



FUTURE FOCUSED

ESG Report | 2020

TSX BTE

TABLE OF CONTENTS

CEO AND CHAIR MESSAGE	3	GOVERNANCE	35
ABOUT BAYTEX	4	Corporate Governance	36
ESG AT BAYTEX	5	Executive Compensation	37
How Focusing on ESG Creates Value	6	Ethics	38
Our ESG Targets	7	Governance for ESG Matters	39
ESG Reporting Scope	8	TCFD: CLIMATE-RELATED FINANCIAL DISCLOSURES	40
ENVIRONMENT	9	Governance of Climate-Related Issues	41
GHG Emissions	10	Risk Identification and Integration	42
Spills	14	Strategy	43
Abandonment and Reclamation	17	Metrics and Targets	47
Water and Fracking	19	APPENDIX	48
Air Quality	21	ESG-Related Questions	48
SOCIAL	22	Performance Table	49
Employee Safety	23	SASB Index	53
Contractor Safety	25	GRI Index	56
Our COVID-19 Response	26	Forward-Looking Statements	58
Diversity and Inclusion	28		
Employee Development and Engagement	29		
Stakeholder Engagement and Community Relations	31		
Indigenous Rights	32		
Economic Impact and Community Investment	33		



TO OUR STAKEHOLDERS

The last two years were marked by a global pandemic, an increasing focus on climate risks and significant social movements – each of which remind us of our interconnectedness. While this made 2020 an incredibly challenging year for the world, our industry and for our company, we are optimistic about the future as we see human ingenuity and determination shining through.

As a company, we have responded to these events on many fronts. From our employees, to our management team, to our Board – we showed resilience and took decisive action to ensure the safety of our people, support our communities, improve our GHG emissions intensity, and fulfill all of the commitments we have made.

We are proud to share Baytex's fifth biennial sustainability report, now called our Environmental, Social, and Governance (ESG) report. While the name has changed, we remain committed to developing responsible energy for the future while providing balanced and transparent disclosure of our non-financial performance. We know that our ESG efforts are essential to our long-term viability and relevance. As we see it, sustainability is not a destination – it is a way of working and taking on the next challenge. This culture of improvement and commitment is demonstrated through setting new expectations and targets to position us for the future.

Environment: We achieved a 46% reduction in our GHG emissions intensity by the end of 2020 from our 2018 baseline, exceeding our target reduction of 30% by 2021 a year early. In addition, we have set a new GHG emissions reduction goal, established a freshwater use baseline and set an ambitious asset retirement obligation target to continue driving performance across a broad spectrum of our environmental priorities.

Social: Our safety culture was strong throughout a volatile period of activity, with a 25% reduction in our recordable injury rate from 5 years ago. We also signed an agreement with the Peavine Métis Settlement and continued our partnership with the Woodland Cree First Nation, both of which reflect our commitment to create economic benefits and social prosperity through partnerships. A new framework for flexible work called "BayFlex" was also established to further stimulate our incredibly bright and talented people and promote work-life balance.

Governance: We have completed a period of significant Board renewal to ensure independence and increase diversity, with 22% women Board members at the end of 2020. We also realigned our pay-for-performance model to reflect additional financial and sustainability metrics that will drive the long-term success of the company. And our Reserves and Sustainability Board Committee expanded its mandate to ensure the highest level of oversight for sustainability-related matters.

As we plan for the future, we have set the bar higher by setting new environmental and social goals. Having surpassed our first GHG target, we want to further decarbonize our operations and have committed to reduce our GHG intensity 65% by 2025 from our 2018 baseline. Additionally, to reduce our asset retirement obligations, we have set a goal to accelerate the reduction of our year-end inactive well inventory (on an operated basis) to zero by 2040. We will also be evaluating and testing methods to reduce our freshwater intensity. Finally, we will progress on our diversity and inclusion journey by expanding our baseline to include multiple dimensions of diversity and enhancing our processes to measure employee engagement.

We are committed to deepening our culture of sustainability to move closer to our vision of being a leader in ESG. We believe we can achieve this vision because of our incredible team of people who are progressive, entrepreneurial, highly collaborative, bold, pragmatic, and passionate about moving the business forward. As we continue to evolve our culture, we have every confidence we can provide energy to customers safely and responsibly, maintain high standards of environmental stewardship, social development and ethics, and create value for our many stakeholders.

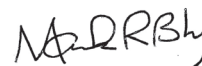
Sincerely,



Edward D. LaFehr

President and
Chief Executive Officer

July 28, 2021



Mark R. Bly

Board Chair



“Our culture of improvement and commitment is demonstrated through setting new expectations and targets to position us for the future.”

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 as well as conventional oil and natural gas assets across Western Canada. The U.S. segment includes non-operated Eagle Ford assets in eastern Texas. Baytex's common shares trade on the Toronto Stock Exchange under the symbol BTE.

» Significant leadership changes

» As part of our ongoing board renewal process, we welcomed both Steve Reynish and Don G. Hrap to our Board in 2020 and Naveen Dargan, one of our long standing Directors, retired in 2021.

About Our Company

All figures as of December 31, 2020

\$3.4

Billion in total assets

206

Employees

462

Million boe in reserves
(proved plus probable, gross)

\$976

Million in sales*

\$280

Million in exploration
and development capital

Our Business Activities

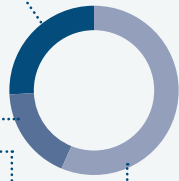
Upstream

TOTAL PRODUCTION: 79,781 boed**

26%
Heavy oil

18%
Natural gas

56%
Light oil/
condensate



39%

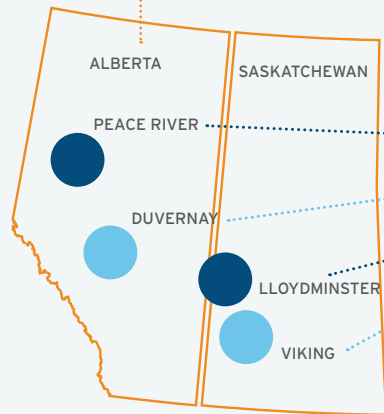
Non-operated

61%

Operated



EAGLE FORD
(TEXAS, USA)



Heavy oil
~14,000 boe/d

Light oil
~2,000 boe/d

Heavy oil
~10,000 boe/d

Light oil
~19,000 boe/d

Midstream

Baytex owns and operates the following midstream assets, including:



5,382 storage tanks

(includes storage and oil separation tanks at our oil processing facilities)



413 million m³/day of operated gas sales



3,089 km of pipeline in our operations



201,269 truck loads

*Total sales

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

ESG AT BAYTEX

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 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 values are aligned with a global movement of organizations working towards a better, more sustainable future and are representative of the United Nations' Sustainable Development Goals 8, 12, and 13.

Our Vision

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

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.



HOW FOCUSING ON ESG CREATES VALUE

We have reported on our non-financial performance since the publication of our first sustainability report in 2012. By incorporating environmental, social, and governance factors into our business and reporting on our performance, we create value for shareholders and remain focused on advancing a responsible energy future.

OUR COMMITMENT	HOW THIS CONTRIBUTES TO VALUE CREATION	MATERIAL TOPICS
<p>ENVIRONMENT</p> <p>Responsibly develop our assets</p> <p>Reduce the environmental impacts of our operations</p>	<ul style="list-style-type: none"> » Improves the reliability of our operations and reduces costs » Helps to build trust with regulators and stakeholders and maintains social license » Reduces corporate end of life liability » Decarbonization of our operations 	<ul style="list-style-type: none"> » GHG emissions and energy use » Abandonment and reclamation » Transition to a low carbon economy » Spills » Water and fracking » Air quality
<p>SOCIAL</p> <p>Create a culture of safety</p> <p>Be a good neighbour</p> <p>Engage our employees</p> <p>Diversity in our workforce</p>	<ul style="list-style-type: none"> » Supports the consistent and safe execution of our business plan and enhances company performance » Maintains social license and enables growth in our operations by reducing non-technical project delays 	<ul style="list-style-type: none"> » 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
<p>GOVERNANCE</p> <p>Ensure effective Board leadership</p> <p>Be transparent and accountable</p> <p>Tie compensation to key ESG matters</p>	<ul style="list-style-type: none"> » Sets strategic direction and improves decision-making » Enables shareholders and stakeholders to make informed decisions » Encourages a culture of continuous improvement 	<ul style="list-style-type: none"> » Corporate governance » Ethics » Governance for environmental and social matters



» By incorporating environmental, social and governance factors into our business and reporting on our performance, we create value for shareholders, and remain focused on advancing a **responsible energy future.**

OUR ESG TARGETS

Our drive for continual improvement is an important element of our culture. In 2019, we set three targets with respect to GHG emissions, fresh water use, and diversity and inclusion. Having met or exceeded these goals, we are now focused on four new targets that span our impacts on air, water, land, and people.

Our Past Targets

OUR TARGETS

GHG EMISSIONS

30% reduction of our corporate GHG emission intensity (tonnes of CO₂e per boe) by 2021 from our 2018 baseline.*

**incorporating full year emissions of our Viking assets acquired in mid -2018.*

WATER

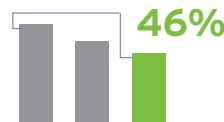
By 2020, establish a fresh water use baseline and evaluate new ways to reduce freshwater intensity.

DIVERSITY AND INCLUSION

20% or more of our Board members to be women.

WHAT WE ACHIEVED

✓ We exceeded this target one year early achieving a **46%** reduction by 2020.



✓ In 2020, we established our **fresh water intensity baseline** (0.054 m³ per boe).

✓ In 2020, we successfully trialed recycling produced water from our thermal operations for fracking.

✓ **22%** of our Board members were women at the end of 2020.



Our New Targets

Our new targets focus on our environmental and social challenges:



GHG EMISSIONS

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



ABANDONMENT AND RECLAMATION

Restore our current end-of-life well inventory* for future generations with our **"Zero by 2040"** initiative.

**4,500 wells*



WATER

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



ENGAGEMENT AND DIVERSITY

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

ESG REPORTING SCOPE

This is Baytex's fifth biennial sustainability report, now called an Environmental, Social and Governance (ESG) report. Through this report, we communicate our ESG metrics, achievements and challenges.

- » Unless otherwise noted, this report covers quantitative performance for the five years ended December 31, 2020 and qualitative information for the 2019 and 2020 calendar years.
- » We report environmental data on the basis of operational control, which means we include data for joint ventures in which Baytex holds the operating permit or is identified as the operating entity in the contract, regardless of financial ownership. 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 for intensity calculations referenced in this report is different from the production data presented in our Annual Report, MD&A and Financial Statements.
- » 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 mathematically to equivalent barrels of oil (boe) 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 performance. Internal assurance activities for this report included financial and HSE performance audits. Third-party assurance of this report was not conducted.
- » The terms Baytex, our, we, the company, and the corporation, refer to Baytex Energy Corp. and its subsidiaries.



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, reflected in the table on page 6, remain largely unchanged since the publication of our 2018 sustainability report. However, we have provided enhanced disclosures related to climate-related risks and opportunities, to reflect the increased level of stakeholder interest in this topic.

REPORTING FRAMEWORKS

Our 2020 disclosures on our ESG performance are guided by three reporting frameworks:

- » **Sustainability Accounting Standards Board (SASB).** See page 53 for the SASB Index.
- » **Global Reporting Initiative (GRI).** See page 56 for the GRI Index.
- » **Task Force on Climate-Related Financial Disclosures (TCFD).** See page 40 for details.

ENVIRONMENT

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

2019-2020 HIGHLIGHTS

- » Reduced our corporate GHG intensity by **46%** from our 2018 baseline, exceeding our target of **30%**
- » Reduced our Viking GHG intensity by **61%** from our 2018 baseline
- » Reduced our absolute emissions by **1.6** million tonnes of CO₂e from 2018 to 2020
- » Reduced our annual reportable spill volumes by **59%** in the past five years
- » **83,352** loads delivered by our trucking division in 2020 with **zero** reportable spills
- » Established a **2020 fresh water use baseline** of 0.054 m³ per boe
- » Started a **pilot to reuse water** from our SAGD operations in Kerrobert for fracking in our light oil assets
- » Abandoned **232** wells and completed \$2.1 million of government funded abandonment projects

FUTURE FOCUS

- » **Reduce our GHG emissions intensity 65%** by 2025 from our 2018 baseline
- » Restore our current end of life well inventory* for future generations with our **"Zero by 2040"** initiative
*4,500 wells
- » By 2022, evaluate and test new methods to **reduce the fresh water** use intensity of our operations

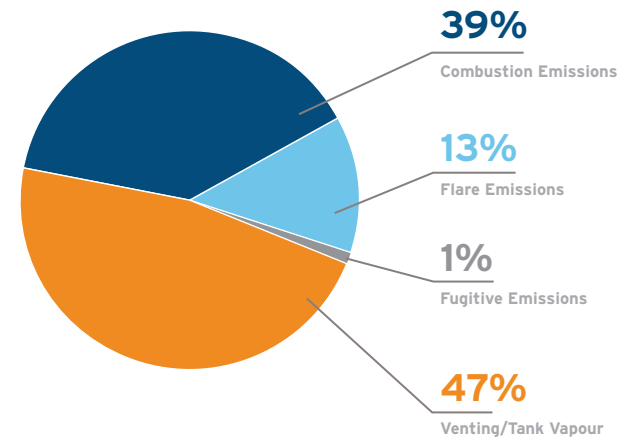
GHG EMISSIONS

The energy industry and society are undergoing a transition to a low-carbon economy fueled by growing concerns over climate change. We believe oil and gas will be instrumental in this energy transition. As a responsible energy producer, we are committed to monitoring greenhouse gas (GHG) emissions from our operations, setting targets to reduce our GHG emissions intensity, and pursuing cost-effective decarbonization strategies.

Sources of Emissions

Our GHG emissions profile varies by location and production method across our operations. In 2019 and 2020, venting was our largest overall source of GHG emissions. Venting refers to the release of natural gas into the atmosphere as a result of production activities. Since natural gas is composed of 95% methane, and methane's global warming potential is 25 times¹ more potent than carbon dioxide (CO₂), we focus many of our GHG reduction activities on reducing high intensity venting activities. Our second largest source of GHG emissions in 2019 and 2020 was combustion of natural gas, diesel or propane to power on-site production equipment.

2020 Emission Sources



Venting was our largest source of GHG emissions in 2019 and 2020. We therefore focused our efforts on reducing venting, particularly from our Viking assets.

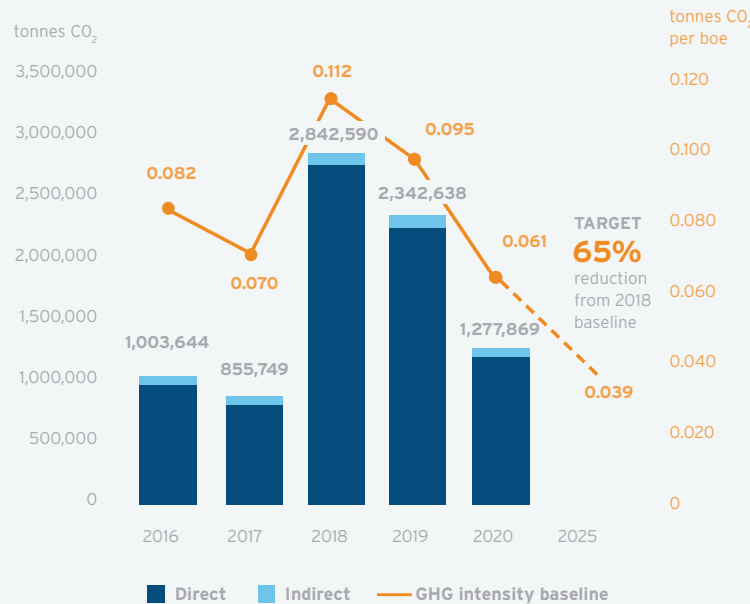


+ SASB EM-EP-110a.1
SASB EM-EP-110a.2

Raising the Bar

- » In 2019, we set our first corporate target to reduce our GHG emissions intensity (tonnes CO₂e per boe) 30% by 2021, relative to our 2018 baseline. We exceeded this target a year early, **reducing our GHG intensity 46%** by 2020.
- » We invested \$20 million in lowering our Viking emissions. From 2018 to 2020 we achieved a **61% reduction in the Viking's GHG intensity**, from 0.254 tonnes CO₂e/boe to 0.085 tonnes CO₂e/boe.
- » Absolute GHG emissions have also declined significantly over the past two years, dropping a cumulative **1.6 million tonnes of CO₂e** from 2018 to 2020. This is the equivalent of taking 340,000 cars off the road each year.
- » As part of our commitment to continuous improvement, we have set a new target to **reduce our GHG intensity by 65%** total from our 2018 baseline.

GHG Emissions and Our New Target



Notes:

1. In August 2018, we completed a strategic combination which significantly changed our emissions profile. Our 2018 baseline emissions include the combined entity full-year emissions to measure our future performance against.
2. We set our reduction targets against emissions intensity as it is the most meaningful measure of the efficacy of our mitigation efforts. It is less affected by production levels and capital activity fluctuations than absolute emissions.

¹ Intergovernmental Panel on Climate Change (IPCC), 2018. Accessed on May 20, 2021. https://www.ipcc.ch/site/assets/uploads/2018/03/ar4_wg2_full_report.pdf

GHG Reduction Initiatives

We have a multi-faceted approach to reducing our GHG emissions that addresses technical and operational challenges. Our initiatives include:



Shifting from venting to combustors and flares: We deployed \$10 million in combustor technology and flares across many of our Viking sites where there is limited gas-gathering infrastructure. Combustors provide an effective method of methane mitigation by burning natural gas that would otherwise be vented. In the combustion process, methane is converted to CO₂e, a less potent GHG.



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



Upgrading to low-bleed pneumatic devices: In 2019, we inventoried gas-driven pneumatic devices (which release, or “bleed”, small quantities of methane during normal operations) at our Alberta production sites. We identified 127 high-bleed devices for conversion to low-bleed technology in 2021. This initiative is anticipated to lower our emissions by approximately 14,000 tonnes of CO₂e by 2023. By removing these high vent devices before the mandated regulatory deadline, we will generate carbon credits to be used to partially offset future compliance obligations.



Preventing fugitive emissions: Our fugitive emissions management program (FEMP) and survey schedule is aligned with regulatory requirements in each jurisdiction. The goal of the program 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 2020, we surveyed 558 sites and repaired 713 fugitive leaks.



Reducing emissions from drilling: We utilized dual-fuel drilling rigs on six wells in 2019 and 2020. These rigs run on diesel and lower-emission compressed natural gas. We actively support innovation in our service providers and give preference to companies that are demonstrating continual improvements in their environmental performance, including emissions reductions.



Consolidating production sites: Development planning includes multi-well pad drilling, where possible, to support higher production volumes for future gas conservation efforts, and to reduce our overall footprint. We often pair multi-well pads with extended-reach horizontal wells that help us access resources previously considered uneconomical. By consolidating production sites and moving to extended reach horizontals we also reduce our overall footprint. In some cases, going from 20 short wells to 10 long wells reduces the surface footprint by half. More than 95% of Viking development now incorporates extended-reach horizontal wells.



Gas conservation and storage: We use a variety of strategies to conserve associated gas from our operations, including processing it for gas sales, using it to power our sites, storing it for future sale or delivering it to third parties for power generation. The strategies on the next page have helped us achieve a 97% net routine gas conservation rate in 2020 in the Peace River area, and have improved our overall gas conservation in other areas including the Viking, where we invested \$5 million in gas conservation infrastructure in 2019 and 2020.



Reduction Initiatives by Business Unit



- ◆ Combustors
- Vapour recovery units
- Low-bleed pneumatics
- ❖ Fugitive emissions prevention
- ⊙ Dual-fuel rigs
- ⊕ Multi-well pads
- ☀ Gas conservation
- ★ Gas storage

We continually pursue options to reduce our GHG emissions and seek pragmatic solutions to mitigate our emissions in each of our operating regions.

EMISSIONS BY BUSINESS UNIT

	GHG (tonnes CO ₂ e)		GHG Intensity (tonnes CO ₂ e/boe)	
	2019	2020	2019	2020
Viking	1,498,852	576,097	0.217	0.085
Lloydminster	386,909	331,812	0.090	0.079
Conventional	64,217	50,688	0.039	0.036
Peace River	383,327	307,971	0.034	0.037
Duvernay	9,333	11,301	0.017	0.024
Total	2,342,638	1,277,869	0.095	0.061

We have significantly reduced the GHG intensity of our two most carbon intensive operating areas, Viking and Peace River, through our reduction initiatives.



SASB EM-EP-110a.2
SASB EM-EP-110a.3

Gas Conservation

2019-2020 GAS CONSERVATION ACTIVITIES

413 million
m³ of operated gas sales

GAS PROCESSING AND SALE

Baytex operates central gas processing facilities where we turn associated gas into market quality or dehydrated gas to be further processed and sold. The gas we sell is put to beneficial use heating homes or for power generation 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.

211 million
m³ of gas reused onsite

ONSITE FUEL

When feasible, we use associated gas for our own operations to fuel engine skids (which drive downhole pumps) and heat production tanks (for oil/water separation). In our Lloydminster operating area, we invested \$0.5 million in 2020 to install a gas gathering system and compressor station. This uses otherwise-vented gas to supply producing wells and facilities in the area. In 2020, we were able to reuse 1.5 million m³ of gas using this system. While commercial conservation of methane is not yet viable for many Viking sites in Saskatchewan, we are actively evaluating meaningful opportunities for gas conservation and onsite fuel utilization in Saskatchewan.

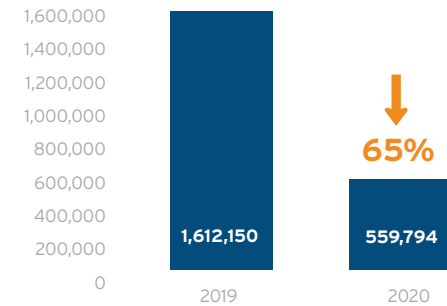
>6 million
m³ of gas stored

GAS STORAGE

In Peace River, we have injected a portion of our associated gas into an underground gas storage reservoir since 2015. Gas storage provides an alternative to flaring when we have excess associated gas due to downtime of gas processing or generation facilities in the region. In 2019 and 2020, we injected 6.3 million m³ and withdrew 283 thousand m³ from storage for processing and sale to natural gas providers. The cumulative peak volume in storage is 65.2 million m³. We anticipate withdrawing approximately 500 thousand m³ per month depending on demand and economics.

Emissions from Methane

tonnes CO₂e

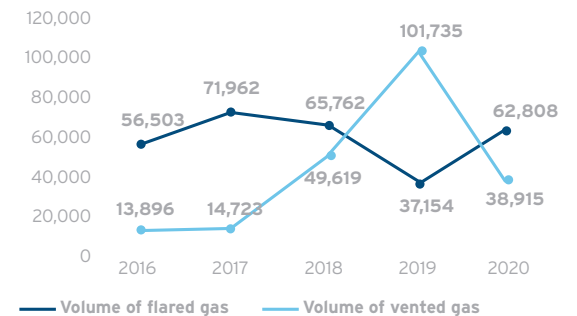


Because methane was our largest source of GHG emissions in 2019 and 2020, we invested heavily in methane mitigation technology. This resulted in a 65% reduction in methane.

» We reduced our methane emissions 65% from 2019 to 2020.

Flaring and Venting Volumes

Thousand cubic meters of gas



The increase in flaring volumes from 2019 to 2020 is due to:

- 1) a new Alberta production reporting requirement that reclassifies some facility gas volumes (previously classified as shrinkage volume) as flaring volumes, and
- 2) our large-scale transition from venting to combustors in our Viking assets.

HIGHLIGHT: BAYTEX'S ENVIRONMENTAL SUSTAINABILITY TEAM

» WHY?

We established the Environmental Sustainability Team (EST) in 2019 to promote pragmatic employee-driven solutions to the many challenges and opportunities evolving in the ESG space. The team's mandate is to develop a thorough corporate understanding of our environmental impacts on air, land and water, and monitor the regulatory landscape to help ensure our current and future environmental compliance. Our goal is to support innovative employee solutions and encourage operational practices that promote environmental stewardship.

» WHO?

The EST is a cross-functional team that includes employees from across the business including: operations, accounting, facilities engineering, regulatory compliance, and environment.

» WHAT DID THE TEAM DO IN 2019-2020?

To quickly move our 2019 emissions reduction program into action, the team brought GHG emissions data management in-house. In doing so, we are better able to determine accurate emissions baselines for target setting, support project reporting on mitigation efforts, and guide long-range planning. It also supports accurate and timely reporting of sustainability metrics for public disclosure and the management of climate-related risks and opportunities. Internal emissions forecasting tools were integrated as core business tools. These tools drive decision-making and enable measuring performance towards our targets.

The team's collaborative, and data-driven approach aided in the achievement of our first emissions intensity reduction target (see page 10 for details) and has also brought additional awareness to GHG reduction opportunities across the organization.

» Click [here](#) to watch a video highlighting the work of our Environmental Sustainability Team.

» HOW?

The team's approach is distinguished by four key characteristics:



BOLD: Proactively incorporating environmental sustainability into asset development, project planning, and decision-making in ways that move beyond regulatory compliance.



PRAGMATIC: Focusing on projects, initiatives, and deliverables that benefit the environment and are prudent to investors, employees, suppliers, and the communities where we operate.



MATERIAL: Identifying and focusing on environmental factors with significant relevance and their associated financial implications.



MEASUREABLE: Improving visibility, transparency, and tracking of key measures and metrics. Benchmarking against peers and identifying reporting opportunities that allow us to pursue continuous improvement.

» WHAT'S NEXT?

We have expanded the team's mandate to include other strategic environmental initiatives. Cross-functional working groups have been formed around key topics:

- » Corporate emissions reduction planning
- » Fuel, flare and vent reporting and compliance
- » Fresh water usage and recycle projects
- » Government grants and funding opportunities
- » Retirement of inactive assets
- » Evaluate technologies and new energy opportunities

Data-driven project management and cross-functional collaboration continue to be essential elements of the EST's mandate as it moves beyond emissions to deliver on our "Zero by 2040" commitment and assess our fresh water reduction strategies.

SPILLS

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

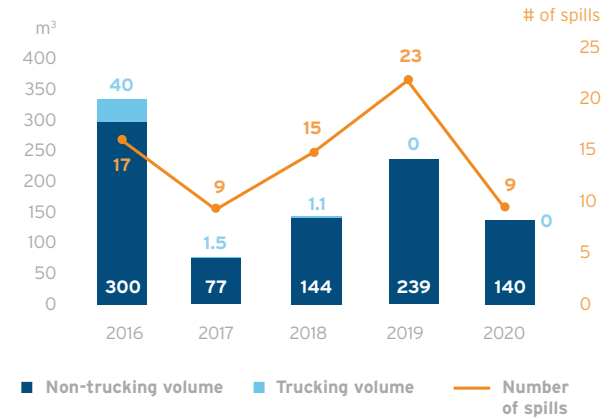
Preventing Pipeline Spills

Through our pipeline integrity management program, we operate more than 3,089 km of pipelines in Alberta and Saskatchewan. The majority (63%) of product transported by our pipelines is liquids including oil and produced water, with the remainder (37%) being gas. Our integrity program is regularly audited and includes the following practices:

- » **Corrosion prevention strategies:** We apply external protective coatings and use cathodic protection to safeguard the exterior of the pipeline from corrosion. We also inject corrosion inhibition chemicals for internal protection. Approximately 60% of our pipelines are metal and can benefit from these technologies.
- » **Daily checks:** Our operators conduct daily checks looking for physical signs of leaks and verifying pressures and production numbers from the wells and facilities to account for all volumes.
- » **Visual inspections:** We inspect pipeline right-of-ways from the air or ground to detect leaks, identify external damage, or observe changes to the environment such as erosion or vegetation overgrowth that could pose a risk to the pipeline and require maintenance. We conduct and document visual inspections on a risk-based schedule as often as every two weeks and at least once a year.
- » **Enhanced aerial inspections:** For a portion of our pipelines, we use thermal imaging and laser gas chromatography surveys to detect gas leaks or other anomalies. In 2019 and 2020, we inspected 700 km using this technology.
- » **Leak detection systems:** We monitor the flow of our highest risk pipelines remotely using a computational flow balance system that measures product entering and exiting a pipe section and triggers an alarm and automatic shutdown if it detects differences in those volumes.
- » **In-line inspections:** We conduct in-line inspections on our higher risk pipelines. During an in-line inspection, we send diagnostic devices called “smart pigs” through the length of the pipeline to detect and measure the characteristics of internal/external corrosion or dents and identify possible slope movements. In 2020, we inspected 175 km of pipeline using smart pigs and found no issues requiring repair. In specific circumstances, we have also used specialized in-line acoustic testing to detect pinhole leaks, and pigs with integrated cameras to inspect internal surfaces of non-metallic pipelines that cannot be inspected using conventional smart pigs (see page 16 for details).

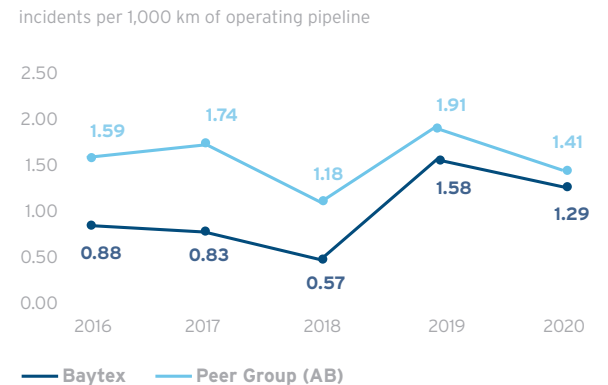


Reportable Spills



Our team's culture of continual improvement and shared accountability for spill prevention has reduced our reportable spill volumes by 59% in the past five years. Our trucking division had zero reportable spills in the last two years.

Pipeline Spills Rates



Due to our well-established pipeline integrity program, our pipeline-related spill rate is below our Alberta peers' average. (Source: Alberta Energy Regulator)

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 follow industry best management practices and rigorous regulatory standards that include:

- » **Integrity inspections** consisting of daily checks, monthly visual inspections, and internal inspections every five years. During internal inspections, we drain large tanks to assess coating and surface conditions and conduct ultrasonic testing to check for material loss from corrosion.
- » **Overfill prevention devices** such as tank-side gauge boards that indicate the level of liquid inside the tank, and high-level shutdown devices that prevent fluids from overflowing.
- » **Multiple layers of containment** including double walled tanks or secondary containment systems to prevent tank contents from reaching the environment in the unlikely event of a rupture. Our sites themselves act as a third layer of containment, with grading and berms designed to prevent spills from migrating offsite.
- » **Forward Looking Infrared (FLIR) cameras** which are employed to detect gas leaks from tanks that could indicate a perforation requiring repair.

Preventing Spills During Trucking

Our operated trucking division uses tanker trailers hauled by contracted trucks to move approximately 38,000 barrels of oil and produced water from our sites every day. We have reduced our spill frequency during trucking by 47% since 2016. Our practices target common causes of spills in the trucking industry such as overfilling, failed hoses, and small equipment failures (e.g., fittings). Some of the systems and practices that contribute to our improved performance include:

- » **Equipping 90% of trailers** with dual liquid level indicators and audible overfill alarms.
- » **Installing custom mechanisms** on some tanks to prevent spills that could occur if a driver were to unhook a hose without closing a valve.
- » **Requiring bypass or high-pressure shutdown systems** to keep hose pressures within safe limits during loading or unloading on contracted trucks.
- » **Emphasizing preventive maintenance** at least every 60 days for active trailers and verifying them with quarterly spot inspections.
- » **Incentivizing safe contractor performance** by awarding bonuses to truck owners based on the number of trucks in their fleet that meet safety targets, which includes spills performance.
- » **Implementing new procedures** to reduce wheel-off incidents which could result in significant spills during transport.

In 2020, approximately 200,000 loads of oil and water were transported from our sites with 60% of these loads transported by third parties. The companies that provide this service must follow our Health, Safety, and Environment manual and Transportation of Dangerous Goods (TDG) regulations in addition to other required protocols and audits.

All Spills Frequency - Trucking

Number of spills per thousand loads



We have reduced our spill frequency during trucking by 47% since 2016.

» **83,352 loads** delivered by our trucking division in 2020 with zero reportable spills.

Responding to Spills

If a spill occurs, we focus on protecting personnel and the public, minimizing damage to the environment and controlling costs associated with loss of product or equipment. Our Health, Safety and Environment 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 the initial spill response, we focus on stopping the release and recovering as much product as possible. If soil or water impacts remain after the initial cleanup, the site enters its remediation phase. When the remediation phase is complete, qualified environmental consultants conduct sampling to confirm that the soil or water quality meets regulatory guidelines.

Despite our best efforts, we experienced a 100 m³ spill of produced water from a pipeline in northern Alberta in 2019. The spill was detected by right-of-way surveillance and immediately led to the activation of our emergency response plan. Initial clean-up and recovery efforts were completed in 49 days and the remediation phase has now been completed. Baytex will continue to monitor and verify that the site meets the applicable regulatory guidelines. To avoid similar spills in the future, we made operational changes to keep the pipeline clean (e.g., regular pigging schedule) and upgraded the leak detection system with new meters and automated alarms.

SASB EM-EP-160a.2

COLLABORATING WITH INDUSTRY...

... on Spill Prevention

We belong to the Upstream Pipeline Integrity Management Association, a quarterly forum for companies and regulators to discuss technical issues, new research, and best practices. Baytex hosted the forum in September 2019.

... and on Spill Response

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.



PILOTING NEW TECHNOLOGY FOR COMPOSITE PIPELINES

In-line inspection technologies for steel pipelines do not work on pipelines made of composite material, which account for approximately 40% of our total operating pipelines.

In 2019, we tested a new inspection device called a ViZi Pig designed specifically for composites. The ViZi Pig is equipped with LED lighting and a high-definition camera that films the internal surface of the pipeline as it travels through the line. We used this tool to inspect a water transfer line following a period of inactivity to ensure it was ready to return to service. Finding no abnormalities, we moved forward with hydro-testing the line before start-up. This new inspection technology is one more tool in our spill prevention "toolbelt".

ABANDONMENT AND RECLAMATION

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

Abandonment

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 so it cannot be used. Abandoning a well involves placing cement and mechanical plugs deep in the wellbore and verifying that fluid or gas from the well cannot adversely affect groundwater. We then cut and cap the well casing below the ground and remove surface infrastructure. To abandon a pipeline, we purge it, clean it internally, remove the above-ground infrastructure, and cap the pipeline underground. In 2019 and 2020, we completed the abandonment of 212 wells and 48 pipelines.

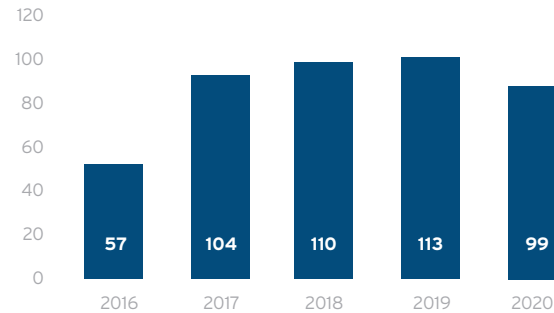
Reclamation

Reclamation follows abandonment operations and requires us to return the land to its pre-disturbance form. 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.

Depending on the site, reclamation may include activities such as ground contouring, topsoil replacement, reseeding or tree planting. In areas where our former production sites are surrounded by boreal forest, we collaborate with forest area managers and plant local varieties of trees. If there is contamination of soil or water, we must also remediate the site. Remediation work is verified by environmental professionals and follows strict regulatory standards.

Well Abandonment

Number of wells (gross)



As a prudent response to the pandemic and the associated commodity price collapse, we scaled back our ARO activities to protect the safety of workers in the field and manage capital spending.

OUR "ZERO BY 2040" TARGET

We have committed to restoring our current end of life well inventory (4500 wells) for future generations with our industry-leading "Zero by 2040" initiative. To meet this target, we plan to set annual abandonment and reclamation targets and invest approximately \$20 million per year towards our asset retirement obligations. This is a 72% increase compared to average spending the last five years.

Our inventory of inactive wells at the end of 2020 was approximately 4,500. Abandoning and reclaiming these wellsites is an ambitious plan that demonstrates our commitment to responsible full lifecycle energy development. It represents a proactive stance to managing future financial obligations and regulatory compliance.

» Our "ZERO BY 2040" commitment will restore end of life assets for future generations.

Abandonment and Reclamation	2016	2017	2018	2019	2020
Asset retirement obligations (\$ million)					
Asset retirement obligations - discounted	332	369	647	715	721
Spending in abandonment/reclamation	6	14	14	15	9*
Provincial regulatory metrics					
Liability Management Rating - Alberta	3.78	3.47	3.47	3.36	2.72
Licensee Liability Rating - Saskatchewan	2.60	2.30	3.64	3.62	3.01

*2020 spending includes \$2.1 million of government grants received specifically to complete this work.

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 2020, we contributed \$765,000 to the OWA. We also completed abandonment and reclamation work on behalf of the OWA in cases where an operator was defunct and Baytex was a surviving working interest partner. In Saskatchewan, we contributed \$110,000 to the Orphan Fund Procurement Program in 2020, which plays a similar role to the OWA.

Reclamation statistics	2016	2017	2018	2019	2020
Sites undergoing major restoration (full restoration)	70	57	60	67	7
Sites undergoing minor restoration (e.g., weed management)	15	53	69	75	101
Number of reclamation certificates received	34	35	35	74	36

We continue to manage our inactive sites, receiving a company record of 74 reclamation certificates in 2019 and 36 in 2020.

Government Rehabilitation Grants and Indigenous Contractors

In 2020, we completed \$2.1 million in government funded abandonment projects using local contractors in Alberta and Saskatchewan. Grants to support these projects are part of the Canadian federal government’s \$1.7 billion program to encourage site rehabilitation work and support employment in the oilfield services sector in Alberta, Saskatchewan, and British Columbia during the pandemic.

An important mandate of the program is to encourage the hiring of contractors with Indigenous ownership or workers. We began engaging with Indigenous communities to partner for this initiative in 2020, and have secured grants of approximately \$3 million for site rehabilitation work with Indigenous contractors.

CASE STUDY

Successful remediation and reclamation in Ardmore, AB

In 2020, we completed the final steps of reclamation on 6.4 acres of land at our Ardmore facility. Our Ardmore Waste Management Facility included a lined sand retention pit to store sand recovered from heavy oil production operations. The sand retention pit contained more than 50,000 tonnes of solid waste.

In 2018, we began to decommission, remediate, and reclaim this section of the site. The initial remediation work involved removing all stored material, removing any impacted soil under the pit and taking samples to verify soil and groundwater quality. In 2019, we backfilled the area (approximately the size of a football field and three to five meters deep) and leveled it to match the surroundings. We completed the final steps of reclamation (contouring, topsoil replacement and reestablishment of vegetation) in October 2020.



WATER AND FRACKING

We are committed to pursuing water management strategies that minimize our fresh water use. Protecting freshwater resources help ensure long-term water security and maintains healthy ecosystems in our operating areas. We take our responsibility to protect and preserve this resource seriously.

How We Use Water

To optimize oil production from some of our assets, we use water-intensive techniques such as multi-stage fracking, SAGD (steam assisted gravity drainage) and water supported enhanced oil recovery (water or polymer flooding). Our current water management strategy focuses on reusing or recycling produced water from our operations and fresh water we have withdrawn

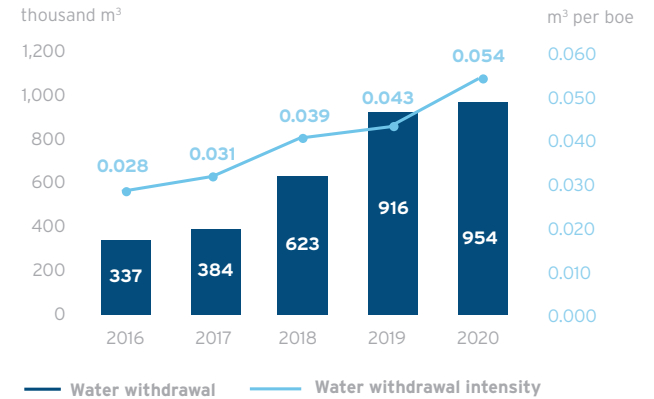
Reducing Fresh Water Use

Fracking requires large volumes of water. Fresh water is often preferred because its purity supports efficient recovery of oil and gas. As our fracking programs expand over time, we are actively looking at technology improvements and operational innovations to reduce our fresh water use, including replacing fresh water with alternative water sources.

Water Baseline Established

Meeting our previous commitment, we have established a water use intensity baseline of 0.054 m³ of fresh water per boe based on our 2020 data. This baseline is being used to model our future freshwater demand and will help us evaluate options for reducing water intensity, particularly in our fracking assets.

Water Withdrawals



Our water withdrawal volumes and intensity have increased for the last five years, reflecting the changes in our portfolio. The increase in intensity from 2019 to 2020 was driven mainly by higher production from our Kerrobert SAGD facility, which requires larger volumes of water for steam generation. Additional development activities in the Duvernay also contributed to the increase.



» In 2020, we established a water use intensity baseline for fresh water.

Maintaining Water Quality

Protecting local water resources is an important objective we share with our stakeholders. We follow strict regulatory protocols to protect water quality during every phase of our operations, and work to minimize our impact on groundwater or surface water bodies in the following ways:

- » **Responsible fracking:** To protect groundwater, we conduct fracking at regulated depths and at authorized setbacks from ground water wells. Cemented steel casings surround the wellbore to prevent well fluids from reaching the groundwater.
- » **Safe disposal of produced water:** If we cannot reuse produced water for pressure maintenance in a reservoir or in another process, we transport it for treatment and safe disposal at a licensed disposal well. The produced water is then injected into in a geological formation that minimizes risk to fresh water. We review well data to confirm hydraulic isolation and the safe disposal of salt water from our operations.
In 2019 and 2020, we recycled approximately 60% of our produced water. Produced water is recycled through injection in enhanced oil recovery schemes and for reservoir pressure maintenance. The remainder of our produced water is trucked for treatment and disposal at third-party treating facilities.
- » **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 snow melt on our leases to verify compliance with provincial standards prior to discharge.
- » **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 14-15.

We strive for continual improvement in our water protection processes. However in 2020, we were issued a regulatory fine for a violation of Alberta's Water Act. The fine related to a 2018 incident when a contractor with an invalid Temporary Diversion license (applied for with the wrong classification) withdrew water from a surface source. To prevent this from happening again, we modified our review process for contractors and staff to require sign-off and included detailed verification steps to follow prior to any water diversion.

Monitoring for Induced Seismicity

Fracking aids the release of oil and gas from certain reservoirs by injecting a water-based solution into the well at high pressure to crack the rock and allow the oil or gas to flow.

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.

PILOT PROJECT:

Recycling Produced Water for Fracking

In 2020, we completed a water recycling pilot project to test the feasibility of replacing fresh water for fracking operations with produced water from our SAGD facility in Kerrobert, Saskatchewan. Thermal produced water from our SAGD facility, which would otherwise be disposed of, was used in fracking a test light oil well. Having successfully tested and refined the process, we plan to expand the recycle application in 2021.

» In 2019 and 2020, we recycled approximately 60% of our produced water.



AIR QUALITY

We believe that preserving air quality is part of being a good neighbour to the people who live and work near our operations. Managing emissions, odours and air quality continues to be a priority for Baytex.

Sources of Air Emissions

Industrial facilities and installations including gas plants, flare stacks, combustors, wells, storage facilities, and pipeline infrastructure all have the potential to emit airborne pollutants. These emissions can adversely affect local air quality, particularly in areas with intensive industrial activity such as Peace River. Emissions from our operations that impact air quality include volatile organic compounds (VOCs), nitrous oxides (NOx), sulphur dioxide (SO₂), and particulate matter (PM), among others. 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. Emissions management activities include:

- » **Vapour recovery in storage tanks:** We have invested in vapour recovery units (VRUs) on oil storage tanks. VRUs recover methane and remove other air pollutants such as VOCs safely. We have deployed this technology at sites in our Peace River, Lloydminster and conventional operating areas.
- » **Scrubbing units in transport trailers:** We use vapour scrubbing units at all trucking sites in Peace River and 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 those compounds that cause odours or negatively impact the health of our workers. We have 252 units in place in these two regions.
- » **NOx emissions:** The Multi-Sector Air Pollutants Regulations (MSAPR) apply to our Canadian sites and require investments to reduce the rate of NOx emissions from combustion by 2026. In 2019 and 2020, we inventoried our compressor fleet and intend to undertake performance testing during 2021.

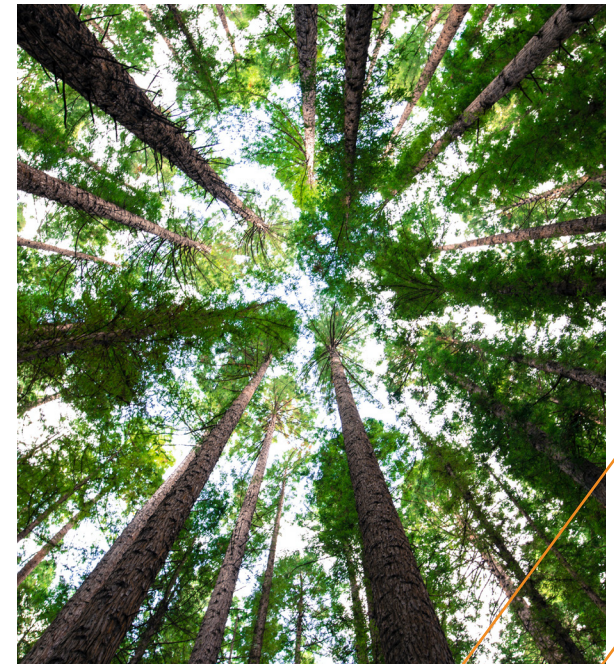
MONITORING AIR QUALITY

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.

Air Emissions (tonnes)	2019	2020
VOCs	16,336	6,597
NOx	1,795	1,895
SO ₂	626	672
PM	127	196

We reduced our VOC emissions by 60% from 2019 to 2020 through the initiatives described on this page.



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 communities.

2019-2020 HIGHLIGHTS

- » Reduced our recordable injury rate by **25%** from 2016
- » Conducted more than **3,500** safety inspections and more than **1,000** hazard identifications in 2020
- » Conducted **18** emergency preparedness exercises in 2020
- » Initiated our emergency response protocols in response to the pandemic, and protected the safety of our people
- » Provided Indigenous awareness training for **25** individuals including our entire executive, senior leaders, and other employees who work in and around Indigenous communities
- » Spent more than **\$22** million with Indigenous suppliers during 2019 and 2020.

FUTURE FOCUS

- » Maintain our strong **safety culture** and continue supporting our **communities**
- » Expand our **diversity** baseline to include multiple dimensions of diversity and enhance our processes to measure employee **engagement**
- » Continue to provide flexible work options for our workforce, under our **BayFlex** framework

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 400 contractors supporting our operations, our goal is to get everyone home safely at the end of the day. Read about our practices to support contractor safety on page 25.

Embedding a Safety Mindset

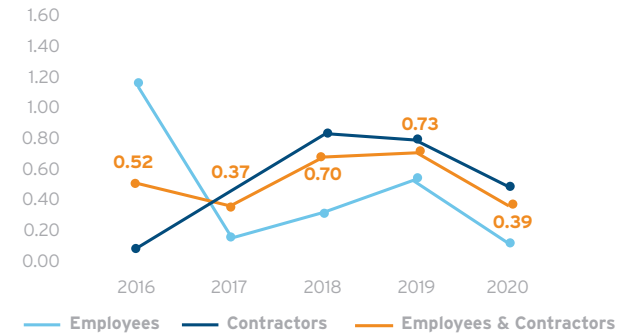
A strong safety culture requires a combination of robust systems and consistent behaviours. We strengthen our culture and collective mindset by:

- » **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. We updated this management system in 2020 to include biological hazard controls (e.g., pandemic planning). An independent third party audits this system every three years as part of the provincial Certificate of Recognition (COR) process.
- » **Evaluating competencies:** Our online Competency Management Development System allows us to formally assess whether an individual has the right skills for their position or whether they require additional operational training. An individual employee might require knowledge of 200-300 competencies, which encompass key learnings and tasks that the employee must be able to properly execute.
- » **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. Gas plant operators at our thermal facility also have fired process heater tickets and power engineering training.
- » **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. In 2019, we launched our Combat Pause campaign to promote 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.



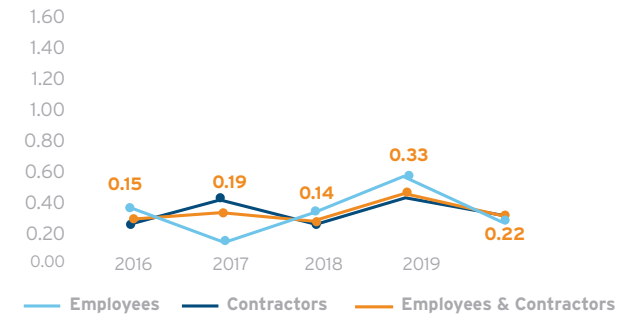
Total Recordable Injury Rate

Injuries per 200,000 worked hours



Lost Time Injury Rate

Injuries per 200,000 worked hours



Since 2016, we have seen a reduction of 25% in our recordable injury rate. In 2018, we completed the acquisition of our Viking assets and integrated new operations and teams into our company. We continue to work to improve our safety performance.



Encouraging Continuous Improvement

We aim to create a work environment where employees and contractors recognize and mitigate hazards and are dedicated to keeping themselves and others safe by:

- » **Tracking leading and lagging indicators:** We track leading and lagging indicators to measure the effectiveness of our safety programs. Leading indicators are proactive measures to promote safe behaviour, and lagging indicators reflect our actual safety performance over time. Together, these indicators help us understand how certain safety measures happening today can impact safety performance tomorrow. Leading measures we currently track include formal equipment inspections, proactive safety orientations and onboarding, emergency response drills, management site visits, and hazard identifications and positive observations.
- » **Promoting positive safety behaviours:** We believe in celebrating our successes and recognizing our people when they go "above and beyond." Starting in 2020, when a positive observation is submitted into the management system, an email is automatically sent to area team members, including the business unit manager and executive, to recognize and reinforce safe behaviours.
- » **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 corrected effectively and in a timely manner.
- » **Following up on high-potential events:** In 2019, we began formally tracking high-potential events. These are incidents that did not lead to serious injury or significant environmental or financial impact but had the potential to do so. 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.
- » **Tying performance to compensation:** To emphasize the importance we place on safety, we tie safety targets to our annual performance incentive program. Read more in our governance section.

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 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 operations. In 2020, we also tested new app-based emergency management technology to support our COVID-19 Emergency Operations Centre.

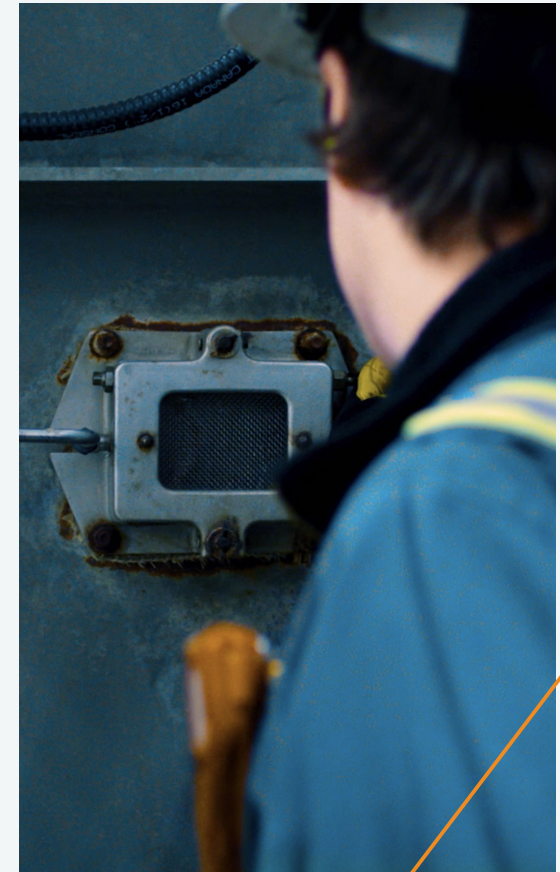
IN 2020, WE CONDUCTED:

3,500+ safety inspections

1,000+ hazard identifications

194 senior management visits (in-person or virtual)

18 emergency preparedness exercises



CONTRACTOR SAFETY

Contractors are responsible for approximately 70% of our annual worked hours and are vital partners in field safety. We believe in working together with our contractors to continually progress our safety systems and culture, identify opportunities for improvement, and recognize positive safety behaviours.

- » **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 are in the process of obtaining a Certificate of Recognition proving their safety management procedures have passed a third-party audit.
- » **Promoting safe behaviours:** All contractors receive in-person or online safety orientation sessions before starting work, and we hold on-site, pre-job meetings that address the specific safety requirements of each site. We also reinforce stop-work authority for contractors, empowering them to stop work if they feel the task is unsafe. See sidebar for more.
- » **Learning from our contractors:** We invite on-site supervisors from our drilling and completions contractors to safety meetings several times per year to hear their ideas about how we can improve our field safety programs. After an incident at a peer's site near our operations in 2020, we surveyed 20 of our front-line well-site supervisors in our well-servicing group about whether they had observed any process shortcuts or safety concerns, and whether there were similar blind spots in our operations. The well-site supervisors were satisfied with our standards and processes and shared ideas to make them even more effective. The quality of the feedback we received demonstrates how seriously our contractors take our drive to continuously improve safety for everyone who works at our sites.



CASE STUDY

Empowering employees and contractors

We encourage all employees and contractors to stop work if they have a reason to believe a task is not safe. Stop work authority is fundamental to safe operations, and we regularly seek opportunities to promote this behaviour.

As an example, in early 2021, a worker with our service rig contractor in the Lloydminster area stopped work when he felt something was not right. On investigation, he discovered some overhead equipment in the derrick was loose, a high-risk hazard that could have serious consequences. After identifying the hazard, the derrick was made safe in a timely manner.

To reward and encourage this safety mindset, Baytex managers travelled to the site to thank the crew. "This is the culture and behaviour we're looking for with our contractors and our employees," said Brian Blanchette, Baytex HSE field advisor.

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 complete 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 and quarterly spot inspections.
- » **Planning safe routes:** We encourage contractors to avoid areas of concern and mitigate risk, where possible.

OUR COVID-19 RESPONSE

The resourcefulness and agility of our people was evident at the onset of the global pandemic in 2020. We pivoted quickly to align with government health orders, to ensure the ongoing safety of our people, and to maintain the continuity of our business. We have leveraged several changes to improve processes and implement effective tools that support our broader corporate objectives.

Managing the Crisis

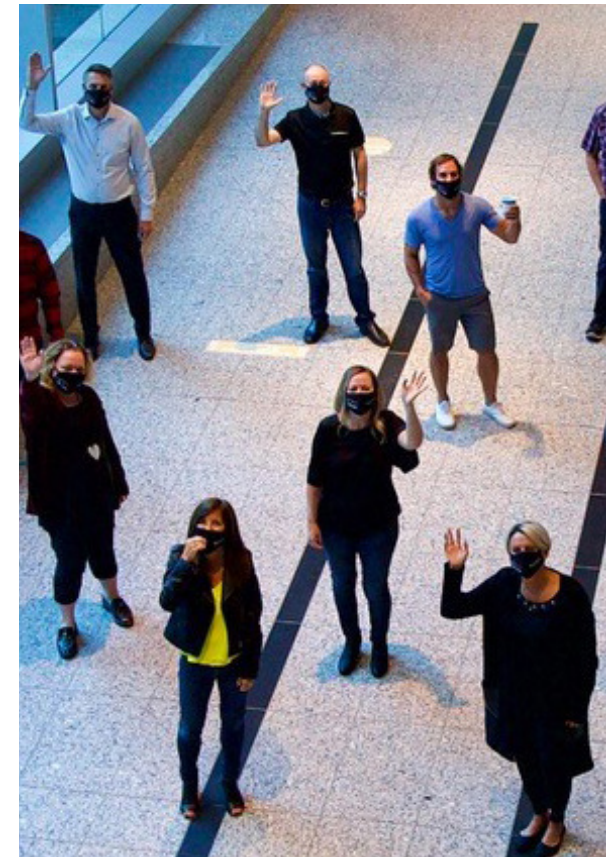
We activated our corporate emergency response protocol in March 2020, including the establishment of an incident command structure to manage our corporate response. A COVID committee was formed with representatives from across the organization including our health and safety, information technology (IT), human resources, finance, legal, operations teams and executive leadership. The committee initially met daily, and weekly thereafter, conducting a comprehensive evaluation of our office and field activities to identify practices requiring modification in a pandemic environment.

More than 100 action items emerged from these sessions. This includes the creation and distribution of an internal guidebook outlining COVID-safe work practices and the development of our new distributed and flexible workplace framework, BayFlex (see page 29 for details). We also refined contingency plans for safety-critical roles and modified our corporate emergency response plans to include a virtual emergency operations centre.

Keeping Our People Safe

Safety was, and remains, the primary driver of our pandemic response. Activities to keep our people safe varied between business units and included:

- » **Office staff:** For those able to effectively work-from-home, such as our Calgary head office staff, we focused our activities on training for remote work, establishing productive at-home workstations, ensuring business continuity, and providing employee support during lockdown. We deployed additional computers, web cameras, and cell phones; increased our bandwidth and video-conferencing capabilities; expanded our flex spending program to cover home office furniture; and installed software platforms that facilitated work-from-home and remote collaboration. As lockdowns eased, we encouraged staff to continue working from home, but allowed staff who felt they were more effective in the office to come in periodically, with added safety measures. This distributed workforce strategy, or BayFlex (see page 29) has been successfully adopted and will continue post-pandemic.
- » **Field staff:** At our field sites, we suspended or reduced non-essential field site visits during the early months of the pandemic and focused on keeping critical operations running smoothly. Field staff also worked from home, instead of our field offices, where possible. For workers required on-site, we reduced crew sizes where appropriate, adjusted shifts to minimize crossover, and held safety meetings online or outside. We required contractors to adopt our COVID protocols and moved communications with contractors, vendors and other stakeholders to phone or virtual settings.
- » **Field camp:** For our Seal field camp in Peace River, we worked with our camp and operational staff to prepare an additional camp to spread workers out and support social distancing.
- » **Trucking contractors:** To reduce COVID risks in our trucking activities, we expanded our use of electronic ticketing to replace paper bills of lading and disinfected trucks between shifts.



» **90%** of employees agreed or strongly agreed that “the company has taken appropriate actions during our COVID response.”

Source: Q4 2020 Employee Survey

Providing Mental Health Support

Recognizing the potential psychological impacts of the pandemic on both field and office staff, we expanded the scope of mental health services available through our employee assistance program and saw a 30% increase over the previous year in staff accessing these resources. We also addressed mental health and well-being as a regular part of leadership communications, including COVID updates and townhalls throughout 2020.

Staying Connected

Having a predominately remote workforce changed how we communicate with our employees, moving many of our communications online. Our teams adapted to videoconferencing as the primary form of “face-to-face” interaction. We set up a dedicated COVID email address for employees with questions or requests, and our formerly in-person quarterly townhalls with senior leaders became monthly virtual townhalls at the onset of the pandemic.

We also hosted smaller virtual events to ensure employees felt connected to each other, their teams, and the company, despite their physical separation. These “village halls” were hosted by our business units (e.g., heavy oil, light oil) and were aimed at educating employees about activities in our different regions. We also hosted technical webinars to share knowledge about reservoirs, fracking, emergency response, and other topics central to our operations. We supplemented these virtual meetings with frequent email communications from leaders with updates on company progress, employee assistance programs, and health guidelines. Our teams have responded positively to the greater use of virtual communications during 2020, and we intend to incorporate virtual collaboration into future engagement.

Getting Back to Business

In response to the first wave of the pandemic and the low commodity price environment, we suspended our capital program and shut-in uneconomic production.

In the second half of 2020, our field activity levels increased, including the resumption of our light oil development program. More staff began returning to our Calgary head office in September, while many employees opted to continue working in the flexible distributed workplace model.

To ensure safe resumption of these activities, we developed communications materials to prepare our people for increased activity, including an internally available video with information on enhanced safety and “back-to-work” protocols.

» To support pandemic preparedness within our sector, we shared a checklist from our COVID continuity plans with industry peers at the Explorers and Producers Association of Canada (EPAC).

DIVERSITY AND INCLUSION

We are committed to treating all employees equally, 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 delivering on our commitments.

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. The Board's Audit and HR committees are currently headed by female directors (see our 2020 Information Circular for more information). We report the gender breakdown of our staff to the Nominating and Governance Committee every November. We are committed to a better understanding of the diversity of our workforce and plan to expand our efforts in this area.

Respectful Workplace

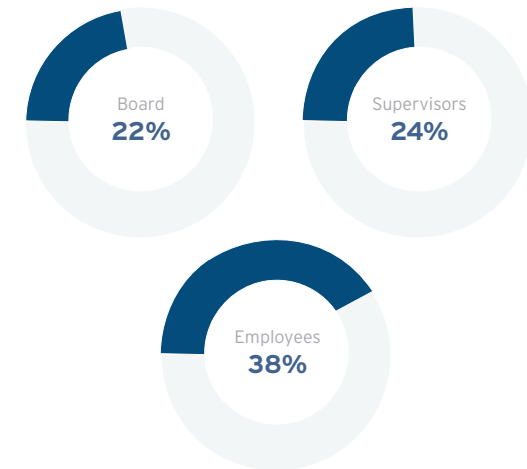
Our Code of Business Conduct (Code) strictly prohibits harassment in any form, including verbal, physical, and visual harassment. We take workplace harassment seriously and investigate all reported complaints. If, after appropriate investigation, any person is found to have harassed or discriminated 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.

Indigenous Awareness Training

In February 2020, we provided Indigenous awareness training for 25 Baytex employees, including our entire executive, senior leaders, and other employees who work in and around Indigenous communities. The impactful session - led by [Center of the Sky](#) - expanded attendees' understanding of Truth and Reconciliation, including the history, culture and unique perspectives of Indigenous people in Canada. Read more about how we work with Indigenous communities on page 32.

2020 Women Across Our Organization

Percent



Currently, 38% of our workforce and 24% of our supervisors (team leads and above) are women; however, we do not currently have any female executive officers. We are committed to ensuring that at least 20% of our Board members are women. The Board had 22% female representation on December 31, 2020.

» By 2021, we will expand our baseline to include multiple dimensions of diversity.

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 people.

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, the office, or a hybrid of the two. We continue to evaluate the effectiveness of the distributed framework by its success for individuals, teams and for Baytex. Since we implemented BayFlex in May 2020, office employees have remained productive and engaged and continue to drive results. What makes BayFlex work so well is a combination of three factors:

- » **Trust:** BayFlex demonstrates to our employees that we trust them to be productive, regardless of location. We believe this flexible approach will be a competitive advantage for us in terms of talent retention and recruitment.
- » **Technology:** To set our employees up for flex-work success, we have provided the technology they need to transition between home and office, including computers, web cams, and software applications such as Microsoft Teams that support virtual collaboration.
- » **Training:** Early in the pandemic, we provided web-based third-party training to help employees understand their individual working style so they could thrive in a work-from-home setting. We provided additional training to managers to help them recognize their leadership style and explore strategies for managing timelines and measuring success with a distributed workforce.

Promoting Development and Growth

We work to support our employees to grow professionally and provide development opportunities and mentoring to advance their careers. In 2020, we launched a series of webinars to encourage collaboration and learning and provide exposure to different areas of our business. We have quarterly goal setting and annual performance reviews for employees to facilitate discussion on development goals with managers, and to focus the team's efforts on driving results.

» We believe BayFlex's flexible approach to work will be a competitive advantage for us.

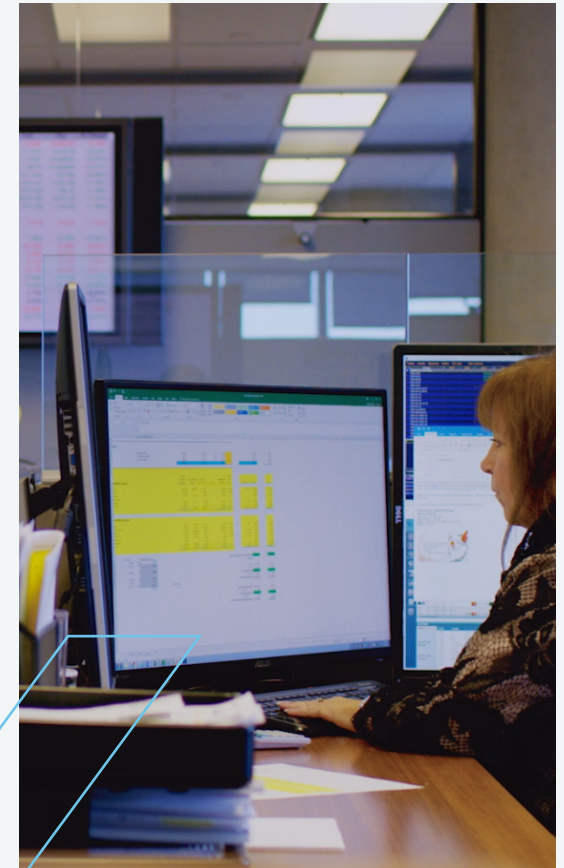
BAYFLEX BY THE NUMBERS

97% of employees agreed they "value the flexibility to be able to work from home."

82% of employees agreed they "plan to work from home at least some of the time in the future."

>50% agreed they would "prefer working two to three days a week from home."

Source: Q4 2020 Employee Survey



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. Communications with our employees in 2020 went largely virtual, with frequent townhalls, webinars, and email communications. See our COVID response on pages 27-28 for details.

We also believe it is important to communicate progress towards our goals and celebrate collective achievements. In 2019, we shared a public video about our sustainability goals that showcased employees' pride in our vision for responsible energy development and their determination to reach our targets. Employees' commitment to sustainability and their pride in our progress were also reflected in our Q4 2020 Employee Survey results when 92% of employees agreed that "Strong ESG performance is important to our long-term success."

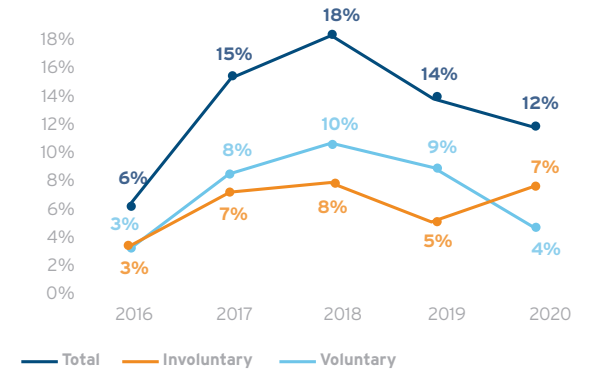
Measuring and Fostering Engagement

As our company has grown, we have tried to maintain the feeling of a small company with social and charitable activities that foster feelings of connection. Many social activities - like our annual summer fitness bootcamp and quarterly company socials - were put "on hold" during the pandemic, but we anticipate resuming them, with any necessary modifications for safety, when public health orders allow.

In late 2020, we completed a company-wide employee survey, which had a response rate of more than 90%. In the survey, we asked employees to assess our performance in terms of living our core cultural values of sustainability, connection and empowerment. We also sought employee feedback on overall job satisfaction, understanding of the corporate strategy, areas for future improvement, and BayFlex. We shared survey results at a townhall; made the full, aggregated, anonymous results available on our intranet; and have taken many direct actions based on survey feedback (e.g., hosting a webinar on compensation). Through employee surveys we measure diversity, engagement, job satisfaction and provide feedback opportunities. We have set ourselves a goal to enhance our processes to measure employee engagement by 2022.



Turnover Rate



Continuing low commodity prices in 2019 intensified during the pandemic in 2020. We reduced staffing in both years to better reflect our activities and priorities in this challenging economic environment.

» Through employee surveys we measure diversity, engagement, job satisfaction, and provide feedback opportunities.

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.

Stakeholder Engagement

Our approach is to engage with stakeholders early and often throughout our projects. Our goal is to ensure all stakeholders understand what the proposed work entails and feel empowered to express their perspectives or concerns at all stages of 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 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 identifying opportunities for shared value.

Addressing Concerns

We communicate with stakeholders through newsletters, 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 erecting 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.



EM-EP-210b.1

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 - which went virtual during 2020 - represent an opportunity for us to hear from diverse voices and to share updates on projects and ongoing 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.

While 5.4% 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 building relationships based on mutual trust and respect, including 15 years working with Indigenous communities in the Peace River area of Alberta. We continue to work with the Woodland Cree First Nation and have a development agreement, in place since 2018, to drill on their reserve land in exchange for royalty revenue, job creation, and community support. In 2020, we developed a new partnership with the Peavine Métis Settlement south of Peace River (details in sidebar).

Respectful Consultation and Engagement

We are committed to maintaining ongoing, respectful dialogue with Indigenous communities throughout the lifecycle 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 the Alberta and Saskatchewan 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 2020, the Canadian federal government funded an oil and gas site rehabilitation program (see page 18) that included grants aimed at increasing capacity for abandonment and reclamation work involving Indigenous communities. Baytex has received approval for approximately \$3 million through this program to be deployed for rehabilitation projects involving Indigenous contractors throughout 2021 to March 31, 2022.



Partnering with the Peavine Métis Settlement

In January 2020, we signed an economic development agreement with the Peavine Métis Settlement. The agreement allows for exploration on more than 38,000 acres (60 sections) of prospective land south of Peace River and is intended to generate revenue, business development, training, community benefits and employment opportunities.

While we were unable to conduct our usual on-site public information sessions due to pandemic restrictions, we distributed a comprehensive information booklet for community members in October 2020 that described the project and our development approach.

As part of this agreement, we drilled our first test well in early 2021 with four more wells planned throughout the year.

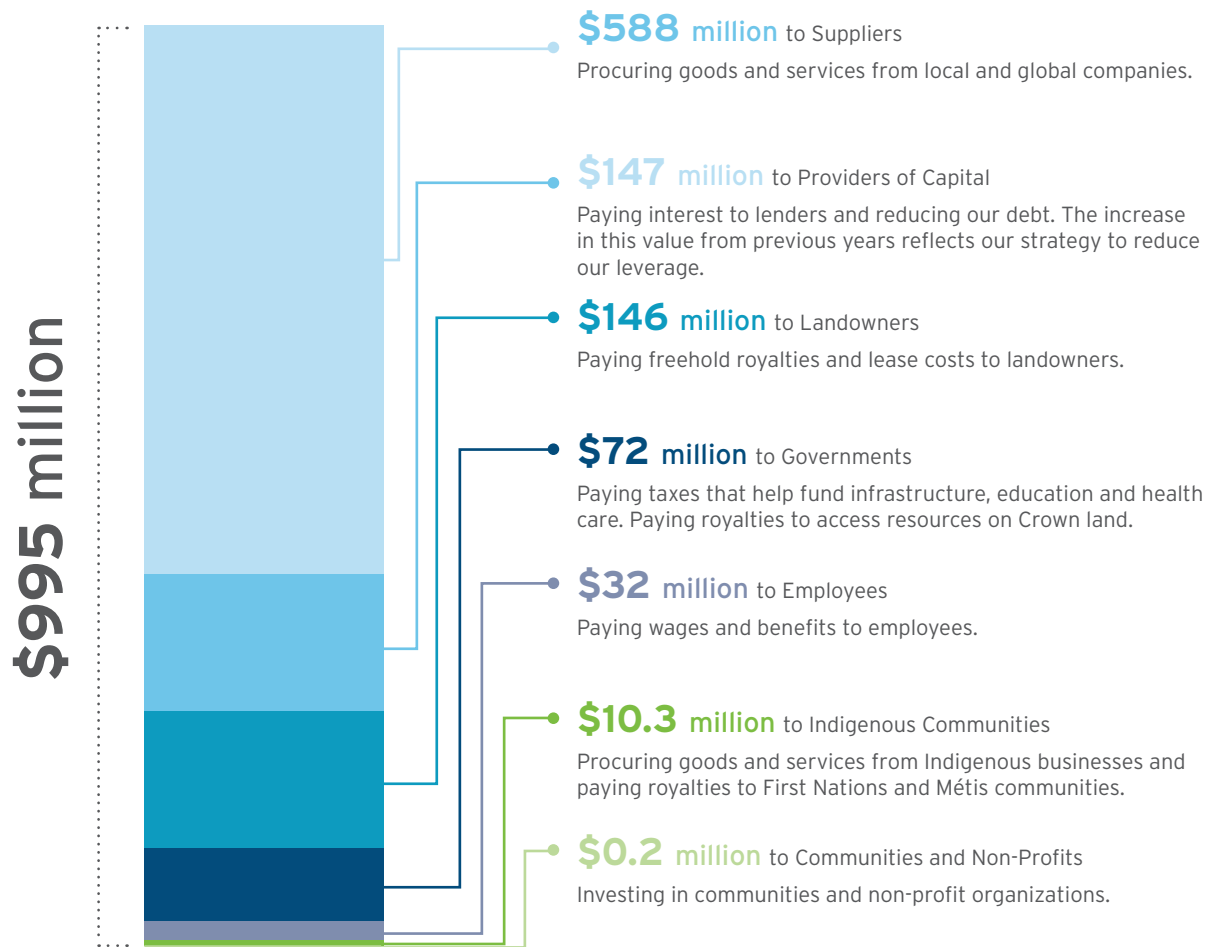


ECONOMIC IMPACT AND COMMUNITY INVESTMENT

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 across Canada through job creation, payments to landowners, and the hiring of small and large companies that provide products and services.

How We Share Economic Value With Our Stakeholders

We create positive economic value through revenues and capital contributions that we share with several stakeholder groups in the following ways:



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 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.

» In some areas, such as Peace River, we are among the community's largest employers.

Community Investment

We are committed to supporting the communities in which we operate. By providing financial and volunteer support to vital community initiatives, we not only strengthen community sustainability, but also build trust with stakeholders and deepen employee engagement.

We invest in healthy and thriving communities in the following four ways:

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

In 2020, our community investment efforts were directed towards:

- » **Updating Our Pillars of Support:** We focus our community investment in four key areas that reflect our corporate values and provide support for important community causes: Community Living, Healthcare, Education and Training, and Indigenous. The addition of the Indigenous pillar in early 2021 reflects our commitment to meaningful, long-term partnerships with Indigenous communities in the areas where we operate.
- » **Supporting Communities through COVID:** Throughout the economic challenges of 2020, Baytex continued to support our communities. We focused our community investment on maintaining long-term commitments, such as the Baytex Energy Centre recreation facility in Peace River, and on providing support for community services. In one example, we provided funds to help Brown Bagging for Calgary's Kids deliver grocery store gift cards to families who relied on school lunch programs that were discontinued due to the pandemic. Given the challenges that 2020 posed for community mental health, we also continued our support for the West Central Crisis and Family Support Centre in Kindersley, Saskatchewan, home to our Viking operations.
- » **Encouraging Employee Volunteerism:** We provide employees with time during work hours to volunteer for community organizations. Our teams' opportunities for in-person volunteerism were limited by pandemic restrictions in 2020 and we focused instead on virtual fundraising. See the sidebar for an example.



In 2020, we matched employee donations, helping to raise over \$22,000 for the "Movember" challenge to support mental health and men's cancer awareness, placing us in the top 50 fundraising teams in Canada.

» WATCH:

Explore some of our community investment initiatives with [CEO Ed LaFehr](#).

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.

2019-2020 HIGHLIGHTS

- » Met our commitment of **20% women directors on the Board**
- » In 2019, we expanded the mandate of the Reserves Committee of the Board to include sustainability matters, renaming it the **Reserves and Sustainability Committee**
- » At our annual shareholder meeting in 2020, our Say-on-Pay approval rate was **92.13%**
- » In 2020, **10% of the annual bonus** for all employees was tied to ESG metrics
- » In 2019, we established our **Environmental Sustainability Team**, a cross-functional team that plays a key role in managing regulatory change, enhancing our environmental performance, and improving our reporting

FUTURE FOCUS

- » Maintain our focus on **ESG matters** of key importance to our stakeholders, shareholders, and business
- » Continue **monitoring** risks and evaluating new opportunities as a energy producer
- » Maintain our focus on **climate disclosure** and corporate resiliency by advancing our TCFD reporting

CORPORATE GOVERNANCE

Sound corporate governance contributes to shareholder trust and confidence in our organization, and guides our decisions as we work to achieve our business objectives.

Board Structure

We currently have eight directors on our Board, seven of whom are independent. At year-end 2020 we had nine Board members. Our Board executes its mandate through four committees comprised of independent directors and chairs: 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 20% women on our Board. At the end of 2020, 22% of our Board members were women.

Board Renewal

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

» **Read about the role of our Board in overseeing climate-related risks on page 41.**

GOVERNANCE INFORMATION (as of Dec 31, 2020)

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
Share Trading and Hedging Policy	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 2020	9
Average meeting attendance	100%

Board renewal and diversity

Annual election of directors	Yes
Majority Voting Policy	Yes
Average age of directors	61
Mandatory retirement age	No
Average director tenure	4 years
Women Board members	22%
Board Diversity Policy with gender targets	Yes

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% for named executive officers and 79% of our CEO compensation is “at risk” or dependent on performance against targets.

We made several changes to executive compensation for 2020 in response to investor feedback:

- » We made substantial revisions to the scorecard used to determine annual bonuses under our short-term incentive plan (STIP). This included adding a GHG emissions intensity reduction target and the introduction of financial performance measures.
- » We also revised the scorecard used to determine the multiplier for our performance share awards under the long-term incentive plan (LTIP), to place a greater emphasis on shareholder returns.

Due to the COVID-19 pandemic we made further changes during the 2020 year:

- » We amended the business improvement objectives for our STIP scorecard to add a focus on financial sustainability and an effective COVID-19 response.
- » Effective April 1, 2020, we implemented a 10% salary reduction across the organization, including executives, to help us manage the economic challenges of the pandemic. Based on a rebound in oil prices and the resumption of our development activities, salaries went back to 100% on January 1, 2021.

At our annual shareholder meeting in 2020, our Say on Pay approval rate was 92.13%, an improvement from previous years.



» At our annual shareholder meeting in 2020, our Say on Pay approval rate was **92%**.

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.

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; and Drug and Alcohol Policy. New employees are required to acknowledge that they have read and understand these policies during the onboarding process.

Reporting misconduct

We encourage employees to report any misconduct through our confidential Whistleblower line, 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. There were no substantiated reports filed in 2019 and 2020.

Fraud Roundtable

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. The last roundtable took place in December 2020.

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. At our 2020 roundtable, we focused on any new fraud risks associated with the pandemic and concluded we have adequate controls and processes in place for risks of a significant or material nature.



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 in this evolving environment, we have embedded oversight of ESG into our governance structures in two ways:

- » **Owned by Board committee:** In 2019, we expanded the mandate of the Reserves Committee of the Board to include sustainability matters, renaming it the Reserves and Sustainability Committee. This committee meets at least twice per year (February and July in 2020) 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 systems and the information technology used by the company.
- » **Tied to compensation:** We have expanded the ESG metrics included in our incentive program to include GHG emissions. In 2020, 10% of the annual bonus pool for management (executive officers) and all employees was linked to three targets: safety, spills 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 quarterly, at minimum.

Management of ESG Matters

We manage the design and implementation of ESG-related strategies through a multi-disciplinary 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.

- » **Environmental Sustainability Team (EST):** In 2019, we established our EST, a cross-functional team that plays a key role in managing regulatory change, enhancing our environmental performance and improving our reporting. The team reports twice yearly to the Reserves and Sustainability Committee, supports target setting, and tracks performance against key environmental objectives. The EST has also taken a lead role in working with our business units to translate these decisions into effective sustainability projects on the ground. Learn more about how this team works on page 13.
- » **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; Human Resources; Legal; Land (includes Stakeholder Relations) and Investor Relations. These groups execute our strategy, monitor best practices, develop company policies and standards, and support our operations in adhering to these policies and standards.

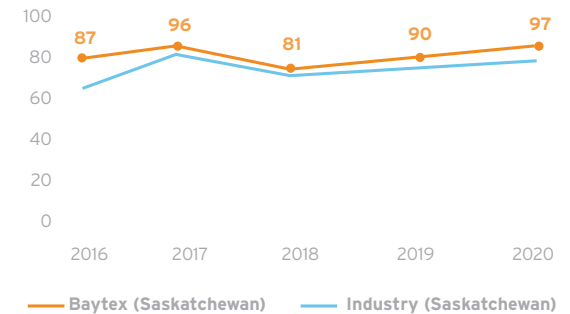
» **Read about our identification and management of climate-related risks on pages 42-50.**

REGULATORY COMPLIANCE

We are committed to maintaining high levels of regulatory compliance. We believe this gives us credibility with our regulators, helps us maintain our social license, reduces costs, and contributes to a strong safety and environmental culture. Our performance (see below) is reported to business unit leaders quarterly and is reviewed in detail by senior management annually.

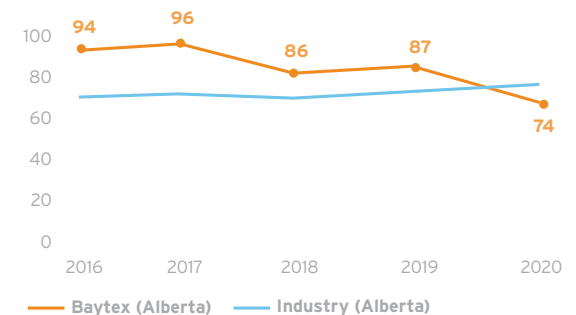
Compliant Inspection Rate, SK

Percent of satisfactory inspections (no non-compliances issued)



Compliant Inspection Rate, AB

Percent of satisfactory inspections (no non-compliances issued)



In Saskatchewan, our compliance performance has been above industry average for the last five years and reached 97% in 2020. We have identified a downward trend in our Alberta compliance performance and will develop and implement a plan in 2021 to reverse the trend.

TCFD: CLIMATE-RELATED FINANCIAL DISCLOSURES

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

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



TCFD: CLIMATE-RELATED FINANCIAL DISCLOSURES

I. Governance Of Climate-Related Issues

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

Our Board of Directors has four committees: the Audit Committee, the Human Resources and Compensation Committee, the Nominating and Governance Committee, and the Reserves and Sustainability Committee.

The Reserves Committee changed its name and mandate in 2019 to ensure sustainability-related matters had formal oversight at the Board level. The Reserves and Sustainability Committee has the highest level of oversight for sustainability-related matters, including health, safety, environment, climate, and other sustainability matters and is responsible for benchmarking, setting performance targets, and measuring progress and achievement against those targets. Specifically, in relation to climate change and the reduction of our company's GHG emissions, the committee provides oversight of policies and standards, reviews performance, and discusses future opportunities. This committee meets twice a year to review benchmarking, performance, and initiatives put in place to manage climate-related risks, reporting to the Board after each committee meeting.

The Reserves and Sustainability Committee is currently composed of three independent members of the Board, one of whom chairs the committee.

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

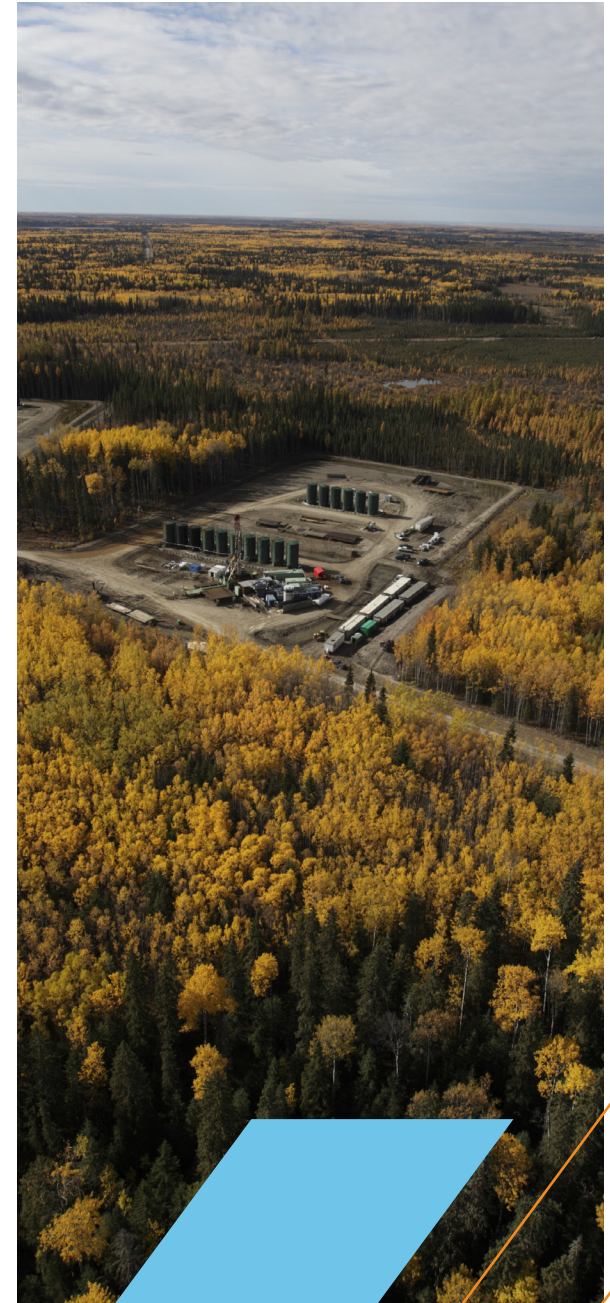
Our executive officers (management) report to the Reserves and Sustainability Committee and the full Board on environmental and social risks and opportunities. Executives are also responsible for approving budgets for the implementation of emission reduction plans and reviewing and approving the company's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

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

- » **The Health, Safety, and Environment Committee** is composed of the Chief Executive Officer, General Counsel and Corporate Secretary, the Operations Vice Presidents, the Health and Safety Manager, and the Environment and Regulatory Manager. The committee reports to the Reserves and Sustainability Committee and the Board on issues related to health, safety, and environment. In relation to climate change and the reduction of the company's GHG emissions, this committee is responsible for the assessment and setting of our targets and the oversight of the preparation of our public disclosures of our performance in this area.
- » **The Environmental Sustainability Team (EST)** is a cross-functional team of employees and managers that are responsible for reporting climate-related issues and initiatives to individuals in two key executive leadership roles: Vice President, Light Oil, and Vice President, Heavy Oil. The EST is responsible for monitoring, implementing, and managing systems required to support climate-related initiatives. See page 13 for details.

LINKING ESG TO COMPENSATION

ESG matters form part of our annual budget and performance objectives, which are monitored and reported on regularly. For many years, we have included safety and spill metrics as part of our scorecard. In 2020, we incorporated our GHG emissions intensity target into our short-term incentive plan scorecard. This compensation applies to our executive team and all employees.



II. Risk Identification and Integration

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

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

RISK IDENTIFICATION

Baytex has monthly, quarterly, and annual long-range planning review and reporting processes in place as well as ongoing risk assessments within business practices. When climate-related risks directly impact a sector of the company or a business procedure, a specific risk assessment and mitigation planning process will be undertaken. For example, emerging GHG emission regulations and changes to existing regulations are assessed by the Environmental Sustainability Team to understand the current and future impacts on the business. Findings and recommendations are communicated to the executive management team and the Reserves and Sustainability Committee.

RISK INTEGRATION INTO FINANCIAL PLANNING PROCESSES

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

- » **Operating Costs:** We conduct financial analysis on the potential increase to operating costs in jurisdictions with carbon pricing schemes, including factors such as compliance costs for carbon pricing and the operations and maintenance of GHG mitigation infrastructure.
- » **Capital Expenditures and Capital Allocation:** We factor opportunities to reduce energy consumption, reduce emissions, and ensure regulatory compliance into our capital budget. We also evaluate the economics of gas conservation or mitigation projects, consider the costs and benefits of such initiatives, and track project costs and subsequent performance. The availability of government grants to lower the capital expenditures of emissions reduction or new energy projects is also a consideration.
- » **Acquisitions and Divestments:** When Baytex evaluates acquiring or divesting of assets, we consider the emissions intensity of the assets and the transaction's potential impact on the company's emissions profile. Our management team also considers the potential financial impacts that acquired properties may have in terms of future emissions intensity reduction initiatives and compliance costs.
- » **Revenues:** A long-term supply or demand disruption could have a meaningful positive or negative impact on our sales revenues. Read more about carbon pricing and demand modeling on page 46.



III. Strategy

Climate-related risks and opportunities and their impact, as identified over the short, medium, and long-term.

In alignment with TCFD recommendations, we identify two types of climate-related risks: (1) physical risks, which are risks associated with the physical impacts from climate change, and (2) transition risks, which are regulatory and business risks related to the transition to a lower-carbon economy. We also evaluate their impact on our company, qualitatively or quantitatively, and implement actions to mitigate that impact.

PHYSICAL RISKS			
Category	Explanation	Impact mechanism and potential impact on Baytex	What do we do to mitigate impacts
Acute physical (Canada)	Severe weather events that could impact our operated properties in Western Canada include flooding, wildfires, heavy precipitation events, and extreme temperatures.	Decreased revenues due to reduced production capacity. Damage to assets. In the past the company has had to temporarily shut-in production due to flooding and wildfires.	The geographic dispersion of our assets helps mitigate the potential impact on our physical assets. For our operated assets, where there could be an impact, we: <ul style="list-style-type: none"> • Have systems that allow for the rapid implementation of emergency response measures. • Have contingencies to reroute production to sales via trucks and rail if required. • Participate in wildfire control planning and emergency response exercises. • Have business interruption insurance for key infrastructure and property insurance coverage on larger facilities.
Acute physical (U.S.)	Tropical cyclones can impact production and refining capacity in various offshore producing regions (e.g., U.S. Gulf Coast). This could directly impact our non-operated properties near San Antonio, Texas, in the Eagle Ford Basin.	Positive or negative impact on commodity prices resulting from supply and/or demand disruptions. A longer-term supply or demand disruption could have a meaningful impact on the company's revenues. Due to the uncertain nature of these risks, we have not completed a financial analysis.	For our non-operated assets: <ul style="list-style-type: none"> • We carry general liability insurance to cover our working interest share. • The Eagle Ford asset is managed by a reputable operator with emergency responses measures in place. We maintain a strong working relationship with the operator of the asset.
Chronic physical	Precipitation events and temperature extremes (atypically hot and atypically cold events).	We do not anticipate that moderate changes to temperature or precipitation would result in a material impact to our assets or operations.	

TRANSITION RISKS

Category	Explanation	Impact mechanism and potential impact on Baytex	What do we do to mitigate impacts
Current regulation	Canadian provincial and federal regulations on carbon, as well as methane regulations in Alberta and Saskatchewan, impact our operating cost and business plans. Read more on the next page.	Carbon pricing in Canada is currently set to escalate from \$30 per tonne in 2020 to as high as \$170 per tonne by 2030. There are direct costs as well as inflationary influences on the costs of services and products as the cost of carbon increases. Registering our facilities in performance standards limits the financial exposure to an estimated \$1 million at \$30 per tonne.	<ul style="list-style-type: none"> » Our risk assessments take into account the current legislative methane and emission requirements. » We are registered in performance standards in Alberta and Saskatchewan that significantly lower our direct costs and financial exposure to carbon pricing in our operations. » We monitor and report on our emissions performance to ensure our compliance with regulatory limits. » Emissions reduction initiatives are focused on maintaining compliance in a tightening regulatory environment and reducing financial exposure to carbon pricing in the future. » We set emissions reduction targets to ensure our continued compliance with methane regulations and to lower our financial exposure to carbon pricing.
Emerging regulation	Tightening methane regulations in future years may require additional equipment, equipment upgrades, GHG reduction project planning, air monitoring, and other reporting requirements.	Additional future costs will be associated with equipment, projects, monitoring, and reporting. Resourcing needs and third-party costs are evaluated on a project basis and as additional needs arise.	<ul style="list-style-type: none"> » We maintain an emissions database which is used for regulatory filings. It is also used for internal reporting and analysis of GHG emissions. » We regularly review emerging GHG regulations and participate in government/industry working groups to (1) provide input into the regulations as they are being developed and (2) better understand the future impact the regulations will have on the company. » We use internal staff where possible to undertake planning, evaluation, operations, and reporting activities. This includes the Environmental Sustainability Team, facilities engineering, operations, and sustainability reporting. » We engage specialized third parties when needed in areas of environmental engineering, verification, measurement, and grant writing. » We monitor and report on regulatory compliance limits within new or tightened regulations to ensure compliance.
Technology	Technology risks include (1) the risk of not utilizing appropriate technology to mitigate emissions and (2) the risk of not having appropriate emissions technology available (i.e., still in development stage and not ready for deployment).	Technology development is evaluated on a project basis, along with the availability of government grants.	<ul style="list-style-type: none"> » We invest in various technologies aimed at reducing our GHG emission intensity. These technologies are trialled in smaller pilot projects before being deployed on a large scale. » To remain current on technology and innovation we have an internal technology bulletin board. Employees collaborate on technological developments, including emissions reduction opportunities. Staying current and encouraging collaboration within the company and with peers reduces our technology related risks.
Market	Market impacts of perceived inaction or insufficient action on climate change.	In the future for a company to be a reputable participant in the market, meaningful action on climate change is required.	<ul style="list-style-type: none"> » We report emissions to the CDP, the National Pollutant Release Inventory (NPRI), and the EPA using the Electronic Greenhouse Gas Reporting Tool (e-GGRT).
Reputation	Climate change issues are important to our investors and residents in the communities where we operate.	Social perceptions of our industry could impact our social license to operate or ability to access financing.	<ul style="list-style-type: none"> » Emissions management and the potential impacts of climate change are becoming increasingly integrated in our business strategy. » We maintain an emissions tracking database. » Our teams work continuously to improve processes related to emissions data compilation and internal reporting. » We review non-routine flaring, venting, and fugitive emissions activities.

Current GHG Regulations

The GHG-limiting regulations most relevant to our company are:

1) CARBON PRICING SYSTEMS

Federal Greenhouse Gas Pollution Pricing Act: In 2018, the federal Greenhouse Gas Pollution Pricing Act came into effect in Canada. The Act implements a federal benchmark carbon pollution pricing system applied to fuel and combustible waste. This federal pricing impacts provincial jurisdictions that do not have an equivalent Output-Based Pricing System in place. The Provinces of Saskatchewan and Alberta, where we have operations, have obtained federal equivalency, which determines our financial exposure to the federal fuel tax. These programs have associated compliance costs when performance standards relative to an emissions benchmark cannot be fully met.

Compliance costs differ by province depending on the performance standard requirement and compliance cost rate.

2) OUTPUT-BASED PERFORMANCE STANDARDS

Saskatchewan Output-Based Performance Standard (OBPS): This regulation applies to facilities emitting more than 25,000 tonnes of CO₂e. Although optional, we have elected to register our Kerrobert SAGD facility, even though it is under this threshold. The remainder of our facilities do not meet the large emitter criteria, however, we chose to opt into the regulation by aggregating all other operated Saskatchewan assets. This program requires an annual 1.25% reduction in stationary combustion emissions escalating to a total 15% reduction by 2030 when compared to a 2019 baseline. In 2020, our compliance costs were \$0.1 million at \$30 per tonne of CO₂e.

Alberta Technology Innovation and Emissions Reduction (TIER): This regulation applies to facilities that emit more than 100,000 tonnes of CO₂e. None of our facilities meet these criteria; however, we chose to opt in and registered our operated facilities in a conventional oil and gas aggregate. The Alberta reduction requirement is 10% immediately from a 2020 benchmark year. In 2020, compliance costs were \$0.9 million.

3) METHANE REGULATIONS

Saskatchewan Oil and Gas Emissions Management Regulations (OGEMR): The focus of OGEMR is to reduce methane emissions by 40% between 2020 and 2025. The regulation requires companies to reduce venting and flaring volumes as they are significant contributors to methane emissions. To calculate allowable emissions, operators must calculate the ratio of actual GHG emissions emitted from a site relative to the potential theoretical emissions that would occur if all the associated gas on a site was vented. Regulations came into effect on January 1, 2019, with emissions limits starting in 2020 and the final target being reached by 2025. Unlike other regulations, like the carbon pricing systems, there is no payment option to allow for not meeting reduction targets. Companies must achieve annual methane emissions targets or face regulatory penalties. We have reduced our venting volumes significantly and exceeded the regulatory required reduction for 2020.

Alberta Methane Emissions Reduction Program: This program includes suite of fleet and site-specific regulations focused on the reduction of venting and fugitive emissions at upstream oil and gas sites. Elements of the program include Fugitive Emissions Management Plans (FEMP) and the Methane Reduction and Retrofit Compliance Plan (MRRCP), which obligates operators to swap out higher venting equipment and implement routine venting limits for all sites. We were compliant when these regulations came into effect on January 1, 2020 and anticipate remaining compliant as the program requirements grow more stringent over time to 2023.

Alberta Directive 084: Directive 084 was created in response to the January 2014 Peace River Hearings to address odours and emissions generated by heavy oil operations in the Peace River region (Three Creeks, Walrus, Seal Lake, and Reno). Starting in 2018, companies operating in the Peace River region have been required to conserve 95% of all gas produced. This required conservation rate excludes non-routine flaring. In 2020, our gas conservation rate in the region was 96.9% net¹ routine gas conservation rate (92.8% gross² routine gas conservation).

	2019	2020	2021	2022
Carbon pricing (\$/tonne)	\$20	\$30	\$40	\$50

Federal fuel rates under the Greenhouse Gas Pollution Pricing Act.

¹ Net is from Baytex's equity share of the production

² Gross includes all the operated facility volumes including production that belongs to our joint venture partners

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

In the next two years, we plan to complete a scenario analysis to support our understanding of the implications of the energy transition on our business. While we have not implemented a comprehensive climate-related scenario analysis into our business strategy, we have taken the following two steps to evaluate the impacts of some of our most direct climate-related risks:

- » **Forecasting GHG emissions:** The implementation of emissions reporting software in 2019 has provided greater visibility and insight into the emissions intensity of our corporate portfolio, area assets, and individual facilities' emissions performance. This aids in forecasting future corporate emissions, identifying reduction initiatives, and assessing future acquisition and divestiture opportunities as they relate to emissions. We forecast our emissions under our current development plan to ensure our compliance with regulatory limits and execution of GHG reduction initiatives. This provides a corporate profile of emissions and emissions intensity to management to aid in decision-making and emission reduction project planning.
- » **Modeling changes in oil prices and demand:** Our five-year outlook corporate modelling incorporates various benchmark oil pricing scenarios. This aids in assessing the resiliency of the business to market fluctuations under various development scenarios. In 2020, we saw unprecedented low crude oil prices and demand drop. Baytex responded to these changes quickly with a revised capital program that optimized the value of our resource base. Our flexibility in these circumstances highlighted our ability to respond to a demand disruption in a shorter-term scenario. The nature of longer-term supply or demand disruption is uncertain in nature.

At Baytex, we believe that oil and gas will be instrumental in the energy transition. Some of the elements that make our company more resilient are:

- » **Geographical diversity:** We are exposed to different regulations in the various jurisdiction where we operate. In 2020, 39% of our production came from non-operated assets in the U.S. with no exposure to carbon pricing or methane regulations. Our Canadian production is split between the provinces of Alberta and Saskatchewan that also have different regulations. Geographic dispersion also makes us more resilient to the physical risks of climate change since they affect regions differently.
- » **Lower cost producer:** To increase our financial resiliency, we aim to increase our productivity and reduce our costs. Across our properties, we apply technical advancements that drive enhanced productivity such as extended reach horizontal wells in our Viking assets and multi-lateral development in Peace River. We have a disciplined capital spending program, and in 2020 we also met our cost targets despite an extremely volatile pricing environment.
- » **A track record of implementing GHG regulations:** There are administrative and reporting requirements associated with maintaining good standing in the regulations that apply to our business. We have invested in methane and GHG emission reduction across our properties to reduce this impact (see pages 10-13). Our Peace River assets are subject to some of the most stringent regulations in Canada and we consistently meet or exceed our obligations. We have applied learnings from Peace River in developing and implementing our plans for our Viking assets, showcasing our organizational adaptability and the resilience our of teams.
- » **Active in industry groups and GHG regulatory discussions:** We actively participate in industry groups and engage with regulatory bodies in Alberta and Saskatchewan on the implementation of federally equivalent Output-Based Performance Standard programs. We monitor and review developments in provincial and federal carbon pricing policies and the implementation of carbon pricing schemes.

In the next two years, we plan to complete a scenario analysis to support our understanding of the implications of the energy transition on our business.

» In the next two years, we plan to complete a scenario analysis to support our understanding of the implications of the energy transition on our business.

IV. Metrics and Targets

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

We have measured and reported our controlled GHG emissions (scope 1 and scope 2) since 2012. Read more about how we manage our GHG emissions on pages 10-13 of our ESG report.

GHG Emissions (tonnes CO ₂ e)	2016	2017	2018	2019	2020
Scope 1	972,834	805,018	2,739,887	2,230,163	1,188,227
Scope 2	30,810	50,731	102,703	112,475	89,642
Total GHG Emissions	1,003,644	855,749	2,842,590	2,342,638	1,277,869
GHG emissions intensity (tonnes CO ₂ e/boe)	0.082	0.070	0.112	0.095	0.061

GHG targets: As the majority of our climate-related risks stem from regulatory uncertainty and the potential impacts on our capital and operational expenditures, our targets focus on reducing our GHG emissions. In order to mitigate increased carbon pricing and proactively address federally imposed emissions reductions, in 2018 we set a target to reduce our GHG intensity by 30% from our 2018 baseline. Having met and exceeded that target, we have set a new target to reduce our GHG intensity by 65% by 2025 from our 2018 baseline.

Note: The increase in emissions from 2017 to 2018 is due to the acquisition of our Viking assets.

APPENDIX

ESG-RELATED QUESTIONS

Some of our stakeholders, including rating agencies via surveys, ask questions about ESG risks not covered above 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 the Extractive Sector Transparency Measures Act (ESTMA) enacted by the Government of Canada. 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 2020 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 Office365 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, which resulted in increased employee cybersecurity awareness. The pandemic also helped us identify our need for a formal cybersecurity policy. We arranged for a third party

to undertake a formal assessment of our cybersecurity system in early 2021 and will develop and implement a cybersecurity response policy and plan based on the results. In early 2021, we 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 region 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 solid waste at licensed waste management facilities.

Do you have significant impacts on biodiversity? Do you operate near caribou habitat?

We acknowledge that woodland caribou populations are in decline in Alberta and British Columbia and that resource development activity can potentially affect ecosystems and biodiversity. 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 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 (TDG) 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 (EPAC) and other organization such as Canada Action to support industry positions and to stay informed of policy development.

PERFORMANCE TABLE

	Units	2016	2017	2018	2019	2020	5-year Trend
Daily Production (Operated Properties)	boe/d	33,546	33,564	43,382	58,624	48,602	45%
Throughput (Operated Properties)	boe/d				67,768	57,606	
Environment							
Greenhouse Gas Emissions (operational control)							
GHG Emissions (Total)	CO ₂ e tonnes	1,003,644	855,749	2,842,590	2,342,638	1,277,869	27%
Scope 1	CO ₂ e tonnes	972,834	805,018	2,739,887	2,230,163	1,188,227	22%
Scope 2	CO ₂ e tonnes	30,810	50,731	102,703	112,475	89,642	191%
Intensity (Scope 1 and Scope 2)	tonnes CO ₂ e/boe	0.082	0.070	0.112	0.095	0.061	-26%
Emissions from methane	CO ₂ e tonnes	NR	NR	2,096,430	1,612,150	559,794	
Emissions covered under a carbon-limiting regulation	CO ₂ e tonnes	NR	NR	NR	289,921	1,188,227	
Scope 1 Emissions by Source							
Combustion Emissions	CO ₂ e tonnes	609,757	402,789	481,147	515,920	461,378	-24%
Flare Emissions	CO ₂ e tonnes	126,098	157,899	173,357	93,692	157,274	25%
Fugitive Emissions	CO ₂ e tonnes	15,600	15,318	78,241	88,422	15,577	0%
Venting	CO ₂ e tonnes	221,379	229,012	2,007,141	1,532,129	553,998	150%
Volume of Flared Gas	thousand m ³	56,503	71,962	68,228	37,154	62,808	11%
Volume of Vented Gas	thousand m ³	13,896	14,723	134,770	101,735	38,915	180%
Other Air Emissions							
Sulfur Dioxide (SO ₂)	tonnes	NR	NR	NR	626	672	
Nitrogen Oxides (NOx)	tonnes	NR	NR	NR	1,795	1,895	
VOCs	tonnes	NR	NR	NR	16,336	6,597	
PM	tonnes	NR	NR	NR	127	196	
Water							
Water Withdrawal	m ³	337,415	384,000	622,775	916,457	954,226	183%
Water Intensity	m ³ /boe	0.028	0.031	0.039	0.043	0.054	95%
Volume of produced water	thousand m ³	2,317,005	7,802,620	7,467,582	9,584,226	7,086,350	206%
Produced water injected (deep well)	thousand m ³	NR	NR	NR	9,480,074	6,978,485	
Produced water recycled	thousand m ³	NR	NR	NR	5,738,670	4,152,489	
Abandonment							
Abandoned Wells	wells (gross)	57	104	110	113	99	74%

	Units	2016	2017	2018	2019	2020	5-year Trend
Environment, continued							
Reclamation							
Sites Undergoing Major Restoration	sites	70	57	60	67	7	-90%
Sites Undergoing Minor Restoration	sites	15	53	69	75	101	573%
Reclamation Certificates Received	count	34	35	35	74	36	6%
Reclaimed Land	hectares	60	72	77	139	67	10%
Hydrocarbon spills							
Number	count	NR	NR	NR	50	46	
Volume	m ³	NR	NR	NR	29	31	
Volume recovered	m ³	NR	NR	NR	29	31	
Spills							
Reportable Spills	count	17	9	15	23	9	-47%
Trucking, Reportable Spills	count	5	1	4	0	0	
Volume of Reportable Spills	m ³	340	78	145	239	140	-59%
Trucking, Volume of Reportable Spills	m ³	40	1.5	1.1	0	0	
Pipeline Incident Rate	incidents per 1,000 kms	0.88	0.83	0.57	1.58	1.29	47%
Safety							
Recordable Injury Rate - Employees	cases per 200,000 work hours	1.17	0.19	0.35	0.56	0.16	-86%
Recordable Injury Rate - Contractors	cases per 200,000 work hours	0.12	0.47	0.83	0.78	0.50	317%
Recordable Injury Rate - Combined	cases per 200,000 work hours	0.52	0.37	0.70	0.73	0.39	-25%
Lost-time Injury Rate - Employees	cases per 200,000 work hours	0.20	0.00	0.18	0.42	0.16	-20%
Lost-time Injury Rate - Contractors	cases per 200,000 work hours	0.12	0.28	0.13	0.29	0.21	75%
Lost-time Injury Rate - Combined	cases per 200,000 work hours	0.15	0.19	0.14	0.33	0.20	33%
Serious Potential Injury Frequency - combined	cases per 200,000 work hours	NR	NR	NR	0.98	0.54	
Fatalities - Employees and Contractors	count	0	0	1	0	0	
Employees							
Workforce Profile	count	250	230	251	227	206	-18%
Full-time	count	250	230	251	227	206	-18%
Part-time	count	0	0	0	0	0	

	Units	2016	2017	2018	2019	2020	5-year Trend
Employees, continued							
Employees Covered by Collective Bargaining Agreements	count	0	0	0	0	0	
Employees by Country							
US	count	22	0	0	0	0	
Canada	count	228	227	251	227	206	-10%
Women at various levels							
Board	percent	20%	17%	10%	29%	22%	10%
Officers	percent	0%	0%	0%	0%	0%	
Supervisory Positions	percent	37%	39%	31%	29%	24%	-35%
All Employees	percent	37%	37%	35%	39%	38%	3%
Employee Age Categories							
30 Years and Under	percent	NR	1%	6%	6%	5%	
30 to 50	count	NR	66%	67%	70%	71%	
50 Plus	count	NR	33%	26%	24%	24%	
Turnover Rate							
Total	percent	6%	15%	18%	14%	13%	110%
Voluntary	percent	3%	8%	10%	9%	4%	56%
Involuntary	percent	3%	7%	8%	5%	8%	158%
Spending per Employee	\$/employee	827	1,159	989	1,304	975	18%
Economic							
Value Generated	millions of \$	941.5	1,110.5	1,360.4	1,882.1	1,676.2	78%
Value Distributed to:							
Suppliers	millions of \$	471.0	612.1	814.0	955.3	588.2	25%
Employees (wages and benefits)	millions of \$	45.8	48.9	47.0	46.8	32.1	-30%
Providers of Capital	millions of \$	104.2	98.8	104.8	316.3	146.6	804%
Governments (taxes and royalties)							
Domestic Governments	millions of \$	54.0	63.7	78.9	88.8	51.2	-5%
Foreign Governments	millions of \$	21.6	21.8	29.1	27.0	20.4	-6%
Landowners	millions of \$	137.6	184.8	248.1	256.1	146.3	6%
Communities & Non-Profits (charitable contributions)	millions of \$	0.2	0.2	0.1	0.9	0.2	46%
Indigenous Communities (purchases and royalties)	millions of \$	0.6	1.1	2.2	1.8	10.3	1746%
Value Retained	millions of \$	106.7	79.2	36.0	188.9	680.9	-207%
Purchases from Indigenous Suppliers	millions of \$	0.4	0.9	2.2	1.7	10.2	2729%

NOTES

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 have been restated to reflect the combined full calendar year emissions from both Baytex and Raging River after the strategic combination completed on August 22, 2018. This established our baseline year to measure reduction strategies and initiatives against. These numbers were previously reported for comparative and target setting purposes in the 2018 Sustainability Report and the 2019 Sustainability Metrics table update.
4. Emission intensity, or production carbon intensity, is the measure of total gross operated GHG emissions (tonnes CO₂e) per total operated throughput (BOE). For 2018, 2019, and 2020, operated dispositions have been used in the calculation of GHG intensity. In prior years we used daily operated production in the calculation of GHG intensity.
5. GHG limiting regulations includes jurisdictions with carbon tax not only jurisdictions with cap-and-trade systems. It also includes include both carbon and methane regulations.
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.
7. Value generated includes revenues from petroleum and natural gas sales, realized gain/losses from derivatives or foreign exchange and net proceeds from divestitures. Corporate acquisitions and funds raised or borrowed to finance corporate acquisitions have been excluded.
8. Payments to providers of capitals includes interest to lenders and repaying our debt. Baytex did not pay dividends in 2019 and 2020.
9. 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.
10. Payments to landowners include freehold royalties and lease costs.
11. Payments to Indigenous communities 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.
12. Value retained is value generated minus value distributed. This is not a financial reporting indicator and should not be compared with retained earnings.
13. Businesses owned at least 50 percent by First Nations, Inuit, Métis 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	Unit	2019	2020
Activity metrics				
EM-EP-000.A	Total production (operated)	boe/d	58,624	48,602
EM-EP-000.A	Production of oil	%	82	82
EM-EP-000.A	Production of natural gas	%	18	18
EM-EP-000.A	Production of synthetic oil	%	0	0
EM-EP-000.A	Production of synthetic gas	%	0	0
EM-EP-000.B	Number of offshore sites	total wells	0	0
EM-EP-000.C	Number of terrestrial sites	total wells	8,825	8,802
Greenhouse Gas Emissions				
EM-EP-110a.1	Gross global Scope 1 emissions	tonnes CO ₂ e	2,230,163	1,188,227
EM-EP-110a.1	Emissions from methane	%	72	47
EM-EP-110a.1	Percentage of emissions covered under an emissions-limiting regulation	%	100	100
EM-EP-110a.2	Scope 1 emissions from combustion	%	23	39
EM-EP-110a.2	Scope 1 emissions from flared hydrocarbons	%	4	13
EM-EP-110a.2	Scope 1 emissions from process emissions	%	0	0
EM-EP-110a.2	Scope 1 emissions from directly vented releases	%	69	47
EM-EP-110a.2	Scope 1 emissions from fugitive emissions	%	4	1
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 10-12, 46-47
Air quality				
EM-EP-120a.1	NO _x (excluding N ₂ O)	tonnes	1,795	1,895
EM-EP-120a.1	SO _x	tonnes	626	672
EM-EP-120a.1	Volatile organic compounds (VOCs)	tonnes	16,336	6,597
EM-EP-120a.1	Particulate matter (PM ₁₀)	tonnes	127	196 s
Water and wastewater management				
EM-EP-140a.1	Total fresh water withdrawn	m ³	916,457	954,226
EM-EP-140a.1	Total fresh water consumed	NR	NR	NR
EM-EP-140a.1	Percentage water withdrawn in regions with High or Extremely High Baseline Water Stress	NR	NR	NR

SASB Ref	SASB Suggested Disclosures	Unit	2019	2020
EM-EP-140a.1	Percentage water consumed in regions with High or Extremely High Baseline Water Stress	%	NR	NR
EM-EP-140a.2	Volume of produced water and flowback generated	thousand m ³	9,584,226	7,086,350
EM-EP-140a.2	Produced water/flowback generated discharged	%	0	0
EM-EP-140a.2	Produced water /flowback injected (deep well injection)	%	40	41
EM-EP-140a.2	Produced water/flowback recycled	%	60	59
EM-EP-140a.2	Hydrocarbon content in discharged water	NR	NR	NR
EM-EP-140a.3	Percentage of hydraulically fractured wells for which there is public disclosure of all fracturing fluid chemicals used	%	3	3
EM-EP-140a.4	Percentage of hydraulic fracturing sites where ground or surface water quality deteriorated compared to a baseline	NR	NR	NR
Biodiversity Impacts				
EM-EP-160a.1	Description of environmental management policies and practices for active sites			page 48
EM-EP-160a.2	Number of hydrocarbon spills	Count	50	46
EM-EP-160a.2	Volume of hydrocarbon spills	bbls	29	31
EM-EP-160a.2	Volume of hydrocarbon recovered	bbls	29	31
EM-EP-160a.2	Volume of spills in the Arctic	bbls	0	0
EM-EP-160a.2	Volume of spills near shorelines with ESI rankings 8-10	bbls	0	0
EM-EP-160a.3	Proved reserves in or near sites with protected conservation status or endangered species habitat	NR	NR	NR
EM-EP-160a.3	Probable reserves in or near sites with protected conservation status or endangered species habitat	NR	NR	NR
Security, Human Rights, and Rights of Indigenous Peoples				
EM-EP-210a.1	Proved reserves in or near areas of conflict	%	0	0
EM-EP-210a.1	Probable reserves in or near areas of conflict	%	0	0
EM-EP-210a.2	Proved reserves in or near indigenous land ¹	%	4.0	4.0
EM-EP-210a.2	Probable reserves in or near indigenous land ²	%	6.9	6.9
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, 48
Community Relations				
EM-EP-210b.1	Discussion of process to manage risks and opportunities associated with community rights and interests			page 31
EM-EP-210b.2	Number and duration of non-technical delays	NR	NR	NR

SASB Ref	SASB Suggested Disclosures	Unit	2019	2020
Health, Safety, and Emergency Management				
EM-EP-320a.1	Total Recordable Injury Rate (TRIR) employees and contractors	cases per 200,000 work hours	0.73	0.39
EM-EP-320a.1	Fatalities	Count	0	0
EM-EP-320a.1	Near misses (count not rate)	Count	58	40
EM-EP-320a.1	Average hours of health, safety, and emergency response training for employees	NR	NR	NR
EM-EP-320a.1	Average hours of health, safety, and emergency response training for contractors	NR	NR	NR
EM-EP-320a.2	Discussion of management systems used to integrate a culture of safety and emergency preparedness throughout the value chain and throughout the exploration and production lifecycle			pages 23-24
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	NR	NR
EM-EP-420a.2	Estimated carbon dioxide emissions embedded in proved hydrocarbon reserves	NR	NR	NR
EM-EP-420a.3.	Amount invested in renewable energy	NR	NR	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	NR	NR
Business Ethics and Payments Transparency				
EM-EP-510a.1.	(1) Proved and (2) probable reserves in countries that have the 20 lowest rankings in Transparency International's Corruption Perception Index	%	0	0
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	NR	NR
Critical Incident Risk Management				
EM-EP-540a.1.	Tier 1 Process Safety Event (PSE) rate	NR	NR	NR
EM-EP-540a.2.	Description of management systems used to identify and mitigate catastrophic and tail-end risks	NR	NR	NR

Notes:

1. Proved and probable reserves in or near (within 5 Km) of indigenous lands (specifically defined as lands within reserve boundaries).
2. Proved and probable reserves in or near (within 5 Km) of indigenous lands (specifically defined as lands within reserve boundaries).

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	4
102-2	Primary brands, products and services	4
102-3	Headquarters	4
102-4	Locations	4
102-5	Legal form	4
102-6	Markets served	4
102-7	Scale of the company	4
102-8	Employee numbers	50-51
102-14	CEO message	3
102-16	Values, principles and norms of behaviour	5
102-17	Understanding and reporting unethical behaviour	38
102-18	Governance structure	36
102- 20	Executive-level responsibility for sustainability	39
102-22	Composition of board	Information Circular p. 13
102-23	Chair of Board	Information Circular p. 13
102-24	Selecting Board members	Information Circular p. 47
102-28	Board performance evaluation	Information Circular p. 47-48
102-29	Board role in managing sustainability and impacts	41
102-30	Board role in risk management for sustainability	42
102-32	Executives approve CR report	8
102-33	Communicating critical concerns to board	Information Circular p. 19
102-35	Pay policies for board and executives	Information Circular p. 14-17, 28-48
102-36	Process for determining executive pay	Information Circular 20-40
102-37	Stakeholder involvement in executive pay approval	Information Circular, p. 5
102-43	Approach to stakeholder engagement	31
102-46	Process to determine report content	8
102-47	Material topics	6
102-48	Restatement of information from previous reports	N/A

GRI INDICATOR		Page
102-49	Changes in reporting	N/A
102-50	Reporting period	8
102-51	Most recent CR report	8
102-52	Reporting cycle	8
102-53	Contact person for report	Back cover
102-54	Claims of reporting according to GRI	56
102-55	GRI content index	56
102-56	External assurance	8
BUSINESS PRACTICES		
201-1	Direct economic value generated	33
201-2	Risks and opportunities of climate change	43-44
205-2	Communication and training for ethics	38
ENVIRONMENT		
303-5	Water consumption	19, 49
304-2	Impact of activities on biodiversity	48
305-1	Direct GHG emissions	10, 52
305-2	Indirect energy GHG emissions	10, 52
305-4	GHG emission intensity	10, 52
305-5	Reduction of GHG emissions	10-13
305-7	NOx, SOx and other air emissions	21, 52
306-3	Significant spills, number and volume	14, 53
SOCIAL		
401-1	Employee turnover	51
403-9	Work-related injuries and fatalities	50
405-1	Diversity of board and employees	51

FORWARD-LOOKING STATEMENTS

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, emissions intensity, asset retirement obligations and water use; our ESG vision that Baytex will be a leader in responsible production of energy the world needs for the future; our new targets: reducing our GHG emissions intensity by 65% by 2025 from our 2018 baseline, reduce our current end of life well inventory to zero by 2040, by 2022 evaluate and test new methods to reduce freshwater intensity and by 2022 expand our baseline to include multiple dimensions of diversity and enhance our processes to measure employee engagement. Our environmental sustainability team is reviewing other strategic environmental initiatives; 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 in 2021 and 2022; that we plan to complete a 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: the general continuance of current industry conditions; the continuance of existing tax, royalty and regulatory regimes; Baytex's ability to conduct operations and achieve results of operations as anticipated; the successful implementation of Baytex's strategies and plans, including the ability to access and implement all technology necessary to reduce GHG emissions and abandon and reclaim our properties within the proposed timeline; the availability of financing and funds from operations to fund Baytex's planned expenditures; and continued collaboration with the communities in which we operate. The foregoing expectations and assumptions are not exhaustive. 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.



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