



BAYTEX
ENERGY CORP.

CORPORATE RESPONSIBILITY REPORT | 2016





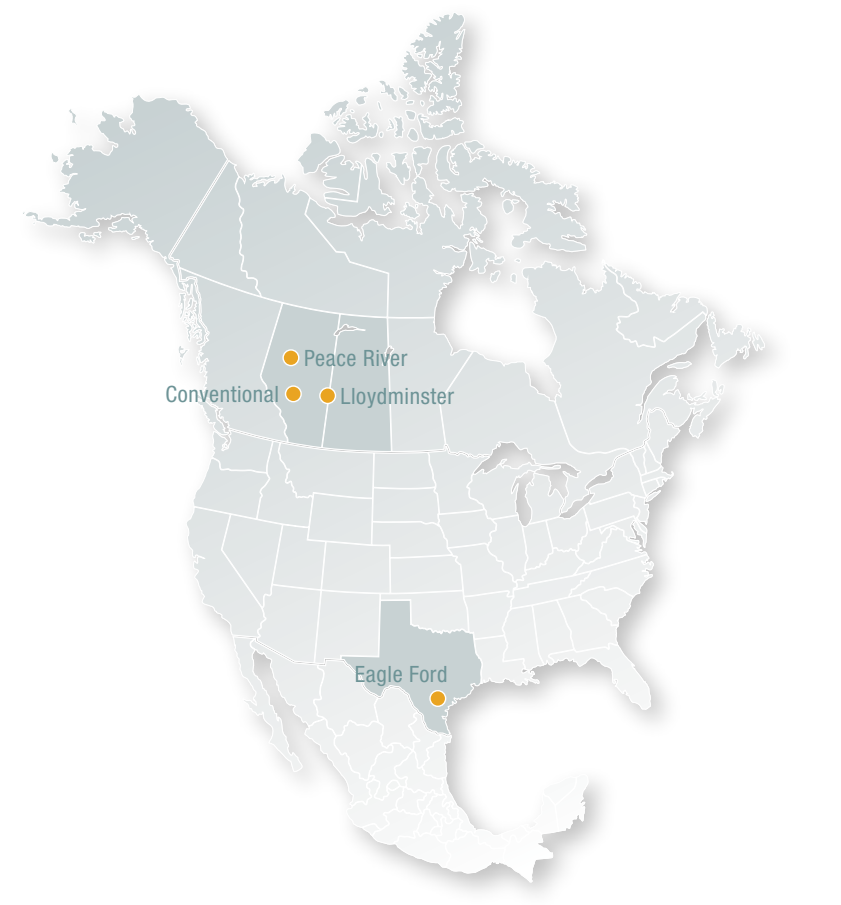
Table of Contents

To Our Stakeholders	5
Progress on Plans	6
About This Report	7
Safety	8
Environment	12
Communities and Stakeholders	18
Business Practices and Compliance	22
Performance Summary	26
GRI Content Index	29

About Baytex

Baytex Energy Corp. is an oil and gas company based in Calgary, Alberta. We are engaged in the acquisition, development and production of crude oil and natural gas in the Western Canadian Sedimentary Basin and in the Eagle Ford basin in the United States. Approximately 79 percent of Baytex's production is weighted toward crude oil and natural gas liquids. Baytex's common shares trade on the Toronto Stock Exchange and the New York Stock Exchange under the symbol BTE.

Baytex Core Areas



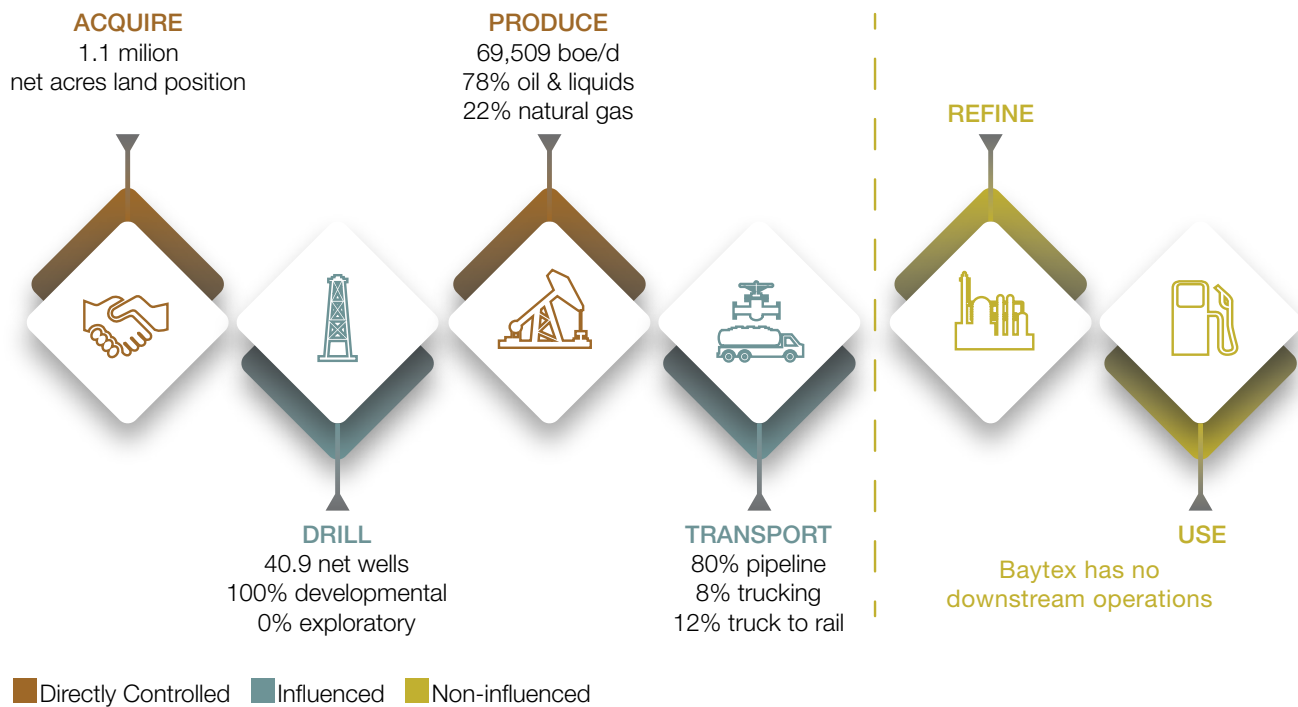
Key Financial and Operating Indicators – Year Ended December 31, 2016

OPERATING HIGHLIGHTS	
Production	
Heavy Oil (bbl/d)	23,586
Light Oil & Condensate (bbl/d)	21,377
Natural Gas Liquids (bbl/d)	9,349
Natural Gas (mmcf/d)	91,182
TOTAL (boe/d) ¹	69,509
Wells Drilled (net)	40.9
Total Proved plus Probable Reserves net (mmboc)	370
FD&A Costs (\$/boe proved plus probable) ²	\$18.33

FINANCIAL HIGHLIGHTS	
Petroleum and Natural Gas Sales (millions)	\$780
Funds from Operations (millions) ³	\$276
Exploration and Development Capital Expenditures (millions)	\$225
Market Capitalization (billions) ⁴	\$1.53
Shares Outstanding (thousands)	233,449
Net Debt (billions) ⁵	\$1.77

1. Barrel of oil equivalent (boe) amounts have been calculated using a conversion rate of six thousand cubic feet of natural gas to one barrel of oil. See Advisory on page 31.
2. Finding, Development & Acquisition (FD&A) costs include exploration, development and acquisition capital expenditures.
3. Funds from Operations is a non-GAAP measure that we define as cash flow from operating activities adjusted for changes in non-cash operating working capital and other operating items. See Advisory on page 31.
4. Market Capitalization is the product of the closing price on the Toronto Stock Exchange and shares outstanding on December 31, 2016.
5. Net Debt is as of December 31, 2016, and is a non-GAAP measure commonly used in the oil and gas industry. We define net debt to be the sum of monetary working capital (which is current assets less current liabilities (excluding current financial derivatives and onerous contracts)) and the principal amount of both the long-term notes and the bank loan.

Baytex Operations in Context – 2016



Key Company Changes

- » In December 2016, Baytex announced that Ed LaFehr, President, will succeed James Bowzer as Chief Executive Officer effective May 2017. The two worked together to ensure a seamless leadership transition. James Bowzer remains on the Board of Directors following the transition.
- » In July 2016, Baytex disposed of its operated assets in Texas with associated production of approximately 1,000 boe per day.
- » In November, 2016, Baytex announced an acquisition of heavy oil assets located in the Peace River area of Alberta. The assets are located immediately adjacent to our existing Peace River lands, add approximately 3,000 boe per day of production and more than double our land base in the area. The acquisition closed in January 2017.



BAYTEX

ENERGY LTD.

Edward D. LaFehr, President and Chief Executive Officer

To Our Stakeholders

There is no question that 2016 was a year about delivering on our commitments in a challenging commodity price environment. Despite persistent low oil and natural gas prices during the past two years, we were able to strengthen our financial liquidity, reduce our overall debt, and acquire a strategic asset in Peace River. Just as we met our financial targets, we continued our solid commitment to corporate responsibility, improved our performance and followed our action plan.

Corporate responsibility starts with safety. I firmly believe that safety is not about programs but about culture, and I am proud of the culture I have witnessed in the short time I have been with Baytex. During my field visits last year, I had the opportunity to observe our frontline commitment to safety and the strong values that permeate our company. I am pleased to see the resulting reductions in lost-time injuries and in the number and volume of spills.

Being a responsible company is also about environmental stewardship, being responsive to communities and remaining compliant with regulations. Stringent regulations bring challenges but the goodwill we have created with communities and regulators allows us to be part of a productive conversation. We continue to engage with communities and local governments about ways to implement our industry-leading vapour recovery and gas conservation programs in a cost-effective and phased approach. The success we have seen at our Peace River operations can be shared with other industry participants.

We earn the respect and collaboration of employees, regulators, suppliers and community members by being open and transparent, demonstrating leadership, and always doing the right thing. Those who came before me at Baytex took the important first steps on the road to transparency and we are committed to sustained progress in this area. Our Good Neighbor Information Network is a real-life expression of responsible development and communication with our communities.

As we work to integrate our recent acquisition in our Peace River core area, we want to align the acquired assets with our existing operating philosophy and high standards. We also need to ensure we keep our culture strong and continue to be a responsible operator. I am confident that our Baytex employees are up to the task.

We know actions speak louder than words, so we will continue doing what it takes to foster positive stakeholder relations and to be strong stewards of our assets and the environment.

Edward D. LaFehr
President and Chief Executive Officer

September 22, 2017

Progress on Plans

WHAT WE PLANNED	Status	WHAT WE DID	Read More
Safety			
Assign additional resources to contractor safety initiatives.	●	Stronger safety requirements for contractors, including onsite monitoring, inspections and audits. In the past five years, contractor recordable injury rates have declined by 87 percent.	10-11
Add health, safety and environment (HSE) performance (injury rates and spills) to the measures used for determining awards under our short-term incentive plan.	●	Our short-term incentive plan includes safety and spills components and has increased awareness and broad ownership of these topics.	9
Ensure that all Canadian contract service providers have a Certificate of Recognition (COR) by the end of the first quarter of 2016.	●	All of our contract service providers must have a COR. Currently 100 percent of our Canadian service providers meet this requirement.	10-11
Environment			
Reduce flaring by using more solution gas for operating purposes, storing it or finding markets to sell it.	●	We continue to implement our multi-faceted gas conservation strategy in our Peace River operations and to make progress in this area.	14
Increase burner efficiency to lower greenhouse gas (GHG) emissions.	●	In 2014, we identified more than 450 pieces of equipment that required upgrades to comply with new provincial regulations. Baytex has initiated an upgrade program and has replaced or certified 74 percent of this equipment to date. This initiative helps to reduce fuel use and related emissions.	
Install overfill alarms on tank trailers to lower risk of spills.	●	We made a significant investment to update our trailer fleet with more than 85 percent of the units having improvements such as overfill alarms installed.	13-14
Communities and Stakeholders			
Release a report card on our Good Neighbour activities and performance.	●	In 2015, we published a Good Neighbour report card.	Read Here
Investigate improved systems for tracking purchases from Indigenous suppliers and for stakeholder engagement.	●	We investigated several options for data collection of purchases, consultation records and community engagement activities. We continue to evaluate economical methods of data collection to meet our information needs.	
Learn about leading community relations practices from the operator of our Eagle Ford assets, located in Texas.	●	We continue to look at best practices and seek to continually improve our stakeholder relations efforts.	
Continue timely and open communications about company changes and plans.	●	We hold regular Town Halls to communicate with employees about our corporate plans and strategies.	21
Business Practices and Compliance			
Adopt a diversity policy that applies to the Board and senior management.	●	In March 2015, Baytex adopted a Board and Management Diversity Policy. This policy is applicable to director and executive officer appointments.	23

- Achieved
- In Progress
- No progress was made during the reporting period

About This Report

This is Baytex's third corporate responsibility report. It focuses on environmental, social and economic metrics, highlights our achievements and challenges and describes key initiatives in corporate responsibility.

- » Unless otherwise noted, this report covers quantitative performance for the five years ended December 31, 2016 and qualitative information for the 2015 and 2016 calendar years.
- » We used the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines to help determine report content. The report contains Standard Disclosures from the Guidelines but has not fulfilled all the requirements to qualify as fully 'in accordance' with the GRI. The GRI index on page 29 indicates where specific disclosures are addressed.
- » 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. In July 2016, Baytex disposed of the operated portion of our assets in the Eagle Ford.
- » The treatment of joint ventures may be addressed differently in Baytex's 2016 Annual Report with respect to financial performance.
- » We continually strive to better define performance indicators and improve our measurement systems. Although we have reduced reporting exceptions since our previous report, any remaining exceptions are noted with the data.
- » Unless noted, data does not cover third party service providers or temporary employees.
- » Techniques for data measurements and calculations, if not industry standard, are stated with the data.
- » Financial data is in Canadian dollars and environmental data is in metric units.
- » 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 performance. Internal assurance activities covering the information presented in this report included financial and HSE performance audits. Third-party assurance of this corporate responsibility report was not conducted.

- » The terms Baytex, our, we, the company, and the corporation, refer to Baytex Energy Corp. and its subsidiaries as a whole.

Defining Report Content

Our pursuit of corporate responsibility encourages meaningful collaboration with stakeholders. In the fall of 2016, we held our second materiality workshop to engage external stakeholders in shaping the content of this report. Stakeholders represented groups such as investors, academia, suppliers, employees, and Indigenous and nearby communities.

An independent consultant presented the stakeholder group with a list of more than 20 sustainability topics extracted from reporting guidance and industry reports, and facilitated the workshop. The group discussed each topic and agreed to its priority level. Our senior management participated in a later workshop to discuss and finalize the prioritized topics.

The workshops helped us narrow our focus and identify which corporate responsibility topics are most material. Material topics include those that have a significant direct or indirect impact on Baytex's ability to create, preserve or erode economic, environmental and social value for our company, our stakeholders and society at large. The following material topics were identified by stakeholders and senior management:

- » Employee and Contractor Safety;
- » Air Emissions;
- » Spills;
- » Indigenous Relations; and
- » Stakeholder Engagement.

These are our most material topics and, accordingly, they receive greater attention than other topics in this report. For topics not considered material, we still provide discussion of our related initiatives, and in some cases, quantitative performance figures.



Safety

At Baytex, corporate responsibility starts with safety. We are unwavering in our commitment to the health and safety of our employees, contractors and communities and are continually taking concrete actions toward that commitment.

Highlights

- » Implementing initiatives that resulted in a significant reduction of contractor injury rates
- » Establishing the requirement that all of our contractors must have a Certificate of Recognition

Challenges

- » Experienced a tank fire and explosion in our Reno, Alberta operations
- » Increasing awareness and tracking of leading indicators, such as hazard recognition and near misses

Looking Forward

- » Completing actions as identified within the COR audit action plan
- » Targeting to audit 10 percent of our transportation contractors
- » Conducting hazard operability studies on our new facility designs

Managing Employee Safety

Our operations are designed from the outset to protect the health and safety of our employees, contractors, and the public. Our management is responsible for establishing health, safety and environmental (HSE) policies and procedures and ensuring that all necessary resources, equipment and training are provided to our employees and contractors. Over the past two years, we have implemented improvements to the processes, systems and engagement that underlie our employee safety performance.

Competency development: We continue to implement our Competency Management Development System. In 2015, all of our Health, Safety and Environment Advisors completed their certification and validation training through the system.

Enhanced incident reporting: We developed a new incident reporting system that allows us to get real-time incident reports from the field. In an effort to improve our tracking and reporting of leading indicators (as opposed to lagging), we encourage our employees to identify hazards and report near misses. Employees who consistently participate in hazard recognition are recognized in our employee newsletter or during our safety meetings.

Certificate of Recognition (COR): Baytex received a COR in 2016 for our Alberta and Saskatchewan operations. To receive a COR, a certified external auditor evaluated our health and safety management system and determined that it meets provincial standards.

Weekly management meetings: In the field, we have always held monthly safety meetings. Our weekly management meetings in Calgary now start with HSE matters.

Monthly incident reviews: To more broadly elevate safety awareness, in 2016 we started reviewing safety and environmental events with operations department managers, business unit Vice Presidents and the Chief Operating Officer on a monthly basis. The meetings are a place to share lessons learned and discuss what we could have done differently. In the past, only employees and managers directly involved with an incident were engaged in this process.

Internal targets: One of the most effective ways to drive performance is by setting targets. Our Board of Directors approves our annual internal targets on total recordable injury rates, lost time injury rates, number of spills and spill volumes. Actual performance relative to these targets is shared monthly, with a focus on positive outcomes, with all employees. In 2016, we outperformed all of our internal targets.

Incentive plans: Since 2014, we include HSE performance as a factor in determining the payouts of our short-term and long-term incentive plans. We believe that this approach increases company-wide attention and shared ownership of safety.

Safety Stand Downs: Every year in January and February our senior leaders visit the field and stop operations for a safety stand down. This practice provides an opportunity for senior management to speak directly with workers about the importance of safety, and for workers to provide constructive feedback on safety programs and initiatives. In 2015 and 2016, we held 10 safety stand downs each year.



Leadership support: As part of the North American Occupational Safety and Health Week, in 2015, we asked six executives from our senior management team a different question related to safety and they responded in short video clips that were shared internally. During 2016, our new President and CEO, Ed LaFehr, consistently reinforced senior leadership commitment to safety through frequent communications and field visits.

Improving Contractor Safety

Our contractors are an essential part of our operations and often perform some of the most hazardous activities during operations. We have sharpened our focus on contractor safety in the past two years with the following activities:

Contractor Registry: We require all contractors to register with a third-party safety data management firm (ComplyWorks). This system allows us to consolidate previously distributed safety information into a centralized database. The third party verifies compliance and certification information, and the registry consolidates contractors' safety programs, performance, Workers' Compensation Board experience ratings, orientation, insurance and other relevant information.

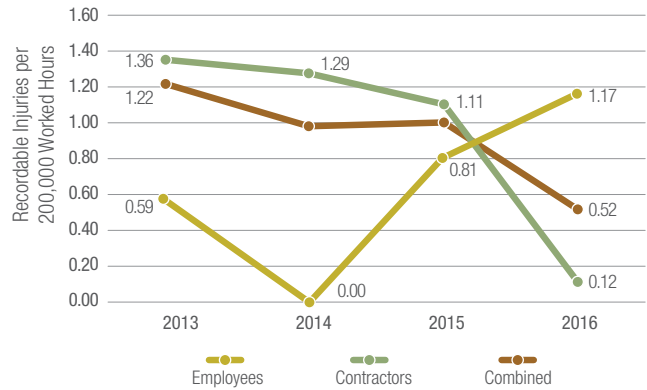
Contractor Pre-Qualification: In 2016, we started requiring all contractors to have a COR. We believe this requirement helps us screen for solid, third-party vetted safety practices and, having gone through the process ourselves, encourages continual improvement. While adoption of this requirement reduced our contractor base significantly, it helped us achieve our objective of working with safer contractors.

Contractor Orientation: All of our contractors receive orientation and we track individual completion rates for those who complete their orientation online. We also hold on-site, pre-job meetings that are localized and specific.

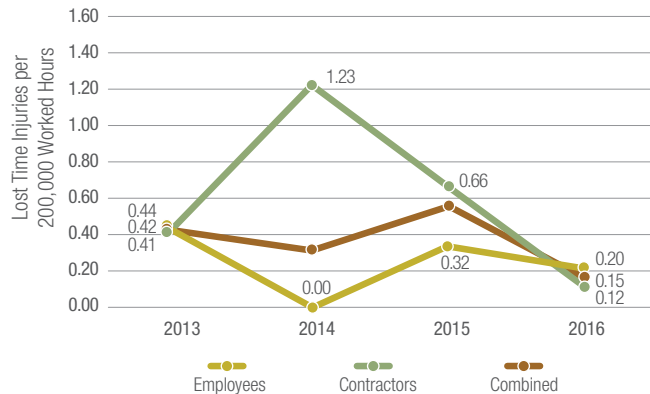
Audits: In 2015, we conducted HSE performance audits of five selected contractors. Our audit focused on evaluating the effectiveness of their HSE systems and their resulting HSE performance. The audits identified key areas for improvement and we have since worked with the contractors to ensure corrective actions were complete.

We require all contractors to have a Certificate of Recognition. We believe this requirement helps us screen for solid, third-party vetted safety practices.

TOTAL RECORDABLE INJURY RATE



LOST TIME INJURY RATE



An employee total recordable injury rate of zero was achieved in 2014 and is the benchmark by which we measure ourselves. We are encouraged by significant reductions in contractor injury rates and in combined injury rates over the four-year period shown. Our focus forward is on tracking leading indicators to achieve further reductions.

FOCUS ON TRUCKING SERVICE PROVIDERS

Contractors are also fundamental to our transportation subsidiary, AIM Transport (AIM). AIM operates in the Peace River and Lloydminster areas of Alberta and Saskatchewan. AIM currently owns 81 trailers, while third-party service providers own and operate the tractors. These service providers transport most of our oil and produced water. AIM provides flexibility to adapt to fluctuating transport needs and oil prices. However, safety during transportation has been a challenge historically and a focus area for our company. In the past two years, we have achieved significant improvements in AIM's safety performance, in part through the following activities that go beyond the COR requirements:

- » Increased monitoring of driving performance (speed, routing and driving restrictions) through GPS systems, tracked all traffic violations and infractions, and established zero tolerance guidelines;
- » Shared our routes with neighbours and stopped trucking traffic completely during school bus pick-up and drop-off times;
- » Increased attendance at safety meetings by requiring drivers to attend, not just contracting company owners. If a driver is unable to attend, they are required to read the meeting minutes and attest to it on ComplyWorks. AIM's goal is to hold at least 24 safety meetings per year;
- » Enhanced awareness and uptake of the "right to say no to work" which has decreased the number of driving incidents during bad weather;
- » Improved communication so that truck drivers understand applicable regulations and Baytex's expectations for performance, and offered associated coaching and support; and
- » Established a safety incentive program by awarding bonuses to truck owners, based on the number of trucks in their fleet meeting safety targets.

We also made upgrades to our fleet and improvements to our fleet-related programs such as:

- » Developed a more comprehensive fleet preventive maintenance program;
- » Required inspections on all AIM Transport tractors and trailers on a regular basis;
- » Installed GPS tracking on our entire fleet in Alberta. GPS not only allows us to track speed and location, but also has additional safeguards for driver safety (e.g., time limits to be away from the truck, panic button to help monitor driver safety in remote areas with no cell coverage); and
- » Replaced several trailers with newer models, reducing the average age of our fleet to 4 years (in 2014, the average age was 11 years). The new trailers are easier to maintain and have audible overfill alarms, which help prevent spills. Read more about spill reduction during transportation in the Environment section.

The overarching purpose of our initiatives is to increase accountability. Accountability goes both ways, we hold our service providers accountable for their performance and provide incentives for them to meet those expectations. We also hold ourselves accountable to support the operational objectives and the performance of each of the service providers by clearly outlining our expectations and following through on our commitments.

Emergency Preparedness and Response

We maintain effective emergency response plans in all our areas of operation and conduct regular emergency simulations to make sure our employees and contractors know how to respond. In the last two years, we conducted two fully functional emergency response simulations each year. Additionally, we conducted 11 tabletop exercises in 2015 and 13 in 2016. We plan to conduct more functional exercises in 2017.

Despite our best efforts, in July 2016, we experienced a fire and explosion of a production tank at one of our facilities in Reno, Alberta during a restart of operations. Our emergency response and firefighting capabilities in the area were activated, and the fire was extinguished promptly. We alerted residents quickly, and no employee, contractor or resident was injured. We conducted an incident investigation and are implementing actions in an effort to ensure that similar incidents do not happen again. We are committed to avoiding incidents that could potentially jeopardize the safety of our employees, contractors or communities.



Environment

Baytex is committed to minimizing our impact on the environment through systems and procedures designed to avoid activities or conditions that pose a threat to air, water, land and life.

Highlights

- » Achieving significant reductions in spill numbers and volumes for operations and trucking
- » Targeting local emissions reductions through industry-leading practices
- » Proactively addressing inactive wells and asset retirement obligations

Challenges

- » Understanding the impact of the Alberta carbon levy on our company and our business partners

Looking Forward

- » Responding to stricter regulations on methane emissions and venting
- » Complement safety management system audits with environmental audits of our operations

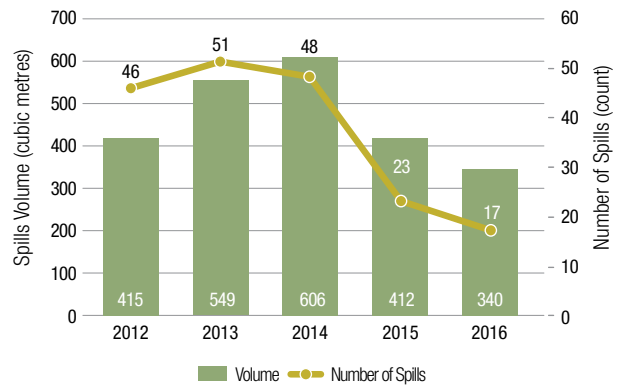
Spills

At Baytex, we produce large quantities of oil and water, and the majority of this fluid moves on trucks. Spills of fluids represent a significant potential impact that our operations can have on the environment; therefore, we monitor our performance on this issue closely.

Through the leadership of our field operations staff and our AIM trucking division, in the past five years we have made significant reductions in spill numbers and volumes. Some of the initiatives that have contributed to this improvement are:

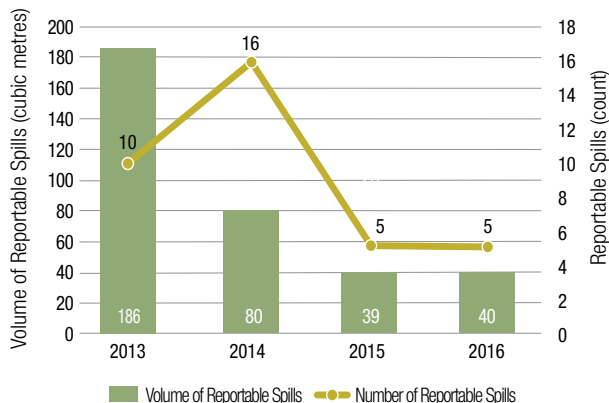
- » Changes to the construction material of cross-over lines (lines between tanks). Some of the main causes for previous spills were tank failures and leaks from cross-over lines. In the past two years, we tested more resilient materials and replaced the cross-over lines;
- » Increased the frequency of tank inspections;
- » Updated the spill cleanup procedure in our HSE manual;

REPORTABLE SPILLS

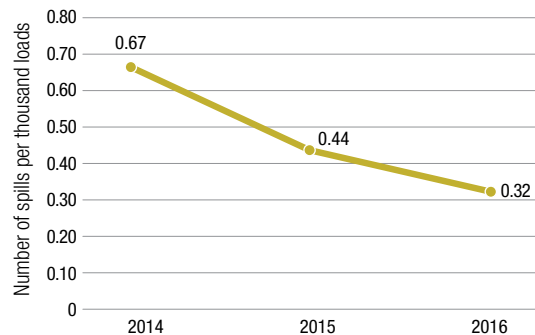


In the past five years we reduced the number of reportable spills by more than 60 percent and the volume by more than 15 percent. All of our 2016 spills were contained within the lease sites and the related cleanup activities were completed immediately in accordance with all applicable regulatory requirements. These figures include spills from trucking.

REPORTABLE SPILLS – TRUCKING



SPILL FREQUENCY – TRUCKING



Through a strong focus on prevention and fleet improvements, in the past four years we have reduced the number of reportable spills during transportation by half and their volume by almost 80 percent. Most recently, we started tracking spills per thousand loads to ensure we understand and manage spill frequency during varying work loads.

- » Increased awareness and attention to spills by including management in regular incident reviews, and by updating all employees monthly;
- » Established internal targets for spill numbers and volumes, which we outperformed; and
- » Established a No Spill bonus, a financial incentive for trucking service providers to help us meet our spill reduction goals.

Specifically targeting our trucking activities, we also invested \$5.9 million to purchase 44 new trailers, representing 54 percent of AIM's trailer fleet. The new trailers have more robust tank walls with improved coatings that are more durable and less prone to corrosion. The trailers are equipped with audible alarms for overflow protection to reduce spills during transfer from tank to truck.

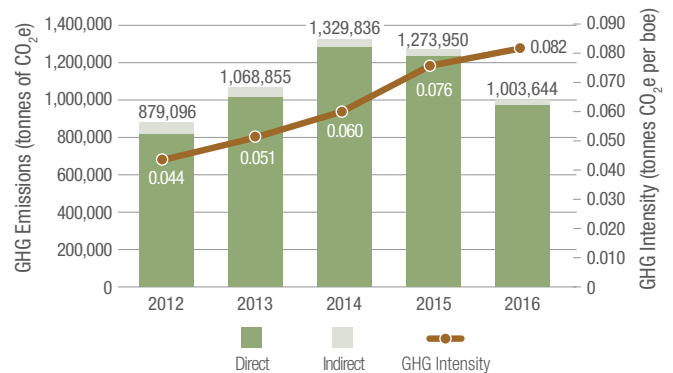
Through the leadership of our field operations staff and our AIM trucking division, in the past five years we have made significant reductions in spill numbers and volumes.

Air Emissions

The majority of our Canadian heavy oil production is extracted without the use of steam or any other form of heat to cause the oil to flow. At most of our production sites we produce oil and store it directly into tanks. The oil emulsion is heated inside the tanks, which often results in sales-quality oil, and allows for transportation. The oil is then trucked to a sales point.

During oil production, large volumes of natural gas are also produced, and therefore our main air emissions are hydrocarbon vapours, water vapour, and gases from combustion such as carbon dioxide, nitrogen oxides (NO_x) and sulphur dioxide (SO₂). Some of the processes that generate emissions are venting, flaring, combustion of fuel during the production of oil and gas, vapors that escape from tanks, and fugitive leaks from process equipment.

GHG EMISSIONS



Total emissions have decreased in the past two years as a result of decreased production. Through our improved monitoring and data collection, we have an increased understanding of our direct and indirect GHG Intensity.

FLARING AND VENTING

Flaring is a controlled burning of natural gas in the course of routine oil and gas production operations.

Venting is the intentional controlled release of uncombusted natural gas into the atmosphere in the course of oil and gas production operations.

Fugitive emissions are the unintentional release of hydrocarbons to the atmosphere as a result of equipment component leaks, improper assembly, inadequate material specifications, manufacturing defects, damage during use or installation, corrosion or fouling.

Flaring releases mainly carbon dioxide, whereas venting and fugitive emissions release mainly methane.

PEACE RIVER GAS CONSERVATION PRACTICES

In our Peace River region, we have industry-leading gas conservation and emissions management practices that include:

In-field Use: We aim to maximize the use of associated gas in heating tanks and to power gas compressors and downhole pumps. Our oil storage tanks are heated to 75-80°C, consistent with industry standards.

Pipeline Connections: All producing well pads are connected to an integrated gas distribution system that allows for optimal consumption of available gas.

Vapour Recovery: All of our active heavy oil tanks have vapour recovery units (VRUs) in place to capture emissions. A VRU is a system that recovers produced gas from our tank tops by compressing and sending it into our gas conservation system. The gas can then be injected into our underground storage facility, sold to generate electricity, processed in a gas plant for sale purposes or, as last resort, flared.

Gas Storage: Baytex injects approximately 65,000 cubic metres per day of associated gas into an underground gas storage reservoir. Our intent is to withdraw this gas from storage in the future to be processed in our proposed gas plant, then either sold or used to generate electricity. Historically, this gas has been flared, so this initiative avoids the release of 40,000 tonnes of CO₂ emissions per year.

Power Generation: Baytex delivers excess natural gas to Genalta's gas-fired power generating facilities. The project is currently generating 20 megawatts of low emissions electricity.

Gas Sales: Some of the gas that cannot be used in field, stored underground or used in power generation, is currently delivered and sold to TransCanada Pipelines Limited.

Fugitive Emissions Monitoring: We monitor fugitive emissions through daily surveillance and odour inspections of producing sites. On a monthly basis, we inspect facilities using forward-looking infrared (FLIR) cameras, which can identify very small gas leaks from tanks or pipes before becoming a problem. We use the data collected to assist in preventive maintenance.

Our operations in the Peace River area are subject to stringent, area-specific regulatory requirements (read about Directive 084 on page 25). We aim to mirror these operating strategies in other areas of operations in order to minimize our operating emissions.

Air Quality and Odours

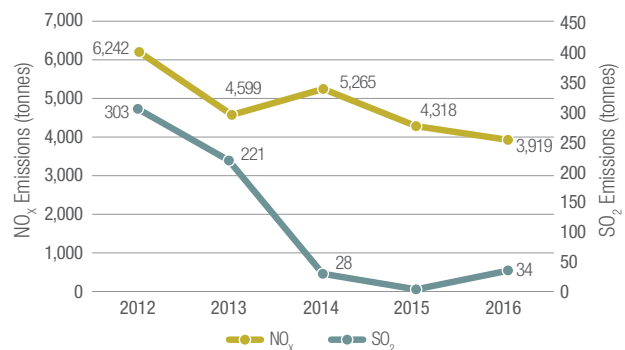
Managing emissions, odours and air quality concerns has been a critical focus for us in the Peace River area. The Peace River Air Monitoring Program (PRAMP) was established in 2015 in response to the recommendations arising from the public proceeding held by the Alberta Energy Regulator in 2014 regarding concerns about odours and emissions associated with heavy oil production in the Peace River area. PRAMP is a not-for-profit organization and a collaborative effort between the community, industry and government. This independent organization operates air monitoring stations and stewards the data collection process. PRAMP provides credible and comprehensive data to allow the identification of, and appropriate response to, odour and emission-related issues in the Peace River area.

Data collected by PRAMP is evaluated and used to manage source emissions and contribute to public policy development and air quality management in Alberta. In 2017, PRAMP stated that:

- » The frequency of elevated hydrocarbons events and related complaints have come down over time;
- » Process improvements and mitigation measures implemented by local industry have resulted in improvements in air quality; and
- » Ongoing monitoring, assessment and analysis is still required.

In Saskatchewan, we have proactively implemented odour abatement measures during oil production and transportation to stay ahead of regulations.

OTHER AIR EMISSIONS



In the past five years, we have been able to reduce our NO_x and SO₂ emissions by 25 and 30 percent, respectively. Reductions in NO_x emissions are a result of decreasing production and associated fuel use across our operations. Since our main source of SO₂ emissions is flaring of sour gas (i.e., natural gas containing hydrogen sulphide), the decrease in SO₂ emissions is directly related to reduced flaring and reduced operations in areas where sour gas is present.

SUCCESS AT OUR RENO FIELD

- » **\$20.5** million dollars invested in gas conservation and odour mitigation since 2011.
- » **Zero** gas venting from tanks under normal operating conditions.
- » **All** producing pads have vapour recovery units.
- » **98%** of the produced gas is conserved and sent to sales or used as fuel gas.
- » Lowered flare volumes from:

1,035 thousand cubic feet/day in mid-2012 to **< 10** thousand cubic feet/day in April 2015

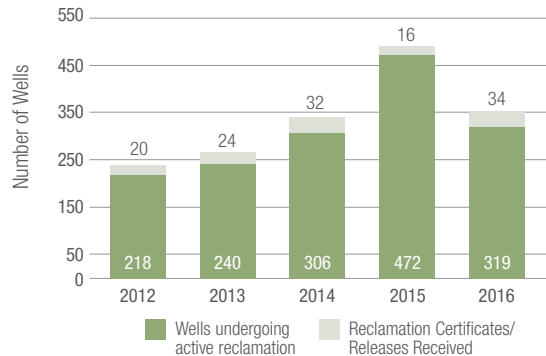


Asset Retirement and Reclamation

Our asset base includes a large number of inactive wells. Under regulations, we have an obligation to maintain our inactive wells in a safe and compliant state until they are abandoned and the site is fully reclaimed. In 2014, we started using a compliance-tracking tool to help us better understand our liabilities and keep our inactive wells in compliance. When our operations are complete, and the wells have been successfully abandoned, we restore the land to a state comparable to conditions prior to disturbance.

Our management system allows us to proactively plan our abandonment and reclamation work using a risk-based approach. Changes in regulations and recent legal cases are increasing pressure on the oil and gas industry to properly fund and execute end-of-life activities.

RECLAMATION STATISTICS



We are strategically and proactively addressing our asset retirement obligations and in the past five years have increased the number of reclamation certificates received annually.

In Saskatchewan, we have proactively implemented odour abatement measures during oil production and transportation to stay ahead of regulations .

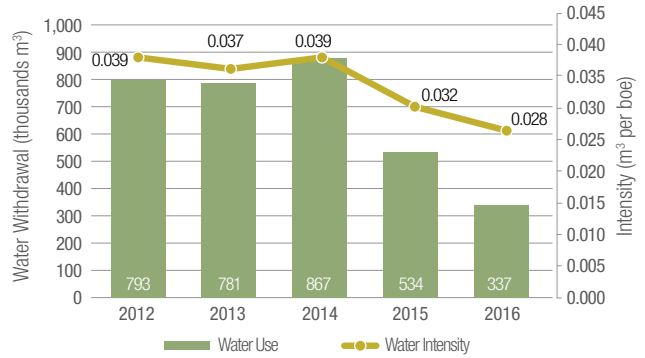
Water Use and Quality

Water is used for many of our energy development activities, including drilling, hydraulic fracturing, water flooding, dust suppression and for generating steam for thermal heavy oil extraction at our Kerrobert site. Where possible, we try to recycle or reuse water, and use brackish or saline water (i.e., water that is not suitable for human or animal consumption or for agriculture). If we must use fresh water, a water diversion license is obtained from regulatory authorities. These licenses provide the terms and conditions under which this water can be used.

We directly use hydraulic fracturing in a small proportion of our operations (approximately two wells per year), and indirectly through our ownership of Eagle Ford assets, which are operated by another company. We communicate directly with stakeholders and neighbours of these wells regarding the responsible use of this technology. To ensure groundwater protection, we follow stringent regulations on how wells must be completed. We also participate in the Canadian and USA FracFocus online disclosure registries, which involves listing, by well, the chemical constituents in the fracturing fluid and the amount of water used.

We have reduced our water use and intensity in the past five years by focusing on cold production.

WATER WITHDRAWALS



We have reduced our water use intensity by 30 percent in the past five years by reducing thermal production, which uses large quantities of water to produce steam, and focusing on cold production, which does not use steam or any other form of heat to cause the heavy oil to flow.

Water quality is just as important to us as water use. Where flowback or produced water cannot be recycled, it is disposed of responsibly. Most of our produced water is disposed of into deep geological formations, where the risk of contaminating freshwater resources is minimized. Before discharging any rainwater or snow melt from our leases to the environment, we conduct testing and analysis to ensure it meets all regulatory requirements.



Communities and Stakeholders

Baytex strives to provide social and economic benefits to communities while mitigating our operating impacts and addressing concerns from stakeholders. We are committed to trusting and mutually beneficial relationships.



Stakeholder Engagement and Community Relations

Transparency and accountability are the cornerstones of our stakeholder engagement practices at Baytex. In the past five years, our approach to stakeholder engagement has matured and is considered an essential element of how we do business. We believe that understanding the interests and needs of the local communities where we operate is integral to our success.

Stakeholder engagement at Baytex involves not only our stakeholder relations team, but also our regulatory, operations and land departments. In our approach, we are open and honest in describing the impacts and benefits of any Baytex project and provide opportunities for dialogue.

In early 2014, we launched our Good Neighbour program in the Peace River area in response to a community desire for an accessible forum to share information and concerns about Baytex's operations. Good Neighbour is now a company-wide program that supports our focus on being a welcomed neighbour in the communities in which we operate.

The Good Neighbour program reflects our core values and is a code that Baytex employees and contractors follow. It provides guidelines to mitigate local impacts associated with our operations related to traffic, noise, dust, garbage, wildlife encounters and land access. The program encourages communities to hold us accountable for the behaviours of our employees and contractors. More information can be found on our [website](#).

In Peace River, we also established a local community advisory board to facilitate meaningful dialogue among community members, industry and the general public. The advisory board is committed to evaluating Baytex's Peace River operations on five key performance areas: safety and integrity; community responsiveness; community investment; environmental stewardship; and economic contribution.

The advisory board serves as representative of some of our key stakeholders. Some of the concerns we heard and responded to during 2015 and 2016 included:

- » Baytex should participate in the creation of a scholarship program. We responded by developing a scholarship program not only for Peace River but for our entire Canadian operations. The scholarships support deserving students in our areas of operation.
- » Baytex should develop a communication tool to provide timely information regarding its operations, and any operational upsets or incidents that may affect residents. In response, we launched the Baytex Good Neighbour Information Network.

The Baytex Good Neighbour Information Network is a formal communication protocol that provides relevant information on our operations, including spills, operational mishaps and other news regarding our efforts in the area. The network includes more than 100 residents, municipal officials, members of the Provincial Legislative Assembly, media, regulatory authorities, and industry peers. The Alberta Energy Regulator has recognized this program as a leading industry practice.

To foster two-way engagement with stakeholders, we also held our second materiality workshop in the fall of 2016. Representatives from local communities, Indigenous groups, contractors, non-profits and academia were convened to discuss their expectations of Baytex in managing and disclosing our progress on corporate responsibility issues.

Relations with Indigenous Communities

Baytex has certain operations that overlap land that Indigenous peoples have traditionally used. Baytex recognizes the unique connection that Indigenous peoples have to the land and their constitutionally protected rights.

Baytex is committed to developing long-term respectful and mutually beneficial relationships with the Indigenous communities where we operate. We recognize the importance of building relationships based on trust and mutual respect and acknowledge that each community is unique. We proactively engage communities whenever our operations affect them. Engagement occurs through meaningful discussions regarding our operations, working to understand traditional environmental knowledge and identifying opportunities for economic development.

We have ongoing conversations and relationships with several Indigenous communities. In the past two years, we entered into agreements with Indigenous communities that cover environmental, consultation and economic parameters.

Economic Impact

We are committed to generating opportunities for local employment and prosperity, and for increasing community capacity through education and health initiatives. Our approach to local economic development is to give preference to local employees and minimize the use of “fly-in, fly-out” employees wherever possible. This makes business and social sense. Hiring and contracting locally helps our company to manage operating costs. We also realize that local workers are keen stewards of their own communities.

Part of our economic contribution is made in the form of taxes paid to provincial and federal governments. In 2015, the Canadian Extractive Sector Transparency Measures Act (ESTMA) was enacted. It requires businesses in the resource exploration

and extractive sector in Canada to file and publish reports on select payments made to domestic and foreign governments. In 2017, we made our [first submission under ESTMA](#).

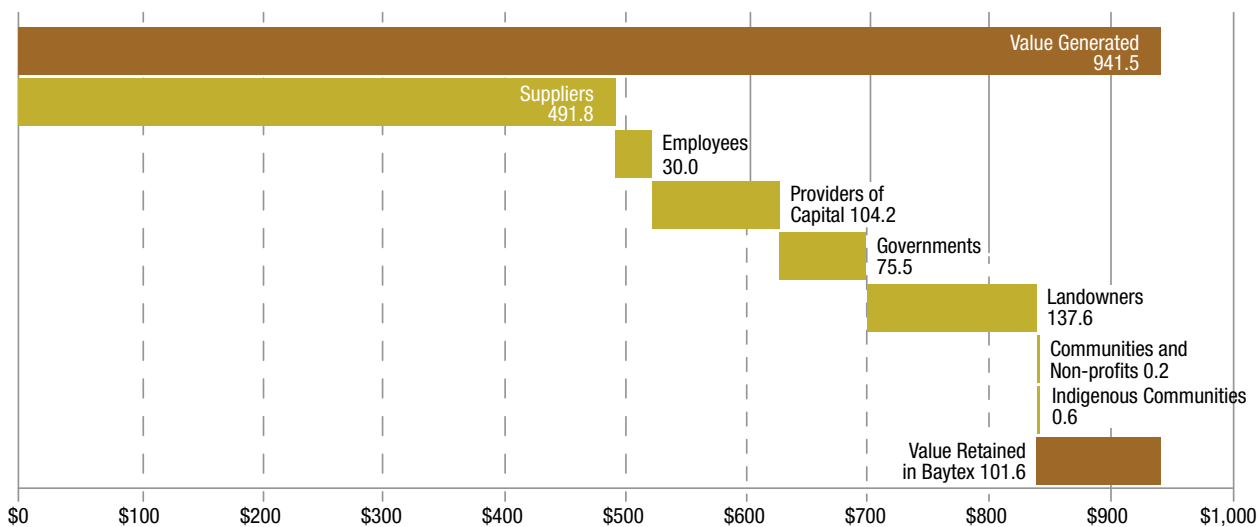
Community Investment

During the past two years of slower economic activity, we have been able to manage, maintain and grow our relationships with the communities that surround our operations. Through our community investment strategy, we aim to create tangible community impacts and to engage our employees, while keeping our investment in line with economic realities. In 2015 and 2016, some of our contributions included:

- » Canadian Red Cross during the Fort McMurray wildfires – an event that unsettled our entire province and rallied support from our company and employees;
- » Adopt-A-Family – a tradition Baytex has kept for the past 15 years. Teams within our company donated their time and money to provide families with toys, clothing, gift cards and household essentials during the Christmas season; and
- » In Peace River, we provide ongoing financial support to the Baytex Energy Centre, the Nampa Museum and the Falher Water Park.

Perhaps more than charitable donations, enabling and encouraging our employees to volunteer has become the most powerful means of community investment. The following section provides a few examples of employee volunteerism.

2016 ECONOMIC VALUE GENERATED AND DISTRIBUTED (\$ MILLIONS)



We distribute the value we generate to several groups, including suppliers, employees, providers of capital, governments, and communities. The value distributed to Indigenous communities in this chart only includes direct purchases and royalties paid to Indigenous communities. Additionally, a significant amount of indirect contributions are made to Indigenous communities through private contractors who we encourage to provide jobs to and sub-contract with Indigenous individuals and companies.

ECONOMIC IMPACT IN THE PEACE RIVER AREA

Baytex is one of the largest oil and gas producers in the Peace River area of Alberta. Through the acquisition of 415 net sections of land in 2017, we doubled our land base in the area. As a core Baytex asset and one where we see an opportunity for growth, we are committed to creating meaningful employment and enhancing economic prosperity in the Peace River area.

Baytex is also one of the largest employers in the region. We directly employ more than 90 full-time employees and contractors, with salaries and benefits totaling approximately \$12 million annually. In 2015 and 2016, Baytex paid more than \$3.0 million dollars per year in property taxes in the region. Future development in the area will present additional employment opportunities.

Keeping Our Employees Engaged

Baytex has a talented, loyal and hardworking workforce. More than 30 percent of our employees have been with the company for more than ten years. Lower commodity prices have been a challenge in the past two years, but our employees remain committed to our company culture.

We seek ways to meaningfully engage our employees through increased communication and by fostering a sense of community. Regular staff Town Hall meetings along with intimate 'lunch and learn' sessions hosted by our President with small groups of employees have proven effective methods for communicating with employees and building a collaborative sense of community in the organization. Employee feedback has been positive.

Our employees continue to make in-kind donations and most importantly volunteer their time to support a variety of activities, including:

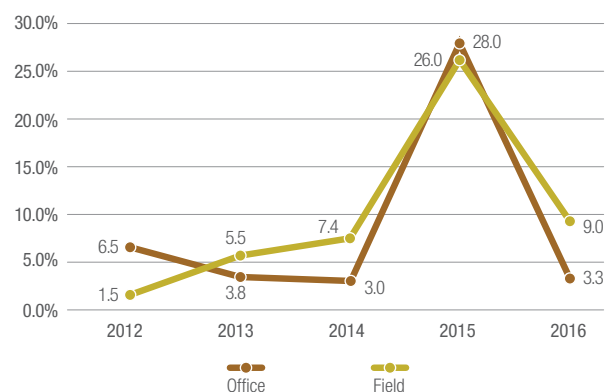
- » Day of Caring - in July 2016, 65 of our employees volunteered at the Calgary Drop-In Centre and The Mustard Seed sorting clothing and furniture, and making meals for the less fortunate;
- » Poverty to Possibility Campaign – Calgary staff were asked to collect personal hygiene products and assemble kits for this United Way campaign;

Perhaps more than charitable donations, enabling and encouraging our employees to volunteer has become the most powerful means of community investment.

- » With our employees' donated items and time, we were able to build 694 kits (e.g., shampoo, soap/body wash, deodorant and toothbrushes), which were distributed by the United Way to low-income families and individuals;
- » Camp Kindle - for the third year in a row, our employees volunteered their time to serve a dinner for the children at Camp Kindle; and
- » Canadian Blood Services – we made a pledge to donate 30 units of blood. Our employees exceeded that by donating 52 units; that means one in every three employees in our Calgary office donated blood.

Falling commodity prices in 2015 presented significant challenges to our entire industry. Baytex, for the first time in its corporate history, reduced our overall staffing by 20 percent in September 2015. Further steps were taken to ensure Baytex's long-term financial sustainability, from March to December 2016 we instituted a 90 percent work schedule and reduced discretionary spending, including training. We are aware of how difficult this was for employees and their families, but felt these steps were necessary to weather the low oil price environment while retaining the right combination of staff and technical capability in our company.

TOTAL TURNOVER RATE



We usually experience low voluntary employee turnover and have minimized involuntary turnover whenever possible. In 2015, for the first time in our history, we had to reduce our overall staffing by 20 percent.



Business Practices and Compliance

Making corporate responsibility part of our culture requires integration of our business plans and responsible practices. This is an ongoing process and we are committed to working with all levels and disciplines within the company to continually improve.

Highlights

- » Adopting a Board and Management Diversity Policy
- » Improving regulatory compliance performance

Challenges

- » Maintaining full compliance on a widely dispersed asset base in a low commodity price environment

Looking Forward

- » Developing a management succession plan
- » Understanding compliance status of recently acquired assets and identifying any gaps

The practices that ensure we remain a responsible company include:

- » solid governance;
- » ethical business conduct;
- » embedding the management of corporate responsibility; and
- » a strong commitment to regulatory compliance.

These foundations guide our actions on specific corporate responsibility topics such as safety and environmental protection.

Governance

Our Board of Directors (the Board) is ultimately responsible for the stewardship of Baytex, and is accountable to our shareholders. The Board determines the direction of the company and ensures that management acts in the best long-term interests of Baytex shareholders. The Board has four committees: the Audit Committee, the Compensation Committee, the Nominating and Governance Committee and the Reserves Committee. Each of the committees has specific duties but the overall Board has responsibility for health, safety and environmental matters.

Nine of our eleven Board directors are considered independent. Edward D. LaFehr is not considered to be independent as he currently serves as President and Chief Executive Officer. James L. Bowzer is not considered to be independent as he served as an executive officer within the last three years.

In March 2015, Baytex adopted a Board and Management Diversity Policy. This policy is applicable to director and executive officer appointments and recognizes that it is in the best interest of Baytex and our stakeholders to have a diverse Board and management team. The policy requires consideration of whether or not a candidate would contribute to the diversity of the team in gender, age and/or ethnicity. In the recently elected Board, two of the eleven directors are women and two additional directors impart ethnic diversity.

Shareholders, employees and other interested parties may contact the Board by sending correspondence, marked to the attention of the Chairman of the Board. Through attendance at the annual meeting of shareholders (AGM) or through the use of proxies for voting, shareholders are given the opportunity to vote on matters affecting Baytex.

Our shareholders have a “say on pay” and approve, on an advisory basis, our approach to executive compensation. In addition, subject to statutory provisions, shareholders may submit their own resolution for consideration at the AGM. Shareholders also have the opportunity to raise questions from the floor during the question and answer portion of the AGM.

Another important element of governance is orderly succession. Following our established CEO succession plan, in May 2017, Ed LaFehr replaced James Bowzer as Chief Executive Officer. They worked together from July 2016 to ensure a seamless leadership transition. James Bowzer remains on the Board following this transition. In 2017, we will develop an executive management succession plan.

Ethics

Our Code of Business Conduct and Ethics (the Code) is a statement of the principles to which Baytex is committed and is designed to direct all employees, officers, directors and independent contractors that conduct activities on behalf of Baytex in the practice of ethical business conduct. Among other issues, it addresses: conflicts of interest, fair dealings, gifts, legal compliance and confidentiality. Each employee, officer, director and independent contractor is required to confirm annually that he or she has read, understood and complied with the Code. The Code is available on our [website](#).

Baytex has a Statement on Reporting Ethical Violations that encourages employees to report misconduct and is available on our [website](#). The associated procedure ensures that Baytex 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 of the Board on a quarterly basis on all investigations.

Management Approach to Corporate Responsibility

Like many oil and gas companies, Baytex has experienced significant challenges to our business during the recent economic downturn. Our leadership has placed strong emphasis on meeting production and reserves growth objectives, but realizes that we must conduct these activities in a compliant, safe and environmentally responsible manner while remaining responsive to local communities.

To implement our commitment to corporate responsibility across the organization, Baytex looks to the following internal groups: Health, Safety and Environment; Regulatory; Integrity Management; Human Resources; Legal; and Stakeholder Relations. These groups execute our strategy, monitor best practices, develop company policies and standards, and support our operations in adhering to these policies and standards.

Our HSE Management System provides a framework that details the expectations of all levels of management and describes how managers can implement the system with respect to corporate values and policy. Managers will define and set direction for loss prevention activities, forecast and allocate resources and consistently strive to deliver improved HSE performance. Implementation activities are designed to meet the objectives set in corporate policy.

We analyze organizational risk, including risk related to fraud, on an annual basis. Risks and opportunities are assessed at the asset level, and are managed to ensure

Our CEO and COO emphasized how important compliance is for Baytex's reputation, reiterated their commitment to ensuring our operations teams have the right tools and communicated "there is always time to do the right thing."

that we achieve our goals and minimize our risks. Our Stakeholder Relations team has been instrumental in helping our Land and Regulatory teams understand and mitigate non-technical risks for surface access. Through increased stakeholder engagement, we have improved relationships and received timely permit approvals.

Regulatory Compliance

Our operations are subject to numerous local, provincial, state and federal environmental, safety, financial and reporting regulations. Baytex strives to operate in accordance with all regulations, legal requirements, and industry codes of practice. Our stakeholders expect no less.

One of the ways we measure the effectiveness of our operational processes is by comparing our site inspection statistics against our peers' performance. In all provinces where we operate, regulators conduct regular inspections of our active and inactive sites. In 2015, our Regulatory team began detailed tracking of inspections and compliance statistics. The compiled data is useful for identifying compliance trends and highlighting areas for improvement.

Aiming to achieve broad ownership of regulatory compliance, we increased our emphasis in this area in our semi-annual Operational Excellence Meeting. All superintendents attend the two-day meeting and communicate what they learned with their operations teams. In our 2015 meeting, our CEO and COO emphasized how important compliance is for Baytex's reputation, reiterated their commitment to ensuring our operations teams have the right tools and communicated "there is always time to do the right thing."

Results of the increased awareness and engagement of our operators include:

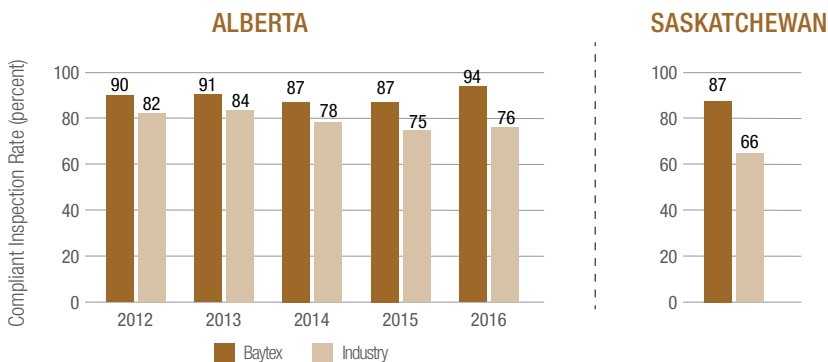
- » A few months after the meeting, our overall compliance rate improved from 90 to 95 percent in Alberta and from 83 to 89 percent in Saskatchewan.
- » In 2015, more than 65 percent of our non-compliances were related to housekeeping (e.g. staining, weeds/debris/erosion and signage deficiencies). In 2016, the number of non-compliances in these areas declined by 28 percent.

Additionally, regulators issue Notices of Violation (NOV) for many reasons, including administrative issues. Baytex considers an NOV to be material when it results in a monetary fine or the suspension of operations. In the past two years, we received two material NOV, both in 2015. The first material NOV related to a spill in Wyoming and resulted in a fine of US\$75,000. The second material NOV related to a non-compliance by the prior owner of the operated Eagle Ford assets (which Baytex sold in July 2016) and resulted in a fine of US\$250,000.

The regulatory environment is constantly evolving and we are resolute to maintain compliance. In 2017, we will focus on:

- » Understanding the compliance status of the recently acquired assets in Peace River and identifying any gaps;
- » Preparing our first report under the Extractive Sector Transparency Measures Act (Canada);
- » Beginning to implement changes necessary to comply with the recently approved Alberta Climate Leadership Act. Currently, the majority of our purchases and consumption activities are exempt until 2023; and
- » Understanding the implications of the federal and Alberta provincial government agreement to reduce methane emissions by 45 percent by 2025, which will likely result in stricter emissions regulations around the design and operation of facilities.

COMPLIANT INSPECTION RATE



Compliant inspection rate is defined as the percentage of site inspections conducted by the regulator where the site was deemed satisfactory and no non-compliances were issued. Baytex has consistently outperformed the industry average, and even as the industry-wide compliant inspection rate has decreased in the past four years, Baytex has sustained our solid performance.

RAISING THE BAR ON FLARING AND VENTING

To reflect residents' and societal concerns, in the past few years the Alberta Energy Regulator (AER) has taken an increasingly strict stance on flaring and venting. We fully support efforts to cost-effectively reduce flaring and venting and continually strive to remain in compliance with all AER directives.

- » In 2014, a revised Directive 060 came into effect, changing requirements around venting and off-lease odours. Baytex is in full compliance with this directive. We have made significant investments in training and infrastructure to ensure we remain an industry leader in the reduction of flaring and venting.
- » Enacted in early 2017, Directive 084 applies to the Peace River area and aims to completely eliminate routine venting, and to drastically reduce non-routine venting, flaring and fugitive emissions, by mid-2018. We are currently updating and developing a management system to incorporate Directive 084 requirements into our Peace River operations.

Baytex has been proactively upgrading our infrastructure and working closely with the Alberta Energy Regulator since 2014 to ensure we remain fully compliant with Directive 060 and Directive 084. We also provided input during the development stages of these policy changes.



Performance Summary

Baytex is committed to measuring and reporting our sustainability performance in a transparent manner. Transparency holds us accountable to our stakeholders, and drives our behaviour. We see this report as a management tool to identify areas where we can further improve our performance.

Performance Summary

Indicator	Units	2012	2013	2014	2015	2016
Environment¹						
Greenhouse Gas Emissions						
Direct	tonnes CO ₂ e	818,875	1,020,570	1,284,090	1,236,121	972,834
Indirect	tonnes CO ₂ e	60,221	48,286	45,746	37,829	30,810
Total	tonnes CO ₂ e	879,096	1,068,855	1,329,836	1,273,950	1,003,644
Intensity ²	total tonnes CO ₂ e/boe	0.044	0.051	0.060	0.076	0.082
Other Air Emissions						
SO ₂	tonnes	303	221	28	2	34
NO _x	tonnes	6,242	4,599	5,265	4,318	3,919
SO ₂ Intensity ²	tonnes per thousand m ³ OE	0.095	0.067	0.008	0.001	0.018
NO _x Intensity ²	tonnes per thousand m ³ OE	2.0	1.4	1.5	1.6	2.0
Water						
Withdrawals	thousand m ³	793	781	867	534	337
Intensity ²	m ³ per boe	0.039	0.037	0.039	0.032	0.028
Reclamation						
Wells Undergoing Active Reclamation	#	218	240	306	472	319
Reclamation Certificates/ Releases Received	#	20	24	32	16	34
Reportable Spills						
Number	#	46	51	48	23	17
Volume	m ³	415	549	606	412	340
Employees						
Employees	#	231	281	294	327	269
Full Time	#	-	264	278	306	248
Part Time	#	-	17	16	21	21
Voluntary Turnover Rate - Office	%	6.5%	3.8%	3.0%	28.0%	3.3%
Voluntary Turnover Rate - Field	%	1.5%	5.5%	7.4%	26.0%	9.0%
Women in Workforce	%	42.1%	41.0%	40.0%	34.0%	33.0%
Spending on training per employee	\$/employee	-	652	778	321	78

Indicator	Units	2012	2013	2014	2015	2016
Safety²						
Recordable Injury Rate - Employees	Cases/200,000 hours worked	0.24	0.59	0.00	0.81	1.17
Recordable Injury Rate - Contractors	Cases/200,000 hours worked	0.93	1.36	1.29	1.11	0.12
Recordable Injury Rate - Combined	Cases/200,000 hours worked	-	1.22	0.98	1.01	0.52
Lost-time Injury Rate - Employees	Cases/200,000 hours worked	-	0.44	0.00	0.32	0.20
Lost-time Injury Rate - Contractors	Cases/200,000 hours worked	-	0.41	1.23	0.66	0.12
Lost-time Injury Rate - Combined	Cases/200,000 hours worked	-	0.42	0.31	0.56	0.15
Fatalities – Employees and Contractors	#	0	0	0	0	0
Society³						
Economic Value Generated ⁴	\$ millions	1,442.4	1,339.5	2,321.0	1,322.7	941.5
Economic Value Distributed to:						
Suppliers	\$ millions	893.8	969.9	1,292.6	905.7	491.8
Employees (wages and benefits)	\$ millions	22.9	22.5	28.1	35.3	30.0
Providers of Capital	\$ millions	257.0	280.9	405.7	9.5	104.2
Governments (taxes and royalties)						
Domestic Governments	\$ millions	182.7	186.0	361.3	74.5	54.0
Foreign Governments	\$ millions	17.6	5.3	78.5	37.0	21.6
Landowners	\$ millions	19.1	18.7	18.3	168.2	137.6
Communities & Non-Profits (charitable contributions)	\$ millions	0.2	0.5	0.6	0.3	0.2
Indigenous Communities (purchases and royalties) ⁵	\$ millions	4.6	13.9	6.1	1.6	0.6
Value Retained in Baytex ⁶	\$ millions	44.5	-158.1	129.8	90.5	101.6
Purchases from Aboriginal Suppliers ⁷	\$ millions	2.6	9.2	2.4	1.1	0.4

Notes:

1. 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. In July 2016, Baytex disposed of the operated portion of its assets in the Eagle Ford.
2. Intensity figures for environmental figures in 2014 and safety rates for 2013 have been revised since the publication of our 2014 Corporate Responsibility report to reflect enhanced data collection.
3. Corporate acquisitions and funds raised or borrowed to finance corporate acquisitions have been excluded.
4. Includes revenues from petroleum and natural gas sales, realized gain/losses from derivatives or foreign exchange and net proceeds from divestitures.
5. Only includes direct purchases and royalties paid to Indigenous communities but 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.
6. Value retained is simply value generated minus value distributed. This is not a financial reporting indicator and should not be confused with retained earnings.
7. Businesses owned at least 50 percent by First Nations, Inuit, Métis or by a band.

GRI Content Index

We used the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines to help determine report content. The report contains Standard Disclosures from the Guidelines but has not fulfilled all the requirements to be 'in accordance'. For more information on the GRI, please visit www.globalreporting.org.

GRI INDICATORS		Page
G4-1	CEO statement	5
Organizational Profile		
G4-3	Company name	3
G4-4	Primary brands, products and services	3-4
G4-5	Location of headquarters	3
G4-6	Countries where company operates	3
G4-7	Nature of ownership and legal form	3
G4-9	Scale of the company: number of employees, number of operations, revenues	3-4
G4-10	Employee numbers breakdown (full and part time, by gender, by region)	27
G4-13	Significant changes during reporting period	4
G4-15	Externally developed economic, environmental and social principles or other initiatives endorsed by Baytex	Inside Back Cover
Identified Material Aspects and Boundaries		
G4-17	List all entities included in financial statements and whether they are included	7
G4-18	Describe process for defining report content and boundaries	7
G4-19	List all aspects deemed material	7
G4-22	Explanation of information restatements	28
Stakeholder Engagement		
G4-24	List of stakeholders groups engaged	19
G4-26	Approaches to stakeholder engagement	19
G4-27	Key topics raised through stakeholder engagement and response	19
Report Profile		
G4-28	Reporting period	7
G4-29	Date of most recent previous report	7
G4-31	Contact point for questions	Back Cover
G4-32	In accordance option and list of GRI indicators addressed	7, 29
G4-33	Policy and current practice on external assurance of report and whether the Board is involved in seeking assurance	7
Governance and Ethics		
G4-34	Governance structure, including committees of the Board	23
G4-39	Independence of the Chair of the Board	23
G4-45	Role of the Board in managing sustainability impacts, risks and opportunities	23
G4-49	Process to communicate critical concerns to the Board	23
G4-56	Describe values, standards and code of conduct	24
G4-58	Mechanism for reporting concerns about unethical or unlawful behaviour	24
Economic		
EC1	Direct economic value generated and distributed	20, 28

Environment		
EN8	Total water withdrawal by source	17, 27
EN15	Direct GHG emissions (Scope 1)	15, 27
EN16	Energy indirect GHG emissions (Scope 2)	15, 27
EN18	GHG emissions intensity	15, 27
EN19	GHG emissions reductions achieved	14
EN21	NOx, SOx, and other significant air emissions	15
EN24	Total number and volume of significant spills	13, 27
EN29	Fines and non-monetary sanctions for non-compliance with environmental laws and regulations	25
Social		
LA1	Total and rate of new employee hires and turnover by age, gender and region	21, 27
LA6	Injury rates, lost day rates, and fatalities	10, 28

Non-GAAP Financial Measures

Funds from operations is not a measurement based on Generally Accepted Accounting Principles (“GAAP”) in Canada, but is a financial term commonly used in the oil and gas industry. Funds from operations represents cash generated from operating activities adjusted for changes in non-cash operating working capital and other operating items. Baytex’s determination of funds from operations may not be comparable with the calculation of similar measures for other entities. Baytex considers funds from operations a key measure of performance as it demonstrates its ability to generate the cash flow necessary to fund future dividends to shareholders and capital investments. The most directly comparable measures calculated in accordance with GAAP are cash flow from operating activities and net income.

Net debt is not a measurement based on GAAP in Canada. We define net debt to be the sum of monetary working capital (which is current assets less current liabilities (excluding current financial derivatives and onerous contracts)) and the principal amount of both the long-term notes and the bank loan. We believe that this measure assists in providing a more complete understanding of our cash liabilities

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; the make-up of our production; our reserves and cost to find, develop and acquire reserves; plans, targets and goals in respect of emissions, emissions intensity, water use, spills, site reclamation, the health, safety

and environment of our employees and contractors and the attraction and the retention of our employees; community and stakeholder engagement and investment; Indigenous and native American relations and procurement practices. Readers are cautioned not to place undue reliance on forward-looking statements as our actual results may differ materially from those expressed or implied.

Developing forward-looking statements involves reliance on a number of assumptions and consideration of certain risks and uncertainties, some of which are specific to Baytex and others that apply to the industry generally. The assumptions on which the forward-looking statements are based and the risk factors and uncertainties that could cause our actual results to differ materially are discussed 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, both are available at www.baytexenergy.com. 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 does not undertake 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 securities law.

Baytex participates in the following initiative:



Baytex responds to the Carbon Disclosure Project survey on greenhouse gas emissions and related programs. The CDP requests standardized climate change information from companies around the world through an annual questionnaire sent on behalf of more than 700 institutional investors with \$87 trillion in assets under management.



3A05

3A10

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

Email: goodneighbour@baytexenergy.com www.baytexenergy.com