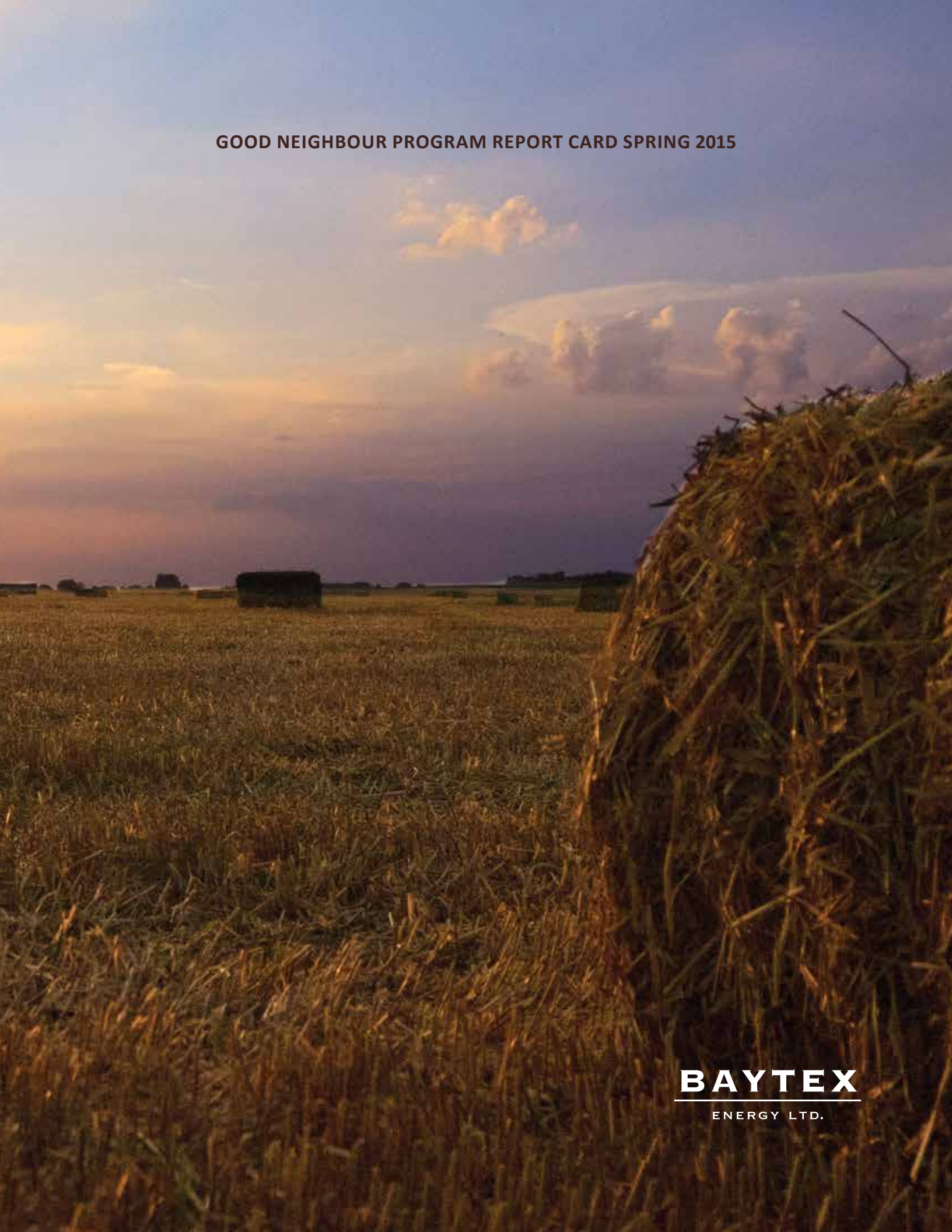


GOOD NEIGHBOUR PROGRAM REPORT CARD SPRING 2015



**BAYTEX**  
ENERGY LTD.



## Good Neighbour Program

In early 2014, Baytex Energy Ltd. (Baytex) launched the Good Neighbour Program in the Peace River region in response to a desire by the community for a manageable forum to share information and concerns about Baytex's operations with other members of

the community and company representatives. This commitment to community engagement, offers a variety of opportunities for individuals and organizations to learn about Baytex's operations. Through on-going engagement stakeholders are able to voice

concerns, ask questions and provide input to the company at open houses, presentations, community meetings, and through the program's community toll free hotline and email account.

**BAYTEX ENERGY'S GOOD NEIGHBOUR PROGRAM** focuses on being a good neighbour in the communities in which we operate. Good Neighbour encourages consistent and meaningful communication between Baytex employees, contractors and community residents. Open lines of communication between us and our neighbours are critical to building partnerships and relationships.

The goals of the Good Neighbour Program are to:

- support consistent and meaningful communications between the Peace River Community and Baytex's employees, managers, suppliers and contractors
- serve as a fair, objective and transparent account of Baytex's community contributions and its efforts towards being a Good Neighbour
- support continuous improvement across the five key performance areas addressed in this report card
- provide a consistent means of reporting these activities to key internal and external stakeholders

### GOOD NEIGHBOUR ADVISORY BOARD

The primary pillar of the Good Neighbour Program is the Good Neighbour Advisory Board (GNAB), established to facilitate meaningful exchange among community members, industry, non-participating stakeholders and the general public.

The role of the GNAB is to:

- bring the combined voices of the community and Baytex together to establish shared priorities
- review Good Neighbour priority initiatives and establish immediate goals and corresponding key performance indicators
- meet quarterly to evaluate performance against current quarter key performance indicators and set objectives for the next quarter
- act as public advocates for the Peace River community and the role, contribution and responsibility of industry
- oversee the completion and reporting of this report card
- ensure that this report card is a clear, accessible and linked directly to the Good Neighbour Program values and vision

In its role, the GNAB will evaluate Baytex based on five key performance areas that are outlined in the Good Neighbour Program:

1. Safety and Integrity
2. Community Responsiveness
3. Community Investment
4. Environmental Stewardship
5. Economic Contribution



## Good Neighbour Report Card

The Good Neighbour Report Card featured in this section involves the evaluation of five key performance areas: Community Responsiveness, Safety & Integrity, Community Investment, Economic Contribution, and Environmental Stewardship. Goals for 2014 were established by Baytex's business leaders. The GNAB provided further guidance from a community perspective, based on their expectations of companies operating in their community.

The GNAB met on April 27, 2015 in Peace River, Alberta to review Baytex's operational performance based on these goals and results achieved. Members provided a grade for each key performance area on a scale from one to five, with one meaning that Baytex has missed its target and five meaning that it had met expectations.

This report card outlines the following for each key performance area:

- vision
- 2014 goals
- results achieved
- results not achieved
- average grade from the GNAB membership

### COMMUNITY RESPONSIVENESS

#### VISION

We are committed to a trusting and productive relationship with the Peace River community. A Good Neighbour is transparent, informative and works to benefit their community. Above all, a Good Neighbour celebrates their successes, learns from their mistakes and adapts to the needs of the business and their community.

#### 2014 GOALS

- Establish GNAB
- Arrange GNAB site visits
- Create and implement Good Neighbour/GNAB communication plan
- Establish complaint or grievance mechanism
- Develop garbage and dust control program
- Promote traffic safety during school hours
- Support industry partnership on TWP 840 project

#### ACHIEVED

- Established GNAB, protocols and communication plan
- Conducted GNAB site visits
- Established Good Neighbour complaint communication protocol, community hotline and e-mail account
- Conducted two sponsored roadside clean-ups and participated in dust suppression program on TWP 842
- Suspended tanker unit operations during school bus hours
- Contributed \$2.2 million to TWP 840 project

#### NOT ACHIEVED

- Did not host open houses that were part of communication plan
- Good Neighbour online program remains in development phase

GNAB grade  
**3.1**

### SAFETY & INTEGRITY

#### VISION

We are committed to empowering all Baytex employees to make safe, efficient and well-informed decisions. A Good Neighbour puts safety first, for their community, their colleagues and themselves. Good Neighbours are proactive, respectful and reliable, both at work and in the community.

#### 2014 GOALS

- Conduct driver training audit
- Brand all company-owned tankers/trucks
- Ensure compliance with trucks routes and road safety
- Enact third party tractor and trailer inspections
- Create an industry-wide transportation safety advisory board in the area
- Maintain a culture of safety within the company

#### ACHIEVED

- Required all contractors to register with a third-party safety data management firm
- Branded all company-owned tankers and trucks
- Informed all employees and contractors of corporate commitment to safety
- Inspected all AIM Transport tractors and trailers on a monthly basis
- Tracked all safety tickets and infractions and established zero tolerance guidelines
- Inspected and verified all contractor safety certifications

#### NOT ACHIEVED

- Did not create an industry-wide transportation safety advisory board
- Master service agreement for contractors is on-going



GNAB grade  
**4.0**

## COMMUNITY INVESTMENT

VISION		
<p>We will invest in the Peace River community to support long-term social change. A Good Neighbour finds ways to encourage a sense of community, facilitate youth achievement and reduce poverty. As caring citizens and Good Neighbours, Baytex will support Peace River's priorities for investing in its community.</p>		
2014 GOALS	ACHIEVED	NOT ACHIEVED
<ul style="list-style-type: none"> <li>Identify a school-based initiative to support</li> <li>Establish public community investment guidelines</li> <li>Provide support to Baytex Centre</li> <li>Create scholarship fund</li> <li>Support the NAMPA Museum project</li> </ul>	<ul style="list-style-type: none"> <li>Partnered with Inside Education school program</li> <li>Established community investment guidelines and shared on website</li> <li>Contributed Funds to Nampa Museum and Baytex Centre</li> <li>Made regular investments that targeted sense of community, youth achievement, poverty reduction and industry-related education and awareness</li> </ul>	<ul style="list-style-type: none"> <li>Did not establish scholarship fund</li> </ul>

GNAB grade  
**4.8**

## ECONOMIC CONTRIBUTION

VISION		
<p>At Baytex, we know that we can positively contribute to Peace River in many ways and that our strength is derived from the community. As a Good Neighbour, we seek to generate opportunities for local employment, improve prosperity and increase community capacity.</p>		
2014 GOALS	ACHIEVED	NOT ACHIEVED
<ul style="list-style-type: none"> <li>Develop performance indicators that measure local economic contribution</li> <li>Prioritize local hiring and partnerships</li> </ul>	<ul style="list-style-type: none"> <li>Spent \$88 million locally (35 per cent of total operations budget)</li> <li>Prioritize hiring local</li> <li>Partnered with Northern Sunrise County on road maintenance projects</li> </ul>	

GNAB grade  
**4.5**

## ENVIRONMENTAL STEWARDSHIP

VISION		
<p>We are committed to ensuring that respect for the land and the environment underpins all operations in Peace River. Through operational decisions and personal conduct, a Good Neighbour is conscientious and seeks every opportunity to minimize impact on the environment.</p>		
2014 GOALS	ACHIEVED	NOT ACHIEVED
<ul style="list-style-type: none"> <li>Seek effective solutions to lower emissions and odours</li> <li>Communicate operational upsets and incidents to residents and stakeholders</li> <li>Provide GNAB with an overview of operations</li> <li>Reduce the number of days with odour complaints</li> <li>Report on water use and recycling</li> <li>Develop an indicator to measure surface disruption per barrel of production</li> <li>Develop communication material around environmental performance</li> </ul>	<ul style="list-style-type: none"> <li>AER inspections of all Peace River operations for off-lease odours and emissions were 100 per cent compliant post-August 15, 2014</li> <li>Established communication protocol to respond to incident/operational upsets</li> <li>Provided GNAB with operational overview</li> <li>Industry reduced number of odour complaints by 70 per cent</li> <li>Participated in Three Creeks Industry Best Practices Group</li> <li>Instituted air monitoring in Reno field</li> <li>Led industry partnership in TWP 840 project</li> </ul>	<ul style="list-style-type: none"> <li>Did not produce water use and recycling report</li> <li>Did not develop surface disturbance indicator</li> <li>Further support for baseline data, collection for water, soil and air studies required</li> <li>Did not develop communication material</li> </ul>

GNAB grade  
**4.1**





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**Baytex Energy Ltd.**  
**Good Neighbour Program**

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