas processing facilities where we turn raw associated gas into saleable market quality gas. The gas we sell is put to beneficial use heating homes or generating power on the electrical grid. As an example, we deliver gas to a third-party-owned gas-fired power facility that generates up to 20 megawatts annually.

Shifting from venting to combustors:

In 2021, we deployed a total of \$1.3 million in high-efficiency combustor technology at various Viking and Lloydminster sites where there is limited gas-gathering infrastructure. Combustors burn natural gas that would otherwise be vented, converting methane to CO₂, a less potent GHG.

Tank top capture:

We have invested in vapour recovery units (VRUs) since 2004. VRUs capture gas vapours from oil storage tanks instead of venting them to the atmosphere. The gas can then be sent to a gas gathering pipeline for sale, used as in-field fuel, or combusted.

Production site consolidation:

Our development planning includes multi-well pad drilling, where possible, to consolidate production volumes for future gas conservation efforts and to reduce surface impacts. We often pair multi-well pads with extended-reach horizontal wells to access resources previously considered uneconomical, and further reduce our footprint. More than 95 per cent of Viking development now incorporates extended-reach horizontal wells.

On-site fuel:

When feasible, we use associated gas from our own operations to fuel engines and heat production tanks. Onsite fuel use also leads to fewer fuel delivery vehicles on local roads, reducing noise, dust, and emissions from fuel transport.

Gas storage:

In Peace River, we inject and/or withdraw associated gas into an underground gas storage reservoir to supplement our other gas conservation processes. Gas storage provides an alternative to flaring when gas processing or power generation facilities are at full capacity or undergoing maintenance. In 2021, we recovered 5.3 million m³ (net) from storage in Peace River.

Reducing Fugitive Emissions

Preventing leaks:

Our fugitive emissions management program and survey schedule align with regulatory requirements. The program's goal is to detect and repair leaks from tanks, valves, connectors, and other equipment. Using forward-looking infrared (FLIR) cameras and other protocols, discovered leaks are tagged, documented, and repaired in a timely manner. In 2021, we completed 6,674 surveys and repaired 753 fugitive leaks.

Upgrading devices:

We upgrade gas-driven pneumatic devices (which release or "bleed" small quantities of methane during normal operations) to low-bleed technology. These conversions lower our CO₂e emissions, are third-party verified, and generate carbon credits to help offset future compliance obligations. See the [next page](#) for more details.



OUR COMMITMENT

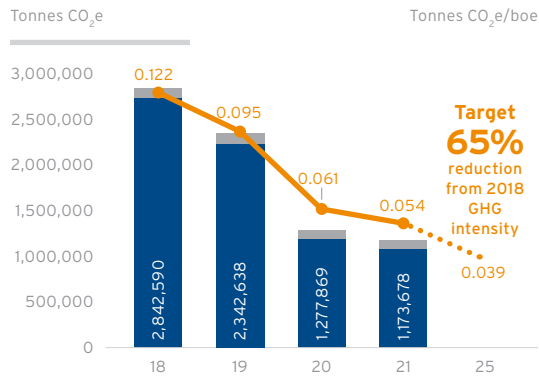
Develop an emissions reduction pathway to 2025 and beyond



2021 EMISSIONS MANAGEMENT UPDATE

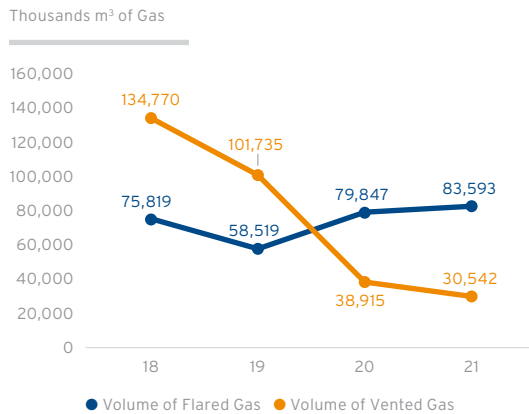
Our significant GHG reductions are the result of continual improvement by each business unit, collaboration with our Environmental Sustainability Team (EST), and a clear and shared goal: a 65 per cent reduction in GHG intensity by 2025, from our 2018 baseline. As a result, we have reduced methane emissions 80 per cent from 2018 to 2021 and changed the emissions profile of our operations. Fuel combustion is now our largest emissions source, as associated gas is used to run on-site equipment.

GHG Reductions and Target



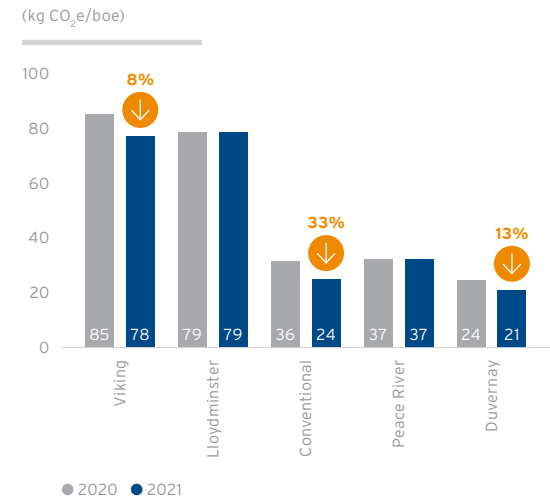
Compared to 2018, we have reduced our GHG intensity by 52 per cent and our absolute annual GHG emissions by 1.7 million tonnes of CO₂e. These reductions are primarily due to our Viking methane mitigation program. We will continue working towards our target of a 65 per cent GHG intensity reduction by 2025.

Flaring and Venting Volumes



Since 2018, we reduced vented volumes by 77 per cent. Increases in flared volumes since 2019 are from our transition to high-efficiency combustors (from venting) that convert methane emissions to CO₂ emissions in our Viking assets.

GHG Intensity by Region



Our focus on making performance visible allowed us to maintain or reduce GHG intensity across all our regions in 2021.

As part of our GHG emissions reduction program in 2021, we:

Installed low-bleed pneumatic devices:

We converted high-bleed devices to low-bleed technology and anticipate these conversions will lower our emissions by approximately 8,000 tonnes of CO₂e annually. In addition, by replacing high-vent devices before the regulatory deadline, we generated carbon credits.

Pipeline reactivation program:

We evaluated, inspected, and tested inactive pipeline infrastructure to identify opportunities to tie-in otherwise flared or vented gas volumes in the future.

New well planning considerations:

We continue to evaluate opportunities to conserve gas and expand our gas infrastructure. New development site engineering designs take into consideration regulatory requirements and our emissions reduction objectives.

Developed and trialed new combustors:

In 2021, we partnered with vendors to develop and trial different technologies, including ultra-low gas rate combustors, ultra-low-pressure tank-top combustors, and dual-capacity combustors that can handle varying gas flow levels. If the new technology is successful, we will use it in future GHG mitigation programs. We will share our progress in future reports.

CASE STUDY: OUR ENVIRONMENTAL SUSTAINABILITY TEAM

The Environmental Sustainability Team (EST) promotes pragmatic, employee-driven solutions to help ensure our current and future environmental compliance and encourage oilfield practices that promote environmental stewardship. In 2021, the EST led the following initiatives:

Enhanced GHG data collection and forecasting:

The EST oversaw a collaboration between operations, engineering and production accounting to inventory field equipment and populate Baytex's emissions reporting software with the results. This collaboration has resulted in substantially improved data integrity, allowing for high-quality emissions forecasting.

Introduced internal GHG data assurance:

The EST completes internal assurance procedures before emissions data is forwarded to decision-makers. This process ensures data accuracy and supports further integration of GHG-related data into performance measurement, emissions forecasting, decision-making and public reporting.

Embedded GHG in corporate budget and strategy:

The accuracy, rigour, and timeliness of our internal GHG data management allowed us to integrate a 2022 GHG budget into our corporate budgeting process – a first for the company.

Launched a technical GHG team:

In 2021, we formed a new working group focused on GHG mitigation technologies. The group monitors the advancements of GHG mitigation technologies and assesses their feasibility for our operations.



The Environmental Sustainability Team: Includes members from across Baytex's business including from our operations, facilities engineering, sustainability, regulatory, and environment teams.

ABANDONMENT AND RECLAMATION

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

OUR APPROACH

Abandonment refers to a series of regulated processes designed to take inactive infrastructure permanently and safely out of service by removing it or sealing it. Reclamation follows abandonment operations and requires us to return the land to its pre-disturbance form, including remediating any contamination of soil or water. At the end of this multi-year restoration process, operators receive a reclamation certificate (or equivalent) from a provincial regulator, certifying that the land has been reclaimed.

Abandonment and Reclamation Commitment

We have committed to restoring our existing 2020 end-of-life well inventory of 4,500 wells to zero by 2040. Abandoning and reclaiming our end-of-life assets demonstrates our commitment to responsible, full lifecycle energy development. Since 2020, we have set internal annual abandonment and reclamation targets to support this objective. 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.

In the jurisdictions where we operate, there are new (Alberta) or emerging (Saskatchewan) regulatory requirements for mandatory inactive liability spending. To support our long-term objective, we anticipate spending in excess of these regulatory requirements in the near term.

We are committed to investing \$100 million, or approximately \$20 million per year, towards ARO spending over the next five years (2022 to 2026).



OUR COMMITMENT

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 spending over the next 5 years (2022 to 2026)



Supporting Orphan Well Initiatives

An “orphan well” is an oil or gas well without a legally or financially accountable party to manage its abandonment and reclamation responsibilities. In Alberta, the Orphan Well Association (OWA) manages the environmental risks for such properties with funding from industry and at a rate determined by the Alberta Energy Regulator. In Saskatchewan the Orphan Fund Procurement Program manages the environmental risks for such properties with funding from industry and at a rate determined by the Ministry of Energy and Resources. In 2021, we contributed \$840,000 to the Alberta OWA and \$440,000 to the Saskatchewan Orphan Fund Procurement Program.

Government Support for Reclamation Projects

During the COVID-19 pandemic the Canadian federal government created a \$1.7 billion program to encourage site rehabilitation work and support employment in the oilfield services sector in Alberta, Saskatchewan, and British Columbia. We secured a total of \$25 million of grant funding from this program to support our reduction initiatives.

An important mandate of this program is to encourage the hiring of contractors with Indigenous ownership or workers. We engaged with Indigenous communities to partner for this program and secured a total of \$6.5 million in grant funding for site rehabilitation work with Indigenous contractors through the first quarter of 2023.



We secured grant funding through the first quarter of 2023 for site rehabilitation work totalling **\$25 million.**

This includes **\$6.5 million** obtained in partnership with Indigenous contractors.

CASE STUDY: SUCCESSFUL FACILITY DECOMMISSIONING

In 2021, we decommissioned our inactive Angling Lake thermal facility which had reached the end of its life cycle. The project involved disassembling the facility and infrastructure, sending the materials for salvage or safe disposal, and conducting reclamation work on the site. This multi-million-dollar effort, was safely and efficiently executed over seven months in partnership with Indigenous contractors.



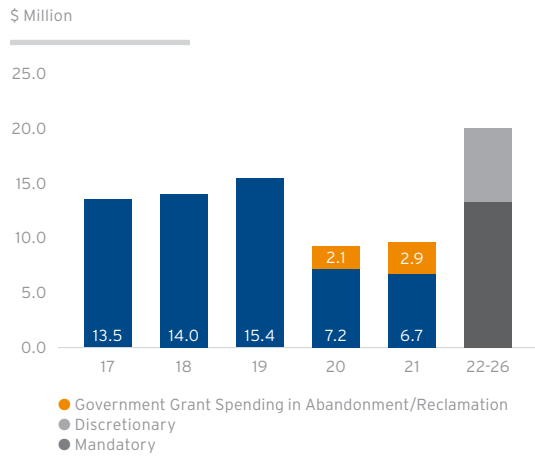
2021

MAY JUNE JULY AUGUST **SEPTEMBER** OCTOBER NOVEMBER

2021 ABANDONMENT AND RECLAMATION UPDATE

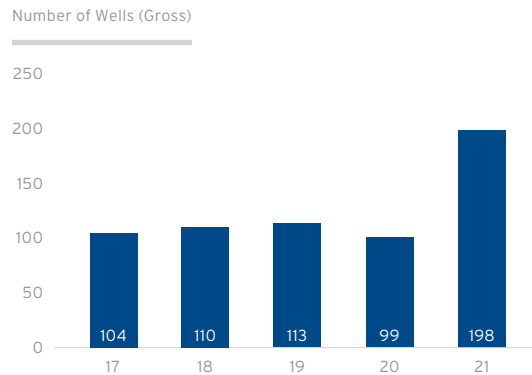
We significantly increased abandonment and reclamation activities in 2021, setting company records for the number of abandonments and reclamation certificate applications. We intend to increase the pace of these activities until we reach a combined average of approximately 500 abandonments and reclamations per year, a pace we will need to maintain to achieve our target of restoring 4,500 inactive wells to zero by 2040.

Spending Towards Abandonment and Reclamation



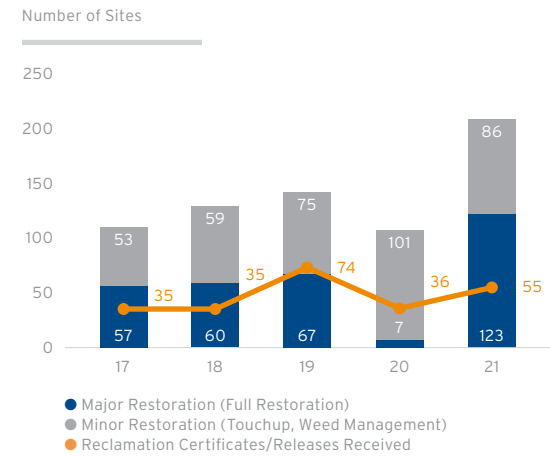
To meet our target, we plan to invest \$100 million, or approximately \$20 million per year, over the next five years (2022 to 2026).

Abandonment



In 2021, we completed the abandonment of 198 wells and 170 pipelines.

Reclamation



We were issued 55 reclamation certificates in 2021 and carried out reclamation activities on 209 sites.

CASE STUDY: THE CLEARWATER PLAY: FROM AN ESG LENS



The Clearwater play, located in the Peace River area of northwest Alberta, has emerged as one of the most profitable plays in Canada and production results are beyond our initial expectations.

The Peavine Métis Settlement is home to our core Clearwater acreage, where we hold 80 contiguous sections of oil sands lease. As we continue to advance our development, we are applying best practices to minimize our impacts on the environment and promote social and economic benefits for the community.

PROMOTING SOCIAL AND ECONOMIC BENEFITS

We are committed to building and maintaining respectful relationships with the Peavine community and creating opportunities for meaningful economic participation and inclusion. Together, we are growing production while supporting business development on and off the Settlement and building capacity for current and future generations.

HIGHLIGHTS

- » Supporting education, housing, and programs for seniors through community benefit agreements.
- » Hiring local. In 2021, 12 per cent of our operators in the Peace River area were from the Peavine community.
- » Building capacity. In 2021, we provided first aid and H₂S training to 19 community members.
- » Protecting the safety of community roadways by restricting our heavy equipment to designated haul roads, implementing a gravel and road maintenance program, and increasing safety signage along our routes.

MINIMIZING ENVIRONMENTAL IMPACT

Throughout the full life cycle of our Clearwater project, we are committed to minimizing our impacts on land, air and water, respecting the community's strong connection to Settlement lands and harvesting areas, and supporting the preservation of cultural traditions.

HIGHLIGHTS

- » Our use of horizontal, extended-reach, multi-lateral wells allows for significant setbacks from water, animal habitats, and homes.
- » Oil and gas resources are extracted with minimal freshwater use with no fracking.
- » We employ a facility design and layout that reduces the overall footprint and sources of emissions.
- » We go beyond regulatory compliance by following a “no routine venting” approach in the Clearwater region. Gas is captured on site, and surveys and repairs of fugitive equipment leaks are completed regularly.

WATER MANAGEMENT

We are committed to pursuing water management strategies that minimize our freshwater use. Protecting freshwater resources helps ensure long-term water security and maintains healthy ecosystems in our operating areas.

OUR APPROACH

How We Use Water

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). Our water management strategy focuses on reusing or recycling produced water from our operations and fresh water we have withdrawn.

Reducing Freshwater Use

Fracking requires large volumes of water. Fresh water is often preferred because it requires little to no treatment prior to use. As our fracking programs expand, we are actively looking at technology improvements and operational innovations to reduce our freshwater use.

Our freshwater reduction initiatives include:

- » Reusing produced water and replacing freshwater use with produced water in our SAGD or fracking operations
- » Procuring non-fresh water sources

Maintaining Water Quality

Protecting local water resources is an important objective. We follow strict regulatory protocols to protect water quality during every 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.



OUR COMMITMENT

Develop an internal water management framework that prioritizes reducing freshwater use.

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:

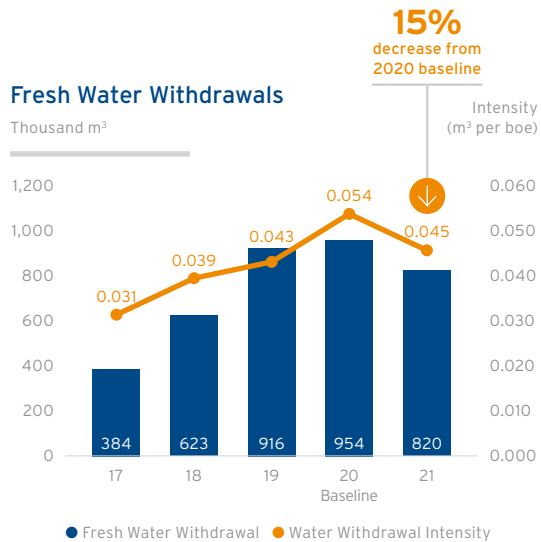
We take a comprehensive approach to preventing accidental discharge of oilfield fluids from tanks, trucks, and pipeline infrastructure into bodies of water. Learn about our preventive measures and equipment on [pages 20-21](#).

2021 WATER MANAGEMENT UPDATE

We continued to find ways to reduce our freshwater consumption for completion and production activities in 2021. Trial initiatives were focused on replacing fresh water with recycled produced water or non-fresh water sources. In 2021, we were able to use non-fresh water for 40 per cent of our completion operations. Our water management activities for the past year included:

Recycling produced water for completion operations

We expanded our pilot program to reuse produced water and replace fresh water in our Viking completions in the Kerrobert area. From our two trial applications in 2020, we completed 22 per cent of our Viking wells with recycled water from our Kerrobert thermal facility in 2021. This saved 29,000 m³ of fresh water.



We reduced our water intensity 15 per cent from our 2020 baseline. The decrease is due largely to our efforts to replace fresh water with alternative sources in our completion operations.

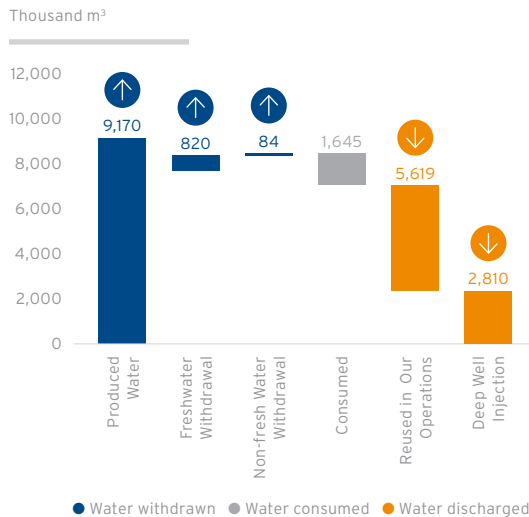
Used municipal grey water for completions

In the Duvernay, we piloted using municipal grey water in our completion operations. We worked with a local municipality to meet regulatory guidelines and ensured the safe treatment and handling of the wastewater. This saved 84,000 m³ of freshwater.

Water management study

In 2021, we completed a Water Management Plan and Basin Assessment for our Duvernay region. The objective of the plan is to enable better management and use of local water resources by assessing alternatives and planning for longer-term infrastructure and supply options using a 10-year development timeframe. The report determined that existing water sources are sufficient to support planned development and that municipal wastewater can be a primary alternative to fresh water.

2021 Water Balance



In 2021, we reused approximately 61 per cent of our produced water.



Reduced our freshwater withdrawal by **14%** when compared to 2020 baseline



SPILLS

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.



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.

OUR APPROACH

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 remote 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).

Preventing Spills From Tanks

We have more than 5,000 tanks across our operations that store oil, produced water, and chemicals essential to our operations. To keep these liquids safely contained

we: complete integrity inspections (daily checks, monthly visual inspections, and internal inspections as required); have overfill 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 (e.g., fittings) with practices or technologies including: dual liquid-level indicators and audible overfill alarms; bypass or high-

pressure shutdown systems; preventive 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

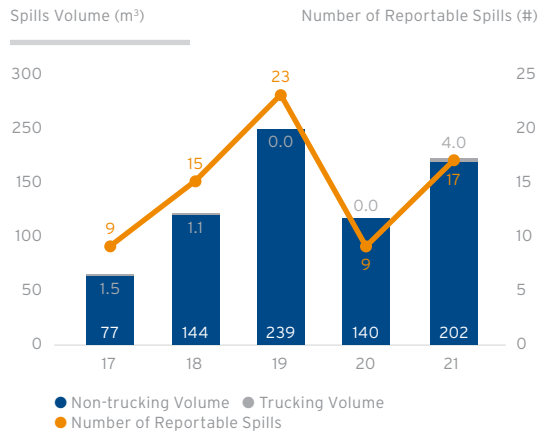
If a spill occurs, we focus on protecting personnel and the public and minimizing damage to the environment. Our HSE manual outlines procedures for quick response and remediation of spills (including activating our emergency response plans, if warranted) as well as investigation of the incident and prevention of recurrence. 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.

2021 SPILLS UPDATE



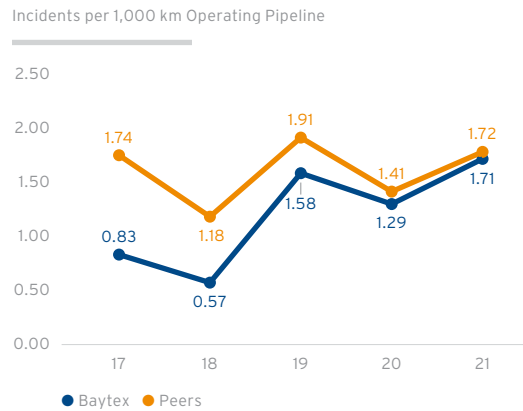
In 2021, we conducted **100 aerial inspections** covering over 6,800 km of pipeline, and completed 27 km of in-line inspections.

Reportable Spills



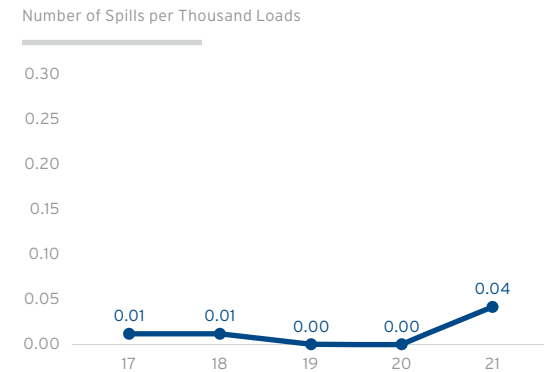
Despite our robust and mature asset integrity program, we experienced an increase in the number and volume of spills in 2021 with higher activity levels. In response, we enhanced our pipeline integrity program.

Pipeline Spills Rates



While the frequency of Baytex pipeline-related spills has historically been below peer average¹, we experienced two significant Saskatchewan pipeline spills in 2021. Our pipelines released 5 m³ and 8 m³ respectively of a mixture of water and oil. Immediately following detection, we shut in all production associated with those segments of pipeline. Following investigation, we made improvements to our pipeline integrity program (see below).

Trucking Spills Frequency



Although we saw a slight increase in spills from trucking in 2021, the volume was low (4 m³) on an absolute basis.

To support our asset integrity program in 2021, we:

Enhanced our pipeline integrity program: After completing investigations related to our two Saskatchewan spills, we initiated a program of pressure testing for all area pipelines, set pipeline operating pressures below maximum-tested pressures, and repaired and retested or flagged for abandonment pipelines that failed testing.

Reviewed Saskatchewan pipelines: In response to Saskatchewan legislation requiring operators to licence previously exempt pipelines and existing unlicensed flowlines by 2024, we began a systematic review of such lines in our Viking and Lloydminster assets in 2021. The review process includes locating and mapping, inspecting and testing, and licensing pipelines and flowlines, to be followed by development of an enhanced asset management plan.

¹ Peers selected are companies operating between 1,500 and 3,500 km of total pipeline length. Alberta Energy Regulator data is not available for 2021.

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

Emissions from our operations that impact air quality include volatile organic compounds (VOCs), nitrous oxides (NO_x), sulphur dioxide (SO₂), and particulate matter (PM), among others. These emissions are 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 a certain 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 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. We have 217 units in place in these two regions.

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.

2021 UPDATE

We continue to monitor the air quality of our operations and ensure regulatory requirements are met or exceeded.

Preparing for new regulations:

In 2021, we began performance testing of our compressor fleet. This testing will inform our plans to meet the 2026 Multi-Sector Air Pollutants Regulations (MSAPR) that apply to our Canadian sites and require investments to reduce the rate of NO_x emissions from combustion by 2026.

Other Air Emissions (tonnes)	2019	2020	2021
SO ₂	626	672	93
NO _x	1,795	1,895	2,343
VOCs	16,336	6,597	10,956
PM	127	196	170

VOCs continue to account for the majority of our air pollutants and are the focus of our activities.



SOCIAL

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

2021 HIGHLIGHTS



86 per cent of respondents in an occupational health and safety survey agree or strongly agree that Baytex has strong and effective programs intent on protecting its people.

Rolled out a successful hoisting and rigging training program.

Set a baseline for employee engagement and key diversity variables including gender identity, disability, and race/ethnic identity.

Continue to support BayFlex, a distributed work environment.

Piloted training for mental health awareness with managers.

Implemented BayFit, our physical and mental wellbeing program.

Matched employee donations, helping to raise over \$106,000 for the “Movember” challenge to support men’s mental health awareness.

LOOKING FORWARD



Roll out mental health awareness and pilot mental health first aid training for employees.

Continue our wellbeing program, BayFit, with expanded mental health employee training and wellness initiatives.

Continue to provide flexible work options for our workforce, under our BayFlex framework.

Design activities to address areas of improvement from employee survey, including building connections between the field and office and enhancing our performance management and learning and development systems.

Maintain our strong safety culture and continue supporting our communities.



EMPLOYEE SAFETY

At Baytex, we are committed to fostering a strong culture of safety and continuous improvement among employees and contractors. With approximately 200 employees and more than 200 contractors supporting our operations, **our goal is to get everyone home safely at the end of the day.**

OUR APPROACH

Embedding a Safety Mindset

A strong safety culture requires a combination of robust systems and consistent behaviours. We strengthen our culture and collective mindset by:

Maintaining high standards:

Our Health, Safety, and Environment (HSE) management system 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.

Requiring safety training:

We require safety orientations for every new employee or contractor in the field, and on-the-job safety training is an ongoing requirement for many essential tasks. Further safety training requirements vary 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.

Promoting safety awareness:

Safety meetings and toolbox talks are a regular part of our safety culture. We embed our safety advisors directly within our field teams to facilitate frontline engagement, ensure responsiveness on safety issues, and promote a culture of continuous improvement. Our Combat Pause campaign promotes a safety mindset in employees and contractors. The Combat Pause encourages a “Stop. Focus. Act.” approach to assessing risk before starting an activity, inspired by the final checks U.S. Navy Seals make before stepping into the line of fire.

Normalizing hazard identification:

Hazard identification is an important part of mitigating risk. We encourage all staff to participate in recognizing hazards that could lead to an incident and to make sure that hazards are identified effectively and in a timely manner.

Following up on high-potential events:

We formally track high-potential events. These are incidents that could have or did lead to serious injury, significant environmental or financial impact. We invest extra time and attention in understanding the causes of these events, following up with thorough corrective actions and communicating our findings across the organization.

Preparing for Emergency Response

To protect our people, the public, and the environment near our operations, we maintain and rehearse our corporate emergency response plan and make specialized plans for areas with unique hazards. We also take part in regional emergency spill response exercises with emergency responders and other companies in our areas of operation.

CONTRACTOR SAFETY

Contractors are responsible for approximately 70% 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

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 in the process of obtaining, a Certificate of Recognition proving their safety management procedures have passed a third-party audit.

Applying Technologies

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.

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.

During 2021, a third-party contractor tragically lost his life while working on a pipeline for Baytex. The incident occurred during a rigging and hoisting activity. We immediately activated our emergency response, held safety stand-downs, and issued multiple safety alerts to our internal Baytex teams and to external parties including our contractors. We worked with the contracting company to complete an extensive investigation and provide support for the contractor's family and employees. To prevent future incidents, we made three main changes. We switched the hooks we used for this type of activity, increased our training on hoisting and rigging (including a two-day in-person course for field supervisors), and enhanced requirements for lift calculations.

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 four 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.

Planning Safe Routes:

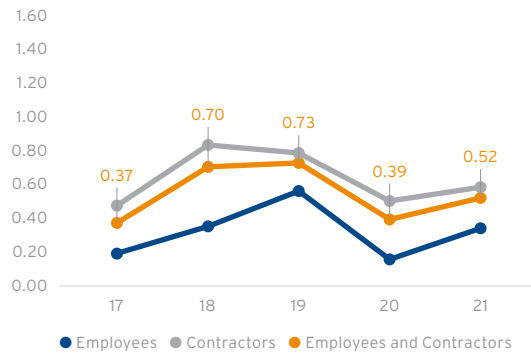
We encourage contractors to avoid areas of concern and mitigate risk, where possible.

2021 HEALTH AND SAFETY UPDATE

We drew on our culture of continuous improvement in 2021 to examine and strengthen our safety programs through enhanced training, technology, and awareness initiatives.

Total Recordable Injury Rate

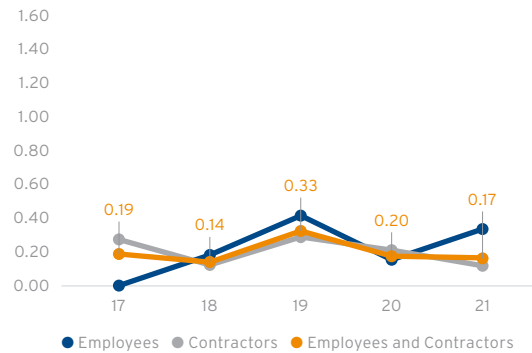
Injuries per 200,000 Worked Hours



Our 2021 recordable injury frequency was in-line with our five year average, and increased from 2020 with higher activity levels. We will continue to improve our safety culture and programs.

Lost Time Injury Rate

Injuries per 200,000 Worked Hours



Since 2017, we have seen an 11 per cent decrease in our combined lost time injury rate.



In 2021, we conducted:

~3,500 safety inspections



>1,000 hazard identifications



170 senior management visits (in-person or virtual)



15 emergency preparedness exercises

Our safety activities in 2021 included:

Increased hoisting and rigging training:

We held 10 two-day workshops for approximately 150 employees, contractors, and contract supervisors. We also enhanced our approach to lifting activities and lift calculations.

Improved access to safety documents:

We successfully trialed *SiteDocs*, a web-based safety management application that gives field workers easy smartphone access to safety resources, including commonly used documents such as standard operating procedures and competency assessment sign-off forms. We plan to broaden implementation of SiteDocs in our business in 2022.

Enhanced our remote emergency response:

In 2021, we subscribed 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 were able to setup a permanent STARS site in the Peavine Métis Settlement to allow for better access to services.

Completed our health and safety survey:

In 2021, we surveyed our field staff including capital contract supervisors and select service companies. The vast majority of respondents agreed that Baytex has a strong and effective safety program that is intent on protecting its people. Recommendations for improvements are embedded in our 2022 safety management plan.

Piloted mental health awareness training:

Managers in the office and field participated in a two-day mental health training session through the Canadian Mental Health Association. The objectives of the training were to improve understanding of the impact of mental health on risk tolerance and acceptance, and to change perspectives on mental health as a health and safety issue. The training will be made available to all employees in 2022.

COVID-19 UPDATE

Safety was, and remains, the primary driver of our pandemic response. We continued to be flexible in 2021, adjusting our activities to keep our people safe in alignment with federal and provincial health regulations. We maintained a safety-first approach and customized our activities to meet the needs of employees and contractors in the office and the field.



Key elements of our pandemic response in 2021 included:

Enhanced protocols:

We enhanced protocols for large projects to include additional testing and, in one case, hired a nurse to oversee the significant testing and monitoring activities on site.

Flexible workplace:

We continued with BayFlex, our distributed and flexible workplace framework. Staff were given the flexibility to modify their work location in order to improve their ability to manage the impacts of the pandemic, while maintaining productivity and staying connected to their colleagues. Read more about BayFlex on [page 29](#).

Focus on mental health:

We provided expanded mental health services through our employee assistance program and implemented our BayFit program to promote physical and mental health and foster a sense of community for the many employees working from home. Read more about BayFit on [page 30](#).

“Return to the office” guidance: We supported employees returning to the office with guidance, including a video with information on enhanced safety and “back-to-work” protocols.

DIVERSITY AND INCLUSION

We are committed to treating all employees fairly and justly regardless of race, national origin, colour, religion, sex, marital or family status, sexual orientation, or physical ability. This means we make decisions on hiring, promotion, job assignment, training, and rewards based on qualifications, ability, and performance. We encourage the development of all employees and strive to provide a working environment where employees feel respected. Diverse perspectives within our workforce 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 have committed to at least 30 per cent of our directors being women by our 2023 shareholder meeting. The Board’s Audit and HR committees are currently headed by women directors (see our [2021 Information Circular](#) for more information). We report the gender breakdown of our staff to the Nominating and Governance Committee every November.

Respectful Workplace

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.

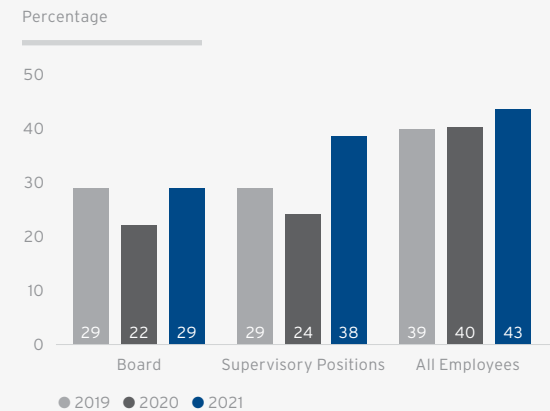
2021 UPDATE

We undertook a third-party assessment of our organizational health in 2021, including a snapshot of inclusion and diversity at Baytex. Following through on our 2020 commitment to begin tracking multiple measures of diversity, we now track gender identity, disability status, and racial/ethnic identity. We have also committed to at least 30 per cent of our directors being women by our 2023 shareholder meeting.



Nicole Frechette, Vice President, Light Oil working with the land team.

Women at Various Levels



Currently, 43 per cent of our workforce and 38 per cent of our supervisors (team leads and above) are women. We are committed to ensuring that at least 30 per cent of our Board members are women. The Board had 25 per cent female representation on Dec. 31, 2021.

EMPLOYEE DEVELOPMENT AND ENGAGEMENT

We are committed to informing, supporting, and empowering our employees as they deliver on our corporate strategy. We provide flexible workplace options, training, and development opportunities, and we aim to communicate purposefully with our employees and contractors.

OUR APPROACH

BayFlex: Empowering Our Workforce

Our distributed workforce framework, BayFlex, was developed as part of our pandemic response. BayFlex gives employees the flexibility to work from home and the office. BayFlex demonstrates to our employees that we trust them to be productive, regardless of location. Since BayFlex was implemented in May 2020, employees have remained productive and engaged, and continue to drive results. Almost 90 per cent of employees who responded to the 2021 Organizational Health and Effectiveness survey said they value the BayFlex program. We believe this flexible approach will be a competitive advantage for us in terms of talent retention and recruitment.

Supporting Development and Growth

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 facilitate discussion of 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. In 2022, we will focus on providing mental health training to employees and implementing a 360-degree feedback process for leaders, including supervisors and above.

Communicating with Purpose

Our primary goal with any corporate communication is to ensure employees have the information they need to maintain safe, compliant, and competitive operations. We also communicate progress towards our goals and celebrate collective achievements. Communications include townhalls where executive management discuss business performance and strategy, highlight ESG achievement, and answer employee questions.

Promoting Engagement

We hold social and charitable activities that foster connection among our employees. In 2021, we resumed social and charitable activities as regulations allowed and with the necessary modifications for safety. See [page 34](#) for details.



BayFlex demonstrates to our **employees** that **we trust them to be productive**, regardless of location.



“BayFlex has empowered me to do my job more effectively in a way that works best for me and my role. I’m highly motivated with the additional flexibility that I have and am very grateful for this change.”

Source: 2021 Organizational Health Survey

2021 EMPLOYEE UPDATE

We took proactive steps in 2021 to gain a greater understanding of our employees' perspectives and better support their well-being.

Assessed Organizational Health and Employee Engagement

In 2021, we engaged a third party to assess Baytex's current state of organizational health and effectiveness. More than 300 employees and full-time contractors participated in the survey, with a response rate of 93 per cent for employees and 75 per cent for employees and contractors combined.

Results confirmed that our safety and leadership fundamentals are strong and that we have a positive culture where people act respectfully and ethically. Areas for improvement include building connection between the field and office, and strengthening performance management and learning and development. Working to build and enhance our culture is important to us. In 2022, we will focus on developing action plans to improve these areas.

We also used the survey results to set baseline measures against which we will track our progress on key metrics of organizational health such as employee engagement and feelings of inclusion and belonging.

Launched a Program to Connect Mental and Physical Health to Safety

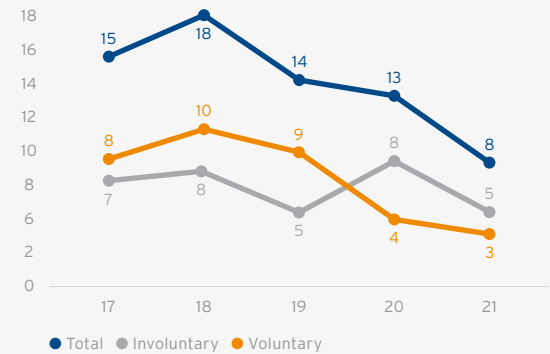
In 2021, we introduced BayFit, a program to support mental and physical health by promoting healthy lifestyles and connection throughout the organization. Participating employees were randomly assigned to teams and tracked their physical activity and healthy choices (e.g., walking, workouts, hours of sleep). Points were awarded daily from August through December 2021. With a 53 per cent companywide participation rate, Baytex employees walked 156,208,076 steps, or the equivalent of circling the globe 2.97 times. We intend to continue supporting the BayFit program to promote the importance of physical and mental health and the positive impacts they can have on safety outcomes.

Piloted Training for Mental Health Awareness

In 2021, we offered Working Mind mental health training for managers from the Mental Health Commission of Canada. See [page 26](#) for details.

Turnover Rate

Percentage



Our turnover rates have stabilized to normal levels after a period of higher turnover due to economic conditions.

ENGAGEMENT BY THE NUMBERS

81% of respondents agreed with the statement:

"I often get 'in the zone' when I am working."

92% of respondents agreed with the statement:

"When faced with a challenge at work, I always persevere."

Source: 2021 Organizational Health Survey

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

Engaging with Stakeholders

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 are able to express perspectives or concerns about the project.

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 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. 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 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.
- » Watering non-paved roads to keep dust down.
- » 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 aim to create opportunities for meaningful economic participation and inclusion, which we believe is integral to maintaining long-lasting relationships.

OUR APPROACH

While 9.1 per cent of our proved and probable reserves are directly within Indigenous lands, a larger portion lies within the traditional territory 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, including 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. In 2021, this included partnering with Indigenous oilfield service contractors on government-funded site rehabilitation initiatives. To date, Baytex has secured total grant funding of \$6.5 million for abandonment and reclamation involving Indigenous contractors.

2021 UPDATE

We continue building on our partnership with the Peavine Métis Settlement, growing our business, the local economy and the community in a way that respects cultural traditions and the environment. See [page 17](#) for details.



TRUTH AND RECONCILIATION DAY

On September 30, 2021, Baytex recognized Canada's inaugural National Day for Truth and Reconciliation by inviting employees to learn more about the history of Indigenous peoples from Doreen Healy, member of the Elders' Circle Knowledge Keepers in Calgary and the Resident Elder for the Alberta Energy Regulator. Baytex also donated \$25,000 to the [Indigenous Resource Network](#) to support Indigenous engagement in the resource sector.

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 provincial and federal 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

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.

Our investments in healthy and thriving communities flow through four streams:

- » Corporate donations requiring CEO or CFO approval
- » Field donations selected by field leaders
- » Calgary-area donations managed by an employee-led donations committee
- » Corporate matching of individual employee donations up to \$500 per year

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.

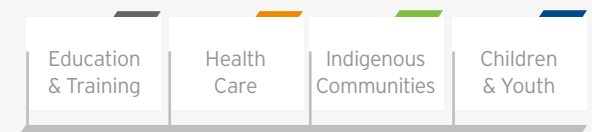
Local Hiring and Procurement

Alberta and Saskatchewan's resource-based communities are home to deep pools of talent with expertise in the energy sector. We strive to generate economic opportunities for these local workers and companies for two reasons. First, local hiring helps us to manage operating costs and sends a message to community stakeholders that we are committed to their long-term economic and social well-being. Second, local workers have a greater stake in the outcome of our projects and as such are keen stewards of project resources.

We also procure locally for our projects, when feasible, and access water from area landowners or local municipalities for completions operations. In addition, some of the most effective technologies we use to improve air quality and reduce emissions are from Alberta suppliers: the vapour scrubbing units we use to mitigate truck-loading odours are designed and fabricated in Edmonton, and a Calgary-based company designed the high-efficiency combustors required for our Viking methane mitigation project.



Our four pillars of community investment are:

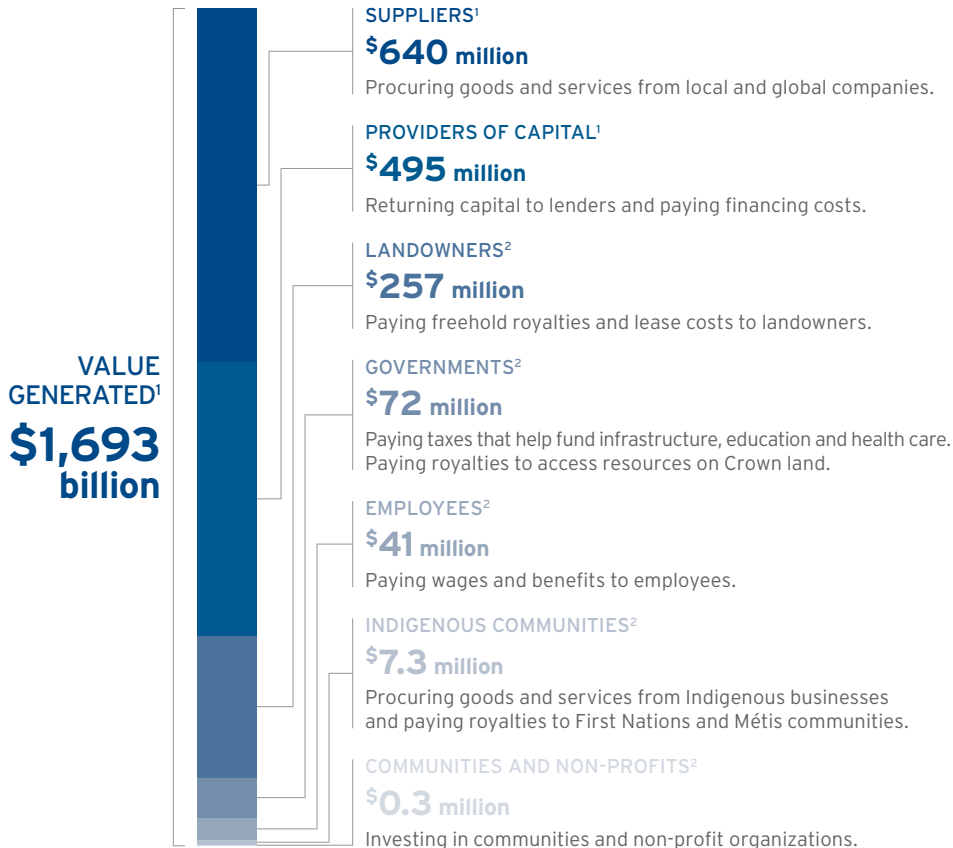


2021 COMMUNITIES UPDATE

We contributed to the economic and social well-being of communities in 2021 through our business activities and our support of charitable initiatives.

HOW WE SHARE ECONOMIC VALUE WITH OUR STAKEHOLDERS

We create positive economic value for our stakeholder groups in the following ways:



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 ESG Report for a description of the composition of these measures.



In 2021, Baytex paid **more than \$7 million** to Indigenous businesses and as royalties to First Nations and Métis communities.

CHARITABLE INITIATIVES



In 2021, we matched employee donations, helping to raise over \$106,000 for the “Movember” challenge to support men’s mental health awareness. Close to 70 participants representing every Baytex office location received over 400 donations as part of this annual initiative.

In 2021, we focused on maintaining long-term commitments such as the Baytex Energy Centre recreation facility in Peace River and support for community services such as the West Central Crisis and Family Support Centre in Kindersley, Saskatchewan, home to our Viking operations.

We continue to provide employees with time during work hours to volunteer for community organizations. For example, in addition to our sponsorship of Camp Kindle for the past 10 years, our donations committee volunteers annually to assist with construction and maintenance projects.

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.

2021 HIGHLIGHTS



Appointed two sustainability leadership roles: Chief Operating and Sustainability Officer, and Manager, Sustainability and Energy and Transformation.

Enhanced our TCFD disclosure by conducting qualitative scenario analysis.

Implemented a Human Rights Policy Statement.

Completed a third-party assessment of our cybersecurity systems.

Engaged a third party to support a climate risk assessment to increase our understanding of relevant climate and transition-related risks.

LOOKING FORWARD



Maintain our focus on climate disclosure and corporate resiliency by advancing our 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 an 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 per cent women on our Board by our 2023 shareholder meeting; our current Board has 29 per cent 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 five 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 per cent for named executive officers and 79 per cent of our CEO compensation is “at risk” or dependent on performance against targets.



GOVERNANCE INFORMATION

(as of Dec. 31, 2021)

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 renewal and diversity	
Annual election of directors	Yes
Majority Voting Policy	Yes
Average age of directors	62
Mandatory retirement age	No
Average director tenure	5 years
Women Board members	25%
Board Diversity Policy with gender targets	Yes
Board composition and independence	
Size of Board	9
Number of independent directors	8
Separate chair and CEO	Yes
Independent chair	Yes
Annual Board and committee assessment process	Yes
Board meetings held in 2021	6
Average Meeting Attendance	100%



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.



88% of survey respondents agreed or strongly agreed with the statement “It is important to act ethically at this organization.”

2021 Organizational Health Survey

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 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 Statement. 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 *Statement on Reporting Ethical Violations*, 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. There were no substantiated reports filed in 2021.

Assessing Fraud Risk

Every year, we host a roundtable for fraud risk assessment with the goal of identifying, managing, and mitigating our company’s fraud risk. Attendees include senior and executive management from all divisions of the organization. Through the roundtable, 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 determine whether we have effective mitigating internal controls in place (based on 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 2021 roundtable took place in December.

2021 GOVERNANCE UPDATE

We continue to update our ethics policies as our business evolves. In alignment with our work to support the United Nations Sustainable Development Goals (see [page 6](#) for details), we developed and published a new Human Rights Policy Statement in February 2021. When used in conjunction with our Business Conduct and Ethics Policy, it will help to ensure that Baytex, along with our suppliers and service providers, upholds and respects human rights in our business practices. The Statement is available on our [website](#). Contractors are required to sign an acknowledgement of the Policy and service providers have the policy made available to them.

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.



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

OUR APPROACH

Active Oversight

To ensure 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. In early 2021 we also amended the mandate of our Audit Committee to include 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 2021, 10 per cent 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.

Management of ESG Matters

We manage the design and implementation of ESG-related strategies through a multidisciplinary team that taps into our in-house expertise in data analysis, project development, and stakeholder engagement. We rely on our business functions to deliver on our ESG goals.

Sustainability Leadership:

Baytex's Chief Operating and Sustainability Officer works with our Manager, Sustainability and Energy Transformation to lead our sustainability efforts and work to reinforce Baytex's commitment to developing responsible energy for the future.

Environmental Sustainability Team (EST):

Our cross-functional EST plays a key role in managing regulatory change, enhancing our environmental performance, and improving our reporting. The team reports monthly to the executive team and twice yearly to the Reserves and Sustainability Committee. Key responsibilities include supporting target setting, tracking performance against key environmental objectives, and working with our business units to translate decisions into effective sustainability projects on the ground. Learn more about how this team works in our [TCFD Report](#).

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)
- » Investor Relations

These groups execute our strategy, monitor best practices, develop company policies and standards, and support operational adherence to these policies and standards.

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 2021 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. In 2021,

we engaged a third party to undertake a formal assessment of our cybersecurity system and amended the mandate of our Audit Committee to include 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 is 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 significant impacts on biodiversity? Do you operate near caribou habitat?

As part of our development planning and operations we focus on minimizing our environmental footprint. Our operations in northern Alberta intersect with the Caribou Protection Areas, and we comply with the government's strict requirements for operating within these areas.

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 adopted a Human Rights Policy Statement in early 2021, 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 roundtable (read more on [page 38](#)).

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.

PERFORMANCE TABLE

	Units	2017	2018	2019	2020	2021	5-year Trend
Daily Production (Operated Properties)	boe/d	33,564	43,382	58,624	48,602	49,424	47%
Throughput (Operated Properties) ¹	boe/d	NR	69,614	67,768	57,606	59,053	
Environment²							
Greenhouse Gas Emissions (Operational Control)							
GHG Emissions (Total) ³	CO ₂ e tonnes	855,749	2,842,590	2,342,638	1,277,869	1,173,678	37%
Scope 1 ³	CO ₂ e tonnes	805,018	2,739,887	2,230,163	1,188,227	1,078,283	34%
Scope 2 ³	CO ₂ e tonnes	50,731	102,703	112,475	89,642	95,395	88%
Intensity (Scope 1 and Scope 2) ⁴	CO ₂ e tonnes/boe	0.070	0.112	0.095	0.061	0.054	-22%
Emissions from methane	CO ₂ e tonnes	NR	2,096,430	1,612,150	559,794	409,606	
Emissions covered under a carbon-limiting regulation ⁵	CO ₂ e tonnes	NR	NR	289,921	1,188,227	1,078,283	
Scope 1 Emissions by Source							
Combustion Emissions	CO ₂ e tonnes	402,789	481,147	515,920	461,378	503,011	25%
Flare Emissions	CO ₂ e tonnes	157,899	173,357	93,692	194,663	190,368	21%
Fugitive Emissions	CO ₂ e tonnes	15,318	78,241	88,422	15,577	19,634	28%
Venting	CO ₂ e tonnes	229,012	2,007,141	1,532,129	516,609	365,270	59%
Volume of Flared Gas	thousand m ³	71,962	75,819	58,519	79,847	83,593	16%
Volume of Vented Gas	thousand m ³	14,723	134,770	101,735	38,915	30,542	107%
Other Air Emissions							
Sulfur Dioxide (SO ₂)	tonnes	NR	NR	626	672	93	
Nitrogen Oxides (NO _x)	tonnes	NR	NR	1,795	1,895	2,343	
VOCs	tonnes	NR	NR	16,336	6,597	10,956	
PM	tonnes	NR	NR	127	196	170	

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 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). Starting in 2018, throughput has been used in the calculation of GHG intensity. In 2017 we used daily operated production in the calculation of GHG intensity.

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

PERFORMANCE TABLE

	Units	2017	2018	2019	2020	2021	5-year Trend
Environment							
Water							
Water Withdrawal	m ³	384,000	622,775	916,457	954,226	819,526	113%
Water Intensity	m ³ /boe	0.031	0.039	0.043	0.054	0.045	45%
Volume of produced water	m ³	7,802,620	7,467,582	9,584,226	7,086,350	9,170,290	18%
Produced water injected (deep well)	m ³	NR	NR	3,741,405	2,825,997	2,810,296	
Produced water recycled	m ³	NR	NR	5,738,670	4,152,489	5,618,875	
Abandonment							
Abandoned Wells	wells (gross)	104	110	113	99	198	90%
Reclamation							
Sites Undergoing Major Restoration	sites	57	60	67	7	123	116%
Sites Undergoing Minor Restoration	sites	53	69	75	101	86	62%
Reclamation Certificates Received	count	35	35	74	36	55	57%
Reclaimed Land	hectares	72	77	139	67	90	25%
Hydrocarbon spills⁶							
Number	count	NR	NR	50	46	36	
Volume	m ³	NR	NR	29	31	26	
Volume recovered	m ³	NR	NR	29	31	26	
Spills							
Reportable Spills	count	9	15	23	9	17	89%
Trucking, Reportable Spills	count	1	4	0	0	2	100%
Volume of Reportable Spills	m ³	78	145	239	140	206	164%
Trucking, Volume of Reportable Spills	m ³	1.5	1.1	0	0	4	165%
Pipeline Incident Rate	incidents per 1,000 kms	0.83	0.57	1.58	1.29	1.71	105%

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

	Units	2017	2018	2019	2020	2021	5-year Trend
Safety							
Recordable Injury Rate - Employees	cases per 200,000 work hours	0.19	0.35	0.56	0.16	0.34	79%
Recordable Injury Rate - Contractors	cases per 200,000 work hours	0.47	0.83	0.78	0.50	0.58	23%
Recordable Injury Rate - Combined		0.37	0.70	0.73	0.39	0.52	41%
Lost-time Injury Rate - Employees	cases per 200,000 work hours	0.00	0.18	0.42	0.16	0.34	
Lost-time Injury Rate - Contractors	cases per 200,000 work hours	0.28	0.13	0.29	0.21	0.12	-57%
Lost-time Injury Rate - Combined	cases per 200,000 work hours	0.19	0.14	0.33	0.20	0.17	-11%
Serious Potential Injury Frequency - Combined	cases per 200,000 work hours	0.00	0.00	0.98	0.54	0.28	
Fatalities - Employees and Contractors	count	0	1	0	0	1	
Employees							
Workforce Profile	count	230	251	227	206	208	-10%
Full-time	count	230	251	227	206	208	-10%
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	227	251	227	206	208	-8%
Women at various levels							
Board	per cent	17%	10%	29%	22%	25%	71%
Officers	per cent	0%	0%	0%	0%	0%	
Supervisory Positions	per cent	39%	31%	29%	24%	38%	-2%
All Employees	per cent	41%	43%	39%	40%	43%	4%
Employee Age Categories							
30 Years and Under	per cent	1%	6%	6%	5%	6%	342%
30 to 50	count	66%	67%	70%	71%	70%	7%
50 Plus	count	33%	26%	24%	24%	24%	-27%

PERFORMANCE TABLE

	Units	2017	2018	2019	2020	2021	5-year Trend
Employees							
Turnover Rate							
Total	per cent	15%	18%	14%	13%	8%	-46%
Voluntary	per cent	8%	10%	9%	4%	3%	-59%
Involuntary	per cent	7%	8%	5%	8%	5%	-31%
Spending per Employee ⁷	\$/employee	1,159	989	1,304	975	2,027	75%
Value Generated ⁸	millions of \$	1,110.5	1,360.4	1,882.1	1,676.2	1,692.7	52%
Value Distributed to:							
Suppliers ⁸	millions of \$	612.1	814.0	956.4	588.2	640.1	5%
Employees (wages and benefits) ⁹	millions of \$	48.9	47.0	46.8	32.1	40.6	-17%
Providers of Capital ⁸	millions of \$	98.8	104.8	316.3	146.6	494.7	401%
Governments (taxes and royalties)¹⁰							
Domestic Governments ¹¹	millions of \$	63.7	78.9	88.8	51.2	103.1	62%
Foreign Governments ¹¹	millions of \$	21.8	29.1	27.0	20.4	27.9	28%
Landowners ¹²	millions of \$	184.8	248.1	256.1	146.3	256.9	39%
Communities & Non-Profits (charitable contributions) ¹³	millions of \$	0.2	0.1	0.9	0.2	0.3	120%
Indigenous Communities (purchases and royalties) ¹⁴	millions of \$	1.1	2.2	1.8	10.3	7.3	592%
Value Retained ⁸	millions of \$	79.2	36.0	187.9	680.9	121.6	54%
Purchases from Indigenous Suppliers ¹⁵	millions of \$	0.9	2.2	1.7	10.2	7.3	692%

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

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 per cent by First Nations, Inuit, Metis or by a band.

SASB INDEX

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	2021
Activity Metrics		
EM-EP-000.A	Total production (operated)	49,424 boed
EM-EP-000.A	Production of oil	82%
EM-EP-000.A	Production of natural gas	18%
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	5,594
Greenhouse Gas Emissions		
EM-EP-110a.1	Gross global Scope 1 emissions	1,078,283 tonnes CO ₂ e
EM-EP-110a.1	Emissions from methane	38%
EM-EP-110a.1	Percentage of Scope 1 emissions covered under an emissions-limiting regulation	100%
EM-EP-110a.2	Scope 1 emissions from combustion	47%
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	34%
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	page 10-13
Air Quality		
EM-EP-120a.1	NO _x (excluding N ₂ O)	2,343 tonnes
EM-EP-120a.1	SO _x	93 tonnes
EM-EP-120a.1	Volatile organic compounds (VOCs)	10,956 tonnes
EM-EP-120a.1	Particulate matter (PM ₁₀)	170 tonnes

SASB INDEX

SASB Ref	SASB Suggested Disclosures	2021
Water and Wastewater Management		
EM-EP-140a.1	Total fresh water withdrawn	819,526 m ³
EM-EP-140a.1	Total fresh water consumed	NR
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	9,170,290 m ³
EM-EP-140a.2	Produced water/flowback generated discharged	NR
EM-EP-140a.2	Produced water /flowback injected (deep well injection)	39%
EM-EP-140a.2	Produced water/flowback recycled	61%
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	page 46
EM-EP-160a.2	Number of hydrocarbon spills	36
EM-EP-160a.2	Volume of hydrocarbon spills	26 m ³
EM-EP-160a.2	Volume of hydrocarbon recovered	26 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
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	4.4%
EM-EP-210a.2	Probable reserves in or near indigenous land	16.5%
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 32, 40

SASB INDEX

SASB Ref	SASB Suggested Disclosures	2021
Community Relations		
EM-EP-210b.1	Discussion of process to manage risks and opportunities associated with community rights and interests	page 31-32
EM-EP-210b.2	Number and duration of non-technical delays	NR
Health, Safety, and Emergency Management		
EM-EP-320a.1	Total Recordable Injury Rate (TRIR) employees and contractors	0.52 incidents per 200,000 worked hours
EM-EP-320a.1	Fatalities	1
EM-EP-320a.1	Near misses (count not rate)	46
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	
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
Business Ethics and Payments Transparency		
EM-EP-510a.1.	Percentage of 1) Proved and 2) probable reserves in countries that have the 20 lowest rankings in Transparency International's Corruption Perception Index	0 (Proved), 0 (Probable)
EM-EP-510a.2.	Description of the management system for prevention of corruption and bribery throughout the value chain	page 38
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	NR
EM-EP-540a.2.	Description of management systems used to identify and mitigate catastrophic and tail-end risks	NR

GRI INDEX

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.

GRI Indicator		Page
102-1	Company name	3
102-2	Primary brands, products and services	3
102-3	Headquarters	3
102-4	Locations	3
102-5	Legal form	3
102-6	Markets served	3
102-7	Scale of the company	3
102-8	Employee numbers	3, 43
102-14	CEO message	1
102-16	Values, principles and norms of behaviour	5, 38
102-17	Understanding and reporting unethical behaviour	38
102-18	Governance structure	36
102-20	Executive-level responsibility sustainability	39
102-22	Composition of board	Information circular p. 16
102-23	Chair of Board	Information circular p. 7
102-24	Selecting Board members	Information circular p. 24, 28
102-28	Board performance evaluation	Information circular p. 29, 39
102-29	Board role in managing sustainability and impacts	1, TCFD Report p. 4
102-30	Board role in risk management for sustainability	7
102-32	Executives approve CR report	Information circular p. 24, 28
102-33	Communicating critical concerns to board	Information circular p. 29, 31
102-35	Pay policies for board and executives	Information circular p. 17-21, 33-39
102-36	Process for determining executive pay	Information circular p. 33, 39
102-37	Stakeholder involvement in executive pay approval	Information circular p. 13
102-43	Approach to stakeholder engagement	31-32
102-46	Process to determine report content	8
102-47	Material topics	8

GRI Indicator		Page
102-48	Restatement of information from previous reports	N/A
102-49	Changes in reporting	7
102-50	Reporting period	7
102-51	Most recent CR report	7
102-52	Reporting cycle	7
102-53	Contact person for report	54
102-54	Claims of reporting according to GRI	7, 48
102-55	GRI content index	48
102-56	External assurance	7, 53
Economic		
201-1	Direct economic value generated	3
201-2	Risks and opportunities of climate change	TCFD Report p. 12-18
205-2	Communication and training for ethics	38
Environment		
303-5	Water consumption	19, 42
304-2	Impact of activities on biodiversity	40
305-1	Direct GHG emissions	12, 41
305-2	Indirect energy GHG emissions	41
305-4	GHG emission intensity	12, 41
305-5	Reduction of GHG emissions	10-13
305-7	NO _x , SO _x and other air emissions	22, 41
306-3	Significant spills, number and volume	21, 42
Social		
401-1	New hires and employee turnover	44
403-9	Work-related injuries and fatalities	26, 43
405-1	Diversity of board and employees	36-37, 28

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 and objectives; plans, targets and goals in respect of emissions intensity, asset retirement obligations and board diversity; reducing our GHG emissions intensity by 65 per cent by 2025 from our 2018 baseline, developing an emissions reduction pathway to 2025 and beyond, executing on our annual GHG mitigation budgets, eliminating our 2020 end-of-life well inventory through our "4,500 wells by 2040" initiative, our commitment to invest \$100 million in ARO spending from 2022 to 2026, developing an internal water management framework and enhancing water use reporting and our commitment to at least 30 per cent 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; our asset abandonment and reclamation commitment and process; our commitment to minimize fresh water use; that we monitor seismic activity when fracking in certain areas; that managing emissions, odors and air quality is a priority; that we intend to undertake performance testing on our compressor fleet; 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 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 Interim Report and 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 laws.

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, 2022 and July 27, 2022, of Baytex's operating and financial results as at the year ended December 31, 2021 and three and six months ended June 30, 2022 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	2021
Petroleum and natural gas sales	\$ thousands	1,868,195
Proceeds from dispositions	\$ thousands	7,804
Net proceeds from issuance of long-term notes	\$ thousands	-
Realized financial derivatives gain (loss)	\$ thousands	(184,241)
Realized foreign exchange gain (loss)	\$ thousands	963
Value Generated	\$ thousands	1,692,721

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	2021
Transportation expense	\$ thousands	32,261
Asset retirement obligations settled	\$ thousands	6,662
Operating expense - suppliers ¹	\$ thousands	278,799
General and administrative expense - suppliers ²	\$ thousands	10,907
Additions to exploration and evaluation assets, oil and gas properties and other plant and equipment - suppliers ³	\$ thousands	311,490
Payments to Suppliers	\$ thousands	640,119

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 these stakeholders through the payment of financing costs to lenders. This measure is calculated as 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	2021
Interest paid	\$ thousands	93,114
Payments on lease obligations	\$ thousands	4,334
Decrease (increase) in credit facilities	\$ thousands	145,321
Redemption of long-term notes	\$ thousands	251,969
Payments to Providers of Capital	\$ thousands	494,738

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:

Value retained is calculated as follows:	Units	2021
Value generated	\$ thousands	1,692,721
Payments to Suppliers	\$ thousands	(640,119)
Payments to Employees	\$ thousands	(40,601)
Payments to Providers of Capital	\$ thousands	(494,738)
Payments to Domestic Governments	\$ thousands	(103,130)
Payments to Foreign Governments	\$ thousands	(27,911)
Payments to Landowners	\$ thousands	(256,913)
Payments to Communities and Non-Profits	\$ thousands	(348)
Payments to Indigenous Communities	\$ thousands	(7,326)
Value Retained	\$ thousands	121,635

CAPITAL MANAGEMENT MEASURES

Net debt

We use net debt to monitor our current financial position and to evaluate existing sources of liquidity. We also use net debt projections to estimate future liquidity and whether additional sources of capital are required to fund ongoing operations. Net debt is comprised our credit facilities and long-term notes outstanding adjusted for unamortized debt issuance costs, trade and other payables, cash, and trade and other receivables. 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, 2022 and July 27, 2022, of Baytex’s operating and financial results as at the year ended December 31, 2021 and three and six months ended June 30, 2022 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.



455 Phillip Street, Unit 100A
Waterloo, Ontario N2L 3X2
Canada
www.ghd.com

July 25, 2022

RE: Baytex Energy Ltd – Assurance Opinion for 2021 Greenhouse Gas Inventory

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, 2021. The purpose of verification was to have an independent third-party assess Baytex's 2021 GHG inventory and to provide Baytex with an assurance opinion as to whether there are any material misstatements in the 2021 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].

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, 2021. The verification was conducted to a reasonable level of assurance. Materiality for the verification was ± 5 percent of the total reported GHG emissions, and ± 5 percent 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])

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

² BOE - Barrel of Oil Equivalent.

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

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

Summary of Assertions

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

Total Entity-Wide Emissions Verified:	1,173,678 tonnes CO ₂ e ^[3]
Total Scope 1 Emissions:	1,078,283 tonnes CO ₂ e
Total Scope 2 Emissions:	95,395 tonnes CO ₂ e
Production (Throughput):	21,554,219.00 BOE
Emissions Intensity:	0.054 tonnes CO ₂ e/BOE

Conclusions

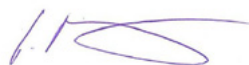
Based on the verification conducted by GHD per the methods above, the assertions in Baytex’s GHG Inventory were determined to be free of material misstatements, fairly presented, and substantiated by sufficient and appropriate evidence.

Please note, this letter is a summary of GHD’s verification. Detailed findings are provided in GHD’s verification report dated July 22, 2022.

Regards,



Neil Risk, M.Sc.
Lead Verifier
 Scientist
 +1 519 340-3836
 neil.risk@ghd.com



Gordon Reusing, M.A.Sc., P.Eng.
Peer Reviewer
 Business Group Leader
 +1 519 340-4231
 gordon.reusing@ghd.com

³ CO₂e - carbon dioxide equivalent



HEAD OFFICE

Baytex Energy Corp.

Centennial Place, East Tower
2800, 520 - 3rd Avenue SW
Calgary, Alberta T2P 0R3

Toll-free 1.800.524.5521

T 587.952.3000

F 587.952.3001

www.baytexenergy.com

Design: Arthur / Hunter

ESG Consultant: Responsibility Matters Inc.

