

Our **energy**

creates a better
world for everyone.

Table of Contents

CEO & Board Chair's Message	02
ESG and Canadian Energy	06
ESG Materiality Assessment	10
ARC's Approach to ESG	11
About This Report	12
Governance	13
Board Oversight of ESG	17
Management Accountabilities	18
ESG-related Policies	18
Executive Compensation	19
Industry Advocacy	19
Environment	21
Climate Change Strategy	24
Air Emissions	35
Water Management	37
Land Use, Reclamation, and Asset Retirement	41
Operational Integrity and Spills	44
Social	46
Workforce Health and Safety	49
Indigenous Relations	54
Stakeholder Relations	56
ARC's People	58
ESG Performance Table	60
SASB Content Index	65
TCFD Content Index	67
GRI Content Index	68
Forward-looking Statements	70

CEO & Board Chair's Message



A stylized blue ink signature of Terry M. Anderson.

Terry M. Anderson
President and Chief Executive Officer
("CEO")

A stylized blue ink signature of Harold N. Kvisle.

Harold N. Kvisle
Board Chair

The world needs
more Canadian
energy and ARC
is ready to deliver.

The world is changing at an unprecedented pace and in ways that are continuously evolving. Global megatrends in health, geopolitics, and economics mean that ARC needs to consider its actions not only at a corporate or federal level, but also in a global context. Nowhere is this more evident than in the energy sector. At ARC, we recognize that the production of safe and reliable energy is essential in driving our global economy forward and lifting the world's poorest out of poverty. At the same time, it is the responsibility of the energy sector to lead the way in addressing climate change.

The speed of change and disruption may seem threatening, but at ARC, we believe it represents a transformative opportunity for our organization. Canada has a tremendous amount of resources and has the diverse talent needed to lead the world in transitioning to a low-carbon economy. International benchmarking consistently demonstrates the strong governance, policy, and regulatory discipline of Canada's oil and gas industry. Canada is a global leader

in carbon reduction through development and deployment of innovative technologies. Simply put, the world needs more Canadian energy and ARC is ready to deliver. ARC's long-term strategy, which focuses on the development of low-emissions natural gas, will aid in providing clean energy to the world. With our world-class Montney resource, which has over 100 Tcf of natural gas resource in-place, ARC has both the opportunity and the plan to position itself as a leading natural gas producer in creating a lower carbon future.

At ARC, we recognize that our foresight in building a strong culture around responsible development and adopting innovative environmental technologies is the reason we are one of Canada's lowest carbon-emitting energy producers. This, combined with our disciplined approach to financial management, is key to the success of our environmental, social, and governance ("ESG") strategy. ARC has a strong track record of managing all aspects of ESG. We recognize that leadership in reduction of

greenhouse gas (“GHG”) emissions is critical to attracting capital to ARC and the broader Canadian energy sector, and ultimately, is the right thing to do. We are proud to have the lowest GHG emissions intensity within our Canadian peer group and to report that we delivered a 47 per cent reduction in GHG emissions intensity compared to our 2017 baseline, and we have set a new target to reduce our GHG emissions intensity by an additional 20 per cent by 2025. We plan to achieve these new targets through our ongoing development and application of clean energy technology, which we are funding through investment of our carbon offset revenues.

This year, ARC has developed its organizational purpose which is guiding us in the decisions we are making for a prosperous future:

ARC has conducted a materiality assessment to identify its ESG factors in alignment with the Sustainability Accounting Standards Board (“SASB”) and to better understand the nature, scope, and timelines of the financial impacts of key non-financial factors that drive our business. From this, we developed an ESG framework that outlines guiding principles, core commitments, and measurable ESG goals and targets. We aligned our disclosures with the recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”), which included conducting climate scenario analyses aligned with those outlined by the International Energy Agency (“IEA”). This approach demonstrates the strength of our business over the long term.

Central to our organizational purpose is that ARC is a people-driven company focused

ARC is proud to have the

lowest

GHG emissions intensity within its Canadian peer group



ARC has delivered a

47%

reduction in its GHG emissions intensity compared to its 2017 baseline, and has set a new target to reduce its GHG emissions intensity by an additional 20 per cent by 2025

Our energy creates a better world for everyone.

At ARC, in every decision that we make, we strive to create a better world for everyone by doing what is right, not just what is required. In this 2020 ESG Report, which discusses our 2018 and 2019 performance along with our future ESG plans, we bring our organizational purpose to life by describing the approach and actions we are taking to better understand and address the financial implications of key ESG factors that we believe will affect our business today and over the longer term. By repositioning our disclosure around ESG, we are building out a strategy that will demonstrate to our key stakeholders how we plan to be profitable and create value, while also making the world a better place through responsible energy development.

on creating a diverse and inclusive work environment with a strong ESG culture. The root of everything we do is to provide people with the opportunity to live better lives. Our people are focused on doing what is right for their communities, their environment, and the world. Our company, its success, and its positive impact on the lives of others depends on and is driven by the strength of our people. Our ESG journey is focused on continuous improvement, transparency, and engagement. At our core, we have a strong foundation upon which to take the next bold step and play a meaningful role in the transition towards a lower carbon economy. Looking forward, we are confident that we will continue to produce energy that creates a better world for everyone.

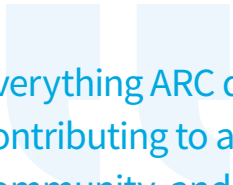
Terry M. Anderson
President and CEO

Harold N. Kvisle
Board Chair

Corporate Profile

ARC Resources Ltd. (“ARC” or the “Company”) is a leading Canadian energy producer committed to delivering strong operational, ESG, and financial performance and upholding values of operational excellence and responsible development.

With a diverse asset portfolio in the Montney in northeast British Columbia and northern Alberta and in the Cardium in central Alberta; high-quality leadership and depth in technical expertise; and a long-term approach to strategic thinking and delivering shareholder returns, ARC has a demonstrated history of transformation, performance, and doing what is right for all stakeholders. ARC’s high-quality assets are extremely efficient, have been developed to minimize the Company’s environmental footprint, and have superior growth potential, positioning ARC well today and into the future to deliver strong ESG performance.



Everything ARC does is driven from the basis of contributing to a thriving environment, a prosperous community, and a better quality of life for everyone.

ARC pays a quarterly dividend and its common shares trade on the Toronto Stock Exchange under the symbol ARX.





Where ARC Operates

Montney

Northeast
British Columbia

Northern
Alberta

Dawson Creek

Grande Prairie

Cardium

Edmonton

Drayton Valley

Calgary

Montney

Cardium



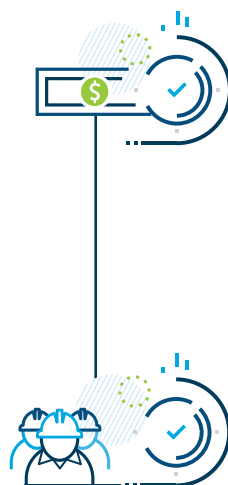
Natural
Gas



Liquids-rich
Natural Gas



Crude
Oil



\$1.0
billion
2019 Value Generated

\$691.5
million
2019 Capital Spending

437
Employees

Exploration & Drilling

910 MMboe
Proved plus Probable Reserves (Gross)

87
Wells Drilled in 2019 (Gross Operated)

Production

139,126
boe/day
2019 Annual Average Production

Commodity Mix

75% **25%**
Natural Gas Crude Oil & Liquids

Transportation

5,909
Kilometres of Pipeline Managed



ESG and Canadian Energy



The availability of low-cost energy provided by fossil fuels has driven the global economy since the industrial revolution of the nineteenth century. The earth's environmental systems do not have the capacity for unlimited growth; however, this does not indicate that the world will be using less energy in the future as global population growth and poverty reduction will continue to drive increases in energy demand.

What it does mean is that society can be smarter about how it supplies and uses energy, recognizing that economic prosperity and the transition to a low-carbon economy go hand-in-hand.

Globally, if coal-fired power generation was replaced with natural gas and renewables, the 2030 GHG emissions targets set out in the Paris Accord would be met. Climate scenario analyses produced by the IEA forecast a continued role for lower carbon natural gas and oil as a significant part of the global energy mix well into the second half of this century. Technology and innovation are the key to securing low-cost sustainable energy for the future ⁽¹⁾.

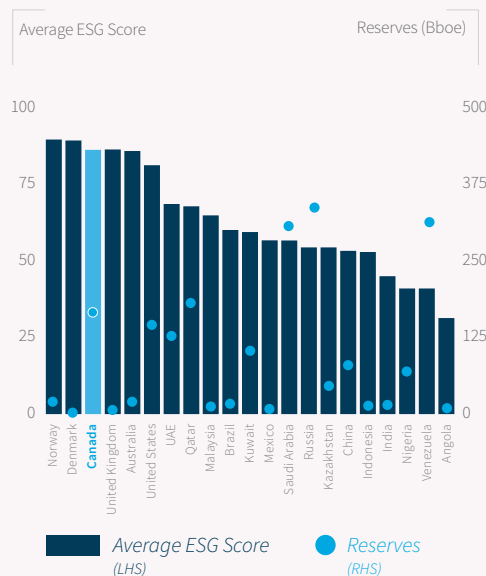
Of the top oil and natural gas-producing countries, only a handful of these countries are democracies in which energy companies are held accountable to their governments, shareholders, and civil society. Of this select group, Canada holds the largest quantity of oil and natural gas reserves and maintains the most stringent environmental, social, and governance regulations and standards of practice.

Canada's leadership in responsible development is clearly evidenced through the country's environmental performance. When examining emissions data, Canada represents only 1.3 per cent of global emissions. The ongoing efforts of the Canadian energy sector to further improve its environmental performance continues to tell a compelling story about the environmental and social benefits of the Canadian oil and gas industry in addressing climate change. Canadian oil and gas should be the first and last barrel of energy produced because of its world-leading ESG performance. To address climate change, the world needs more Canadian energy, especially in relation to less environmentally conscious energy produced in most other parts of the world.

Canada possesses the demonstrated skills and knowledge to lead technological innovation, which has historically enabled the energy sector to flourish.

Companies that succeed in the future will be those that understand and respond proactively to the complex global megatrends that are shaping the energy industry.

ESG Ratings and Reserves by Major Oil Producing Country⁽¹⁾⁽²⁾



(1) BMO Capital Markets; Yale Environmental Performance (EPI); Social Progress Imperative; Worldbank Worldwide Governance Indicators, BMO Capital Markets; Bloomberg; CSRHub (February 2019). For presentation, an equal weight of 1/3 of each index is represented.

(2) BP "Statistical Review of World Energy" (June 2020). Reserves as at December 31, 2019.



Global GHG Emissions^[3]

55,400 Mt CO₂e



Canadian GHG Emissions^[4]

1.3% 729 Mt CO₂e



Canadian Oil & Gas Sector^[5]

26% 193.2 Mt CO₂e



GHG Emissions^[6]

0.26% 0.51 Mt CO₂e

(3) UNEP "Emissions Gas Report" (2019).

(4) Government of Canada "National Greenhouse Gas Emissions" (last modified April 15, 2020). Canada's GHG emissions percentage was calculated by using the 2018 emissions data from Environment Canada and the 2018 global GHG emissions data from UNEP.

(5) Government of Canada "Greenhouse Gas Emissions: Drivers and Impacts" (last modified June 9, 2020).

(6) GHG emissions percentage was calculated by using ARC's Scope 1 2018 corporate emissions and dividing by the Canadian Oil and Gas sector emissions data reported by the Government of Canada.

Global “Megatrends” Impacting the Canadian Energy Industry

Energy Policy and Regulation

Climate Change

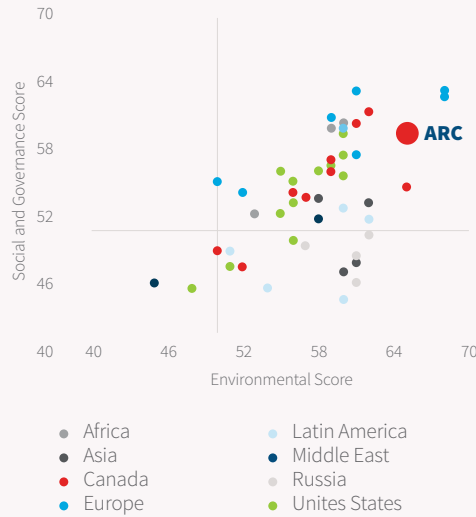
Technology and Innovation

Transparency and Disclosure

What Is the Trend?	Global population growth and transition out of poverty is driving energy demand while societal pressures are simultaneously demanding decarbonization.	Climate change concerns are driving the transition to a low-carbon economy and putting pressure on all industries to lower GHG emissions.	Technology and innovation are transforming the energy industry through digitization, clean technology, and process innovation.	Factual, useful information is needed to make informed investment decisions.
Risk	Lack of market access, a regulatory patchwork across jurisdictions, and a polarizing political environment have reduced Canada’s global competitiveness.	Regulatory changes and pressure from civil society can impact a company’s value and its ability to attract investors.	Risk of inadequate availability of capital to scale technology.	If the energy industry fails to show evidence of being part of the solution, others could control the message, resulting in potential reputational damage and financial risk.
Opportunity	Industry participants can offer their perspective on how to implement meaningful and effective regulation of the energy industry in a way that promotes responsible energy development and ensures that the industry’s products are well-positioned within the broader regulatory framework.	The Canadian energy sector can continue to advance as a low-carbon producer through strategic business decisions and innovation within its operations.	As an early adopter of technology, the energy industry can differentiate itself as a low-carbon producer, reducing the sector’s environmental impact and attracting investment.	By creating its own narrative and focusing on material environmental and social factors, the energy industry can provide fact-based information to stakeholders, and effectively promote industry.
What Is ARC Doing?	To promote responsible energy development, ARC is an active participant in dialogues and initiatives within the Canadian energy industry, with governments, and with other key stakeholders. ARC seeks to go beyond compliance in all aspects of its business. Learn more on page 19.	ARC has positioned itself as a low-carbon producer. Learn more on pages 22-36.	ARC is developing and scaling a range of technologies across its operations. Learn more on pages 22-36.	ARC has re-positioned its sustainability reporting and disclosure to focus on financially material ESG factors. ARC has also aligned its reporting framework to the SASB framework and the recommendations of the TCFD, which provide useful information to investors. Learn more on pages 22-36.

ARC continues to refine its understanding of the challenges inherent in being globally competitive and a leader in ESG, while maintaining the Company's strong leadership position in global ESG rankings.

Oil and Gas Companies' Relative ESG Rankings ⁽¹⁾



(1) BMO Capital Markets; Yale Environmental Performance (EPI); Social Progress Imperative; Worldbank Worldwide Governance Indicators, BMO Capital Markets; Bloomberg; CSRHub (February 2019). For presentation, an equal weight of 1/3 of each index is represented.



Voluntary participant since 2007

2019 Climate Change Score **B**

2019 Water Security Score **B**



Member of MSCI Global Sustainability Index

MSCI ESG Rating **AAA**



Member of Sustainalytics' Jantzi Social Index



GROWTH THROUGH DIVERSITY

Member since 2018



FTSE4Good

Member of FTSE Russell's FTSE4Good Index Series since 2018

ESG Materiality Assessment



To identify the ESG factors that could materially impact the Company's future financial and operational results, ARC conducted an ESG materiality assessment. ARC referenced key ESG frameworks, including SASB's *Oil & Gas – Exploration & Production Sustainability Accounting Standard* and recommendations from the TCFD; reviewed industry regulations, trends, and initiatives; referred to other relevant ESG guidance; and engaged with key shareholders and stakeholders.

The ESG materiality assessment evaluated various ESG factors and their inherent risks to ARC's business based on the potential magnitude of impact and the likelihood of occurrence. The following key ESG factors were identified:

ESG Factors

- 
- + Corporate Governance
 - + GHG Emissions (Climate)
 - + Physical Risks (Climate)
 - + Transition Risks (Climate)
 - + Air Emissions
 - + Water Management
 - + Land Use, Reclamation, and Asset Retirement
 - + Operational Integrity/Spills
 - + Safety
 - + Indigenous Engagement
 - + Policy and Lobbying
 - + Stakeholder Engagement
 - + Ethics
 - + ARC's People
 - + Diversity and Inclusion

This report describes each key factor identified through the assessment and discusses how ARC currently mitigates or plans to mitigate the risks posed to the business, while simultaneously considering opportunities that the ESG factors identified may present to ARC.

ARC plans to monitor and respond to all ESG factors identified in this report through ongoing reviews and will assess any changes to the potential financial materiality of these factors on ARC's business. ARC will continue to keep abreast of changing market conditions to identify new ESG factors that could impact the Company's future financial and operational results.

ARC's Approach to ESG



Global energy needs are evolving, with overall demand expected to increase amid a transition to a lower carbon economy. ARC has both the responsibility and opportunity to successfully meet these energy needs both today and into the future by safeguarding its ESG strategies and practices and generating strong returns. It all starts with a strong sense of purpose.

ARC's organizational purpose statement is:

**Our energy creates
a better world for everyone.**

ARC's energy does not solely refer to the energy the Company develops, it describes ARC's attitude and approach. ARC has developed a strong reputation among its stakeholders that is built on trust; ARC's energy speaks to the passion and commitment to doing what is right through the choices the Company makes, how employees act as individuals, and how they engage with one another. What ARC creates are results, through work and through action. ARC strives to contribute to a better world and everything it does is to promote a thriving environment, prosperous community, and a better quality of life for all.

Through this organizational purpose, ARC strives to deliver industry-leading performance in all aspects of its business. ARC has built a culture that fosters responsible resource development to deliver strong financial and operational results by prioritizing environmental and social responsibility efforts. Strong governance practices and an ongoing commitment from employees is critical in ARC delivering on this purpose.

Executing a sustainable business plan that is centred around purpose and long-term value creation requires a thoughtful, prudent, and

balanced approach in integrating ESG factors into all aspects of the business. To guide the Company's efforts in this regard, ARC has developed an ESG framework that examines the key risks and opportunities to the organization, as well as contemplates the larger purpose that the Company serves in creating a better world for everyone. The framework outlines guiding principles, core commitments, and measurable, ESG-specific goals and targets. Key components of this framework will be discussed throughout this report.

About This Report



- ARC publishes a full-length ESG report on a biennial basis, and in interim years, provides an update of the Company's performance on key ESG metrics, which is made available on ARC's website at www.arcresources.com.
- Within this report, the terms "ARC", "ARC Resources Ltd.", the "Company", the "Corporation", "our", "us", "we", and other similar terms, refer to ARC Resources Ltd.
- This report provides detailed performance results for 2018 and 2019, and when available, presents data for the three years preceding to provide trending information as well as context for ARC's performance results.
- This report is aligned with the Sustainability Accounting Standards Board's *Extractives & Minerals Processing Sector: Oil and Gas – Exploration & Production Sustainability Accounting Standard framework* ⁽¹⁾. Refer to the section entitled, "[SASB Content Index](#)" within this report.
- This report has been enhanced from ARC's previous ESG reporting to include additional disclosure around climate change, which aligns with recommendations of the Task Force on Climate-related Financial Disclosures ⁽²⁾. Refer to the sections entitled, "[Climate Change Strategy](#)" and "[TCFD Content Index](#)" within this report.
- This report includes reference to the Global Reporting Initiative ("GRI") Standards index for the sustainability issues that are of interest to ARC's stakeholders. This report includes standard suggested disclosures but does not include all of the requirements to be considered in full accordance with GRI Standards. Refer to the section entitled, "[GRI Content Index](#)" within this report.
- Unless otherwise stated, this report presents the performance of ARC, including data of joint arrangements for which ARC is the operator, regardless of financial ownership. The presentation of performance data from assets where ARC is party to a joint arrangement may be different in this report as compared to the performance data disclosed in ARC's audited consolidated financial statements ("financial statements") as at and for the years ended December 31, 2018 and December 31, 2019.
- Data presented in this report includes data for the entire company. Any data limitations are explicitly noted within the performance figures.
- Where applicable, performance data is included for all assets owned by ARC during 2018 and 2019 up until the time of their disposition.
- Financial data is stated in Canadian dollars and environmental data is stated in metric units. For further details on ARC's financial performance, refer to ARC's financial statements for the years ended December 31, 2018 and December 31, 2019, ARC's Management's Discussion and Analysis for the years ended December 31, 2018 and December 31, 2019, and ARC's Annual Information Form ("AIF"), all of which are available on ARC's website at www.arcresources.com and on SEDAR at www.sedar.com.
- ARC strives to continuously improve its tracking and measurement systems and, in some instances, has adjusted indicator definitions and performance data to reflect current best practices. In most cases, ARC uses standard industry calculation methodologies and definitions; these may be updated periodically to improve the accuracy of performance data. If industry standards are not used, applied techniques are stated alongside the data.
- This report contains forward-looking information as to ARC's internal projections, expectations, or beliefs relating to future events or future performance. Refer to the section entitled, "[Forward-looking Statements](#)" within this report.

⁽¹⁾ Sustainability Accounting Standards Board "Oil and Gas – Exploration & Production Industry Standard" Version 2018-10 (October 2018).

⁽²⁾ Recommendations of the Task Force on Climate-related Financial Disclosures "Final Report" (June 2017).

Governance

Topics in This Section

Board Oversight of ESG **17**

Management Accountabilities **18**

ESG-related Policies
(including Ethics and Diversity) **18**

Executive Compensation **19**

Industry Advocacy **19**

ARC's corporate culture is built upon the core values of respect, integrity, trust, and community, with the organization's success centred around having the right individuals on the Board of Directors to exhibit and oversee this culture.

Establishing a strong policy framework to define ARC's corporate standards of practice and implementing robust management systems to guide the Company's actions are critical to ARC's long-term success.

ARC is committed to maintaining the highest standards of corporate governance and risk management through its adherence to regulatory standards and industry-leading practices in ESG oversight. ARC believes that its sound corporate governance practices are foundational in realizing the Company's organizational purpose; in building trust with stakeholders and Indigenous partners; and in ensuring that ARC and its employees adhere to the highest standards of ethical conduct.

Governance Highlights



97%

shareholder approval for approach to executive compensation



22%

of directors are female



8 of 9

directors are independent



100%

meeting attendance

Guiding Principles



Ensure appropriate focus and oversight on ESG strategies and practices

Ensure mandates of the Board and its sub-committees provide the necessary oversight on all components of ESG.

Evaluate and assess progress towards delivery on goals and targets established in ARC's corporate ESG framework.

Continually improve governance structure and processes

Evaluate industry best practices for board practices, corporate governance, and ESG matters, and ensure a strong leadership position is maintained in all areas.

Ensure strong link between executive compensation and performance, including incorporating ESG metrics into determination of compensation levels

Link executive compensation to ESG performance through annual evaluation of ARC's Corporate Performance Scorecard.

Goals & Targets



Ensure appropriate Board oversight on ESG matters through sub-committees.

Maintain Board structure of independent directors, including the Board Chair.

Promote diversity and inclusion and establish a minimum of 30 per cent female representation within three years at the Board level.

Expand scope of third-party assurance of key ESG performance metrics.

Incorporate key performance metrics, including ESG-related metrics, into the Corporate Performance Scorecard to determine executive compensation levels.

ESG Governance & Business Practices



Strong corporate governance forms the foundation of success. Effective leadership on ESG requires understanding of how environmental and social factors may affect ARC's financial performance and long-term value creation.

Why

Is This Material to ARC?

ARC recognizes that its strategies for ESG matters are critical to the Company's long-term success, and ARC's board and management teams are aligned in their commitment to leading in all facets of ESG. ARC believes that ESG leadership delivers financial benefits, mitigates risk, and above all else, is the right thing to do. Being a responsible operator goes hand-in-hand with running a profitable organization.

ARC's

Approach

ARC's understanding of ESG factors continues to evolve, which helps to improve corporate outcomes and create value for shareholders and stakeholders. ARC has equipped itself with the knowledge and skills to proactively identify, assess, and manage ESG-related opportunities and risks to the organization.

Board Oversight of ESG

Board Oversight of ESG

Management is responsible for identifying the principal risks to the business and for ensuring that all reasonable steps are taken to implement systems and procedures to adequately address these risks. ARC's Information Circular – Proxy Statement contains detailed information about the Company's strong governance practices and processes.

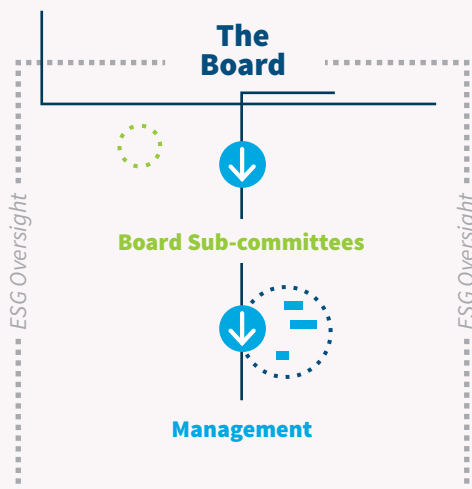
The Board has oversight of all ESG factors, including climate-related risks and opportunities. The Board maintains a high level of awareness of current and emerging ESG-related matters within the energy sector and several of ARC's board members have direct management experience in this area, including experience in climate-related issues. Competency in ESG-related factors, including climate competency, is included in the Board's skills matrix.

Management reports on the Company's ESG performance to the Board on a quarterly basis. The Board has assigned responsibility for the oversight and mitigation of specific ESG factors to the Board sub-committees:

The Safety, Reserves & Operational Excellence Committee ("SROE Committee") oversees environmental factors, including climate change, air emissions, water management, operational integrity, and land management. The SROE Committee also oversees the health and safety of ARC's employees and contractors.

The Policy & Board Governance Committee ("Governance Committee") and the **Human Resources & Compensation Committee** ("HRC Committee") provide oversight on social factors, including diversity and inclusion, hiring practices, human rights and other legislative employment factors, and regulatory governance factors.

The HRC Committee independently sets and monitors executive compensation programs. These programs support ARC's corporate strategy development, including ESG-focused performance metrics and ensure compensation philosophies are aligned with shareholder interests. The HRC Committee assesses and manages risk related to talent management, succession planning, and compensation.



The Risk Committee supports the Board in meeting its responsibilities in risk identification, oversight, and mitigation. The Risk Committee maintains ARC's business risk matrix, which ranks and prioritizes risks to the organization, including ESG factors. The Board regularly reviews the business risk matrix by considering the Company's experience and that of its peers, as well as current best practices in risk management.

The Audit Committee, in addition to the appointment and oversight of the external auditors, provides oversight and ensures compliance for annual and quarterly financial statements, including financial disclosure practices and regulatory reporting. The Audit Committee also provides oversight of the Whistleblower hotline.

Over the past two years, the Board has overseen or approved several management plans and corporate policies related to ESG factors including:

- + Carbon and Emissions Management Plan
- + Clawback Policy
- + Diversity Policy
- + Water Stewardship Plan
- + A corporate performance scorecard that is used to help determine executive compensation. The scorecard includes ESG-focused performance metrics such as GHG emissions intensity reductions and implementing innovative technology aimed at improving efficiency.



ARC's ESG-related Policies

Code of Business Conduct and Ethics

Code of Conduct for Senior Financial Officers

Disclosure Policy

Diversity Policy

Whistleblower Policy

Whistleblower Hotline

Clawback Policy



Analyst Corner

- + 2020 Information Circular – Proxy Statement
- + AIF
- + Board Committee Mandates
- + TCFD: Governance a)

Management Accountabilities

All members of ARC's management team have responsibility for the Company's ESG performance, with ultimate accountability for ESG residing with the CEO. Quarterly ESG performance reporting to the Board is the responsibility of each designated officer, with all ESG-related materials approved by the CEO. The Health, Safety, Environment and Regulatory team, which reports directly to the Vice President of Operations and indirectly to the CEO and SROE Committee, is responsible for the implementation of ARC's ESG-related management plans and disclosure.

ESG-related Policies

ARC's ESG-related policies provide a framework for the Company's business practices and standards.

Code of Business Conduct and Ethics

ARC's Code of Business Conduct and Ethics reflects the Company's commitment to a culture of respect, integrity, trust, and community. It outlines the principles and policies to which all employees are expected to comply. ARC demands the highest level of personal conduct from all employees and corporate representatives. The Code of Business Conduct and Ethics is reviewed on an annual basis, and all Board members, employees, and consultants are required to sign it annually.

ARC's Senior Financial Officers are expected to set exemplary standards for employees. An additional Code of Ethics for Senior Financial Officers applies to ARC's President and CEO and ARC's Senior Vice President and Chief Financial Officer.

ARC's Whistleblower Policy provides employees, contractors, and external stakeholders with a mechanism to raise concerns regarding suspected violations of corporate policies, disclosure standards, or irregularities in financial reporting. The confidential Whistleblower Hotline is operated by an independent third party and is accessible to the Chairs of the Audit Committee and Risk Committee of the Board.

Commitment to Transparency

ARC has publicly reported payments to governments, as required by the Extractive Sector Transparency Measures Act ("ESTMA"), since 2016. For detailed ESTMA reporting, refer to ARC's website at www.arcresources.com.

Diversity Policy

The Board believes that diversity and inclusivity is necessary in forming an effective board of directors to provide a broader range of perspectives and insights to decision-making. ARC's Diversity Policy sets out commitments regarding diversity at the Board, management, and employee level.

In 2018, ARC became a member of the 30% Club, joining the organization's campaign to increase gender diversity on boards and senior management teams. In 2019, ARC amended its Diversity Policy to include a clear commitment to increase female representation at the Board level to be 30 per cent which ARC believes can be achieved within three years in accordance with ARC's board succession process. This policy is consistent with ARC's corporate mandate for leadership roles in its corporate office. Additionally, the Diversity Policy reinforces the Board's commitment to maintaining an inclusive work environment, free of harassment and discrimination, as a critical priority. Tracking progress on ARC's board diversity goals as well as the selection of new Board members is a responsibility of the Governance Committee.



ARC is a member
of the 30% Club
**and is committed
to gender diversity**



Analyst Corner

- + 2020 Information Circular – Proxy Statement
- + Board Committee Mandates
- + ESTMA
- + TCFD: Governance b)
- + Diversity Policy
- + SASB: EM-EP-510a.2

Executive Compensation

ARC's executive compensation programs are designed to attract, retain, motivate, and reward leaders to deliver strong performance that is aligned with ARC's corporate strategy to create shareholder value. Performance objectives are tied to the execution of ARC's strategy and are measured through the Corporate Performance Scorecard, which include specific ESG metrics related to safety, environmental, and people performance.

ARC's shareholders have the opportunity to vote for or against ARC's approach to executive compensation with a non-binding advisory vote ("Say on Pay") at the annual general meeting ("AGM"). At the 2019 AGM, ARC's approach to executive compensation was approved with 97 per cent of votes in favour.

In 2019, ARC introduced a formal Clawback Policy that applies to all executives and allows the Board to claw back all forms of incentive compensation in the event of fraud or gross negligence regardless of a financial restatement. For details of the changes to the Clawback Policy and for more information on ARC's approach to executive compensation, refer to ARC's 2020 Information Circular – Proxy Statement available on ARC's website at www.arcresources.com and on SEDAR at www.sedar.com.

Industry Advocacy

ARC is an active participant in dialogue that is aimed at shaping the future of a competitive and responsible energy sector in Canada. ARC's main areas of industry advocacy in 2018 and 2019 are listed below.

Lobbying and Disclosure

ARC actively participates in public policy discussions on a wide range of issues relevant to its business, regularly communicating with governments in jurisdictions where the Company operates. ARC believes that communication with government officials can contribute to

improved government decision-making through open dialogue among government, stakeholders, and industry.

ARC supports proposed policy and regulatory developments that are effective and provide certainty and consistency for the energy industry and its stakeholders. ARC complies with all laws regarding lobbying and lobbying disclosure. As a matter of general practice, ARC does not engage third-party or consultant lobbyists. Key areas of engagement in 2018 and 2019 included:

Carbon Pricing: ARC engages directly with the Alberta and British Columbia provincial governments and participates in discussions with representatives of federal and provincial governments through senior and working-level committees of the Canadian Association of Petroleum Producers on cost-effective emission reductions. ARC holds the position that federal and provincial carbon taxes and emission regulations must be implemented in a way that ensures reductions are meaningful, measurable, and cost effective while maintaining the competitiveness of the Canadian energy sector.

Responsible Asset Retirement Practices:

ARC is an active participant in ongoing conversations with provincial regulators in respect to changes in environmental regulations pertaining to asset retirement obligations.

Political Contributions: ARC does not make political contributions.

Memberships

ARC participates in industry groups representing the interests of both the energy industry and the broader business community. ARC's aim is to promote the public policy objectives that are important not only to ARC, but to its shareholders and other key stakeholders. However, ARC's participation comes with the understanding that ARC may not always support every position taken by these organizations or their members.

ARC's executive compensation programs are tied to the execution of the Corporate Performance Scorecard, which include specific ESG metrics related to safety, environmental, and people performance.



Analyst Corner

- + 2020 Information Circular – Proxy Statement
- + SASB: EM-EP-530a.1
- + Clawback Policy

ARC's Performance

	2019	2018
Board independence	89%	89%
Separate Board Chair and CEO	Yes	Yes
Independent Board Chair	Yes	Yes
Annual board evaluation process	Yes	Yes
Average meeting attendance	100%	99%
Annual election of directors	Yes	Yes
Majority voting policy	Yes	Yes
Average age of directors	63.6 years	64.4 years
Average director tenure	7.6 years	9.0 years
Female directors	22%	22%
Board diversity policy	Yes	Yes
Board diversity target	30% female directors in three years	N/A
Share ownership requirements	Directors & officers	Directors & officers
Anti-hedging policy	Yes	Yes
Say on pay	Yes	Yes
Shareholder approval for approach to executive compensation	97%	93%
Clawback policy	Yes	No



Refer to the section entitled, “*ESG Performance Table*” within this report.



97%

shareholder approval
for approach to executive
compensation



Analyst Corner

+ ESG Performance Table



Environment

Topics in This Section

Climate Change Strategy	24
Air Emissions	35
Water Management	37
Land Use, Reclamation, and Asset Retirement	41
Operational Integrity and Spills	44

Responsible development

is an integral part of ARC's commitment to producing energy that creates a better world for everyone.

ARC's assets are situated in the jurisdictions of Alberta and British Columbia, both of which apply carbon pricing, emissions caps, and stringent environmental standards to ensure that energy producers like ARC develop their resources in an environmentally prudent manner.

ARC is committed to carrying out its operations in a manner that reduces harmful impacts to the environment and believes that the most effective response for ARC to combat climate change is to produce energy with the least GHG emissions possible. ARC is committed to reducing its corporate GHG emissions intensity and upholding its commitment to use fresh water in a responsible manner, protect biodiversity, and reclaim sites back to their original state at the end of their productive phase.

Environmental Highlights



Low GHG Emissions

ARC has the lowest GHG emissions intensity in its peer group



89%

of produced water is recycled



ARC achieved a

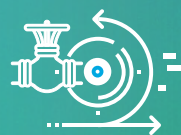
47%

reduction in GHG emissions intensity since 2017



\$34 Million

invested in asset retirement activities in the last two years



1.02

pipeline incident rate⁽¹⁾

Guiding Principles



Provide low-carbon energy for the future

Lead in the transition to a lower carbon economy.

Create a resilient and sustainable business with a lower carbon intensity profile.

Long-term focus on natural gas as a cleaner alternative to other fossil fuels.

Pursue further economic opportunities to electrify ARC's facilities and well sites.

Drive innovation through the application of clean technologies.

Protect ARC's water resources – "Secure, Reduce, Recycle"

Continue to invest in water infrastructure to ensure water security for future operations.

Explore new technologies that will support an increase in the amount of recycled water used in ARC's operations.

Restore land

Reduce ARC's asset retirement obligation with a pragmatic and practical approach, including the Area-based Closure ("ABC") program in Alberta and by prioritizing reclamation and remediation activities based on the degree of environmental impact and their capital efficiency.

Identify cost reductions for abandonment, reclamation, and remediation activities to maximize the number of sites that are returned to their original state in the most cost-effective manner.

Goals & Targets



Set targets to reduce ARC's corporate GHG emissions intensity and strive to be the lowest GHG emissions intensity upstream oil and gas producer in North America.

Reduce GHG emissions intensity by 20 per cent by 2025, relative to the Company's 2019 baseline.

Implement a minimum of 70,000 metric tonnes of carbon dioxide equivalent ("CO₂e") emission reduction projects by 2025.

Reinvest up to 100 per cent of carbon offset revenues into clean technology development and application to further reduce ARC's corporate emissions.

Ensure a minimum of 90 per cent of the water ARC produces is recycled.

Invest from \$50 to \$100 million in asset retirement activities by 2025 to further reduce ARC's corporate environmental liability.

Reduce average abandonment, reclamation, and remediation costs by 10 per cent through the application of new technologies, area-based closure programming, and procurement strategies.

Climate Change Strategy



ARC's responsible development of energy will play an important role in the transition to a lower carbon economy. As part of its climate change strategy, ARC has aligned with the TCFD recommendations.

Why

Is This Material to ARC?

Responsible energy development aligns with ARC's organizational purpose to produce energy that creates a better world for everyone. As the world transitions to a lower carbon economy and to help ensure the future viability of the Canadian energy sector, responsible energy development at ARC has become increasingly important. The transition to a lower carbon economy will require significant investment which may deter some energy producers as they attempt to balance emission reductions with the economic imperative of being cost competitive. ARC strongly believes that the Company can achieve this balance and be financially sustainable.

ARC's

Approach

To date, ARC has taken significant actions to become a low-carbon intensity energy producer and will continue to incorporate climate-related risk and opportunity considerations into its business plans. ARC has a comprehensive climate change strategy that is fully integrated into its business strategy, long-term planning, and risk management processes. This strategy considers the broad economic impacts and long-term nature of climate-related impacts to ARC's business.

Strategy

Climate-related Risks and Opportunities

Climate change has the potential to impact ARC's business strategy, performance, and ability to create value over the short, medium, and long term. Climate-related risks were identified through ARC's materiality assessment and were disclosed in the Company's 2019 CDP report. These include physical and transition risks that may impact ARC's assets, operations, or supply chain. ARC has also identified several opportunities to proactively address climate-related issues. Refer to the sections entitled, "*ARC's Climate-related Risks*" and "*ARC's Climate-related Opportunities*" within this report.

ARC has taken several strategic and operational actions based on its current understanding of climate-related risks and opportunities. These are highlighted below:

Transitioning ARC's Asset Base

Over the last several years, ARC has made a deliberate shift towards owning and operating assets within the Montney, which are highly efficient and have a lower carbon intensity than ARC's conventional legacy assets. Facilities have been designed to allow for electrification from the BC Hydro grid, which has resulted in ARC owning and operating a suite of infrastructure that delivers industry-leading low-emission production. ARC currently has the lowest carbon intensity operations within its peer group of Canadian exploration and production companies.

Core Elements of Recommended Climate-related Financial Disclosures



Governance



Strategy



Risk Management



Metrics and Targets



Lowest GHG Emissions

ARC has the lowest GHG emissions intensity in its peer group



Analyst Corner

- + Board Oversight of ESG
- + AIF
- + 2020 Information Circular – Proxy Statement
- + TCFD: Strategy a)
- + TCFD: Strategy b)
- + SASB: EM-EP-110a.3
- + SASB: EM-EP-420a.4

Carbon Pricing Analysis

ARC's business and operations are located in Canada, one of the most stringent regulatory jurisdictions within the global energy industry.

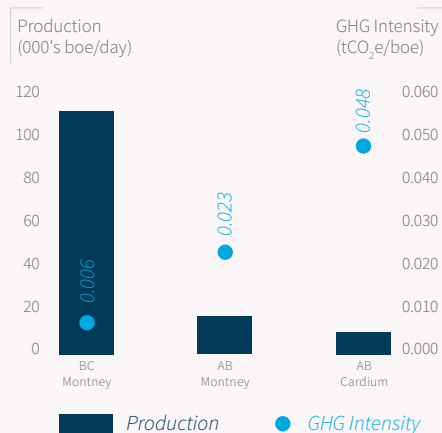
Carbon pricing in Canada is regulated by both federal and provincial governments. The 2019 federal carbon tax was \$20 per tonne and is expected to increase by \$10 per tonne annually, to reach a price of \$50 per tonne by 2022. The 2019 provincial carbon taxes in Alberta and British Columbia were \$20 per tonne and \$40 per tonne, respectively.

In 2019, carbon taxes accounted for less than five per cent of ARC's total operating expense; however, they are expected to increase as the price per tonne emitted increases. ARC has analyzed carbon pricing scenarios from 2020 to 2040 as part of the Company's climate scenario analysis. Refer to the section entitled, "*Scenario Analysis*" within this report.

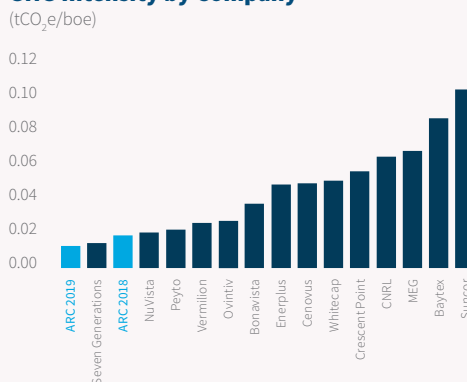


ARC's business and operations are located in Canada, one of the most stringent regulatory jurisdictions within the global energy industry.

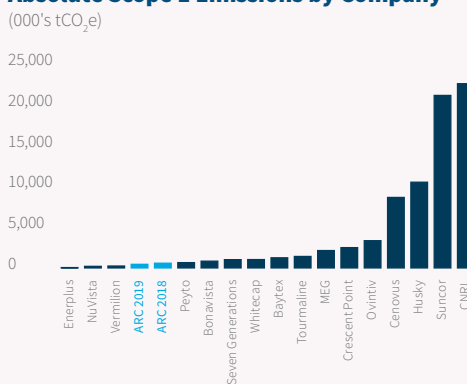
ARC's GHG Intensities by Operating Area



GHG Intensity by Company ⁽¹⁾



Absolute Scope 1 Emissions by Company ⁽¹⁾



⁽¹⁾ Performance data for 2018 GHG emissions intensities comes from 2018 CDP submissions and other publicly available data sources. At the time of ARC's 2020 ESG Report publication, 2019 performance data was unavailable.



100%

of ARC's operations have carbon tax obligations



Analyst Corner

- + TCFD: Strategy b)
- + TCFD: Strategy c)
- + SASB: EM-EP-110a.1
- + SASB: EM-EP-110a.3
- + SASB: EM-EP-420a.4

ARC has reduced its methane emissions by over

50%

since 2015

Technology Leadership

Investing in technology will be integral in ARC reducing its corporate GHG emissions intensity. ARC is continually evaluating technological innovations, and over the course of the last two years, ARC has implemented the following technologies:

Methane Management

Reducing fugitive emissions during extraction, transportation, and processing is a top priority for ARC. ARC has proactively developed a Fugitive Emissions Management Plan for its operations in Alberta and British Columbia.

During 2018 and 2019, ARC increased the number of fugitive emissions surveys conducted across the Company's sites by 50 per cent. This resulted in an overall reduction in fugitive emissions and allowed for fugitive emissions prevention and leakage rate reductions. In 2020, ARC plans to enhance its Fugitive Emissions Management Plan to align with new provincial methane regulations.

Technology Implemented	Water Recycling	Waste Heat Recovery	Energy Efficiency
Benefit	Fresh Water Reduction	GHG Reduction	GHG Reduction
Description	<p>Innovative technology to reuse produced water</p> <p>Eliminates water disposal</p> <p>Significantly reduces trucking, which in turn reduces GHG emissions</p>	<p>ARC's Dawson Phase III and IV facility was designed to be low emitting using waste heat recovery</p> <p>Has the capacity to reduce up to 78,000 tCO₂e annually</p>	<p>The new Dawson Phase IV facility integrates switchgear technology</p> <p>Enhances energy efficiency of gas-powered turbines and reduces emissions by 45,800 tCO₂e annually</p>
	Low to No Bleed Pneumatic Controllers	Lower Carbon Fuel	Remvue System
Benefit	GHG Reduction	GHG Reduction	GHG Reduction
Description	<p>High bleed pneumatic controllers converted to low bleed</p> <p>Reduced methane venting by over 9,000 tCO₂e over the next 10 years</p>	<p>Using clean LNG in place of diesel reduces ARC's CO₂e footprint on its drilling and completions projects</p>	<p>Engine conversion with a "Remvue" system used for a rich-to-lean conversion on engines</p> <p>Reduces NO_x and improves fuel efficiency</p>

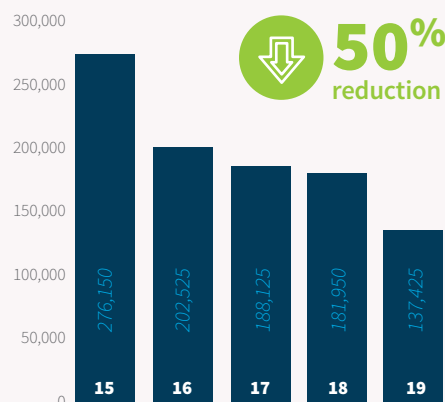
ESG Leadership Spotlight:

The Business Case for Methane Reduction

ARC has reduced methane venting at the Company's existing facilities through continuous improvement in facility design. ARC utilizes efficient equipment that prevents the venting of methane into the atmosphere, and on numerous sites, has converted high-bleed pneumatic controllers to low-bleed alternatives. These conversions are expected to eliminate 9,000 metric tonnes of CO₂e emissions over the next decade.

Corporate Methane Emissions Reduction

(metric tonnes CO₂e)



Analyst Corner

- + TCFD: Strategy b)
- + SASB: EM-EP-110a.3
- + SASB: EM-EP-420a.4
- + TCFD: Strategy b)

Scenario Analysis

Global energy supply and demand trends, geopolitical factors, climate policy, and technological advancements are constantly evolving. ARC leverages the comprehensive and complex annual scenarios defined by the IEA to stress test its business plans and identify risk mitigation opportunities. As an energy producer, ARC focuses on supply and demand trends for all energy sources in North America and globally. ARC has taken steps to better understand the resilience of its business to climate-related risks, which has helped to inform the Company's climate change strategy.

Current Policies Scenario

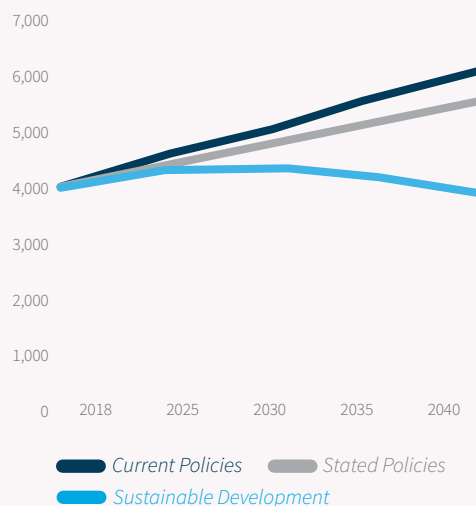
The IEA's Current Policies Scenario reflects the current environment without the adoption of any policy changes. Energy demand for all fuels continues to increase, driven by the advancement of developing economies, which is expected to result in a continued upward trajectory of energy-related emissions.

Energy demand exhibits the highest growth rate at 1.3 per cent per annum from 2018 to 2040, driven by emerging economies. Globally, demand for oil and natural gas are forecast to increase by 25 per cent and 48 per cent, respectively, between 2018 and 2040. Solar and wind are forecasted to exhibit the fastest rate of growth among energy sources; however, are only expected to supply energy for five per cent of total global demand by 2040.

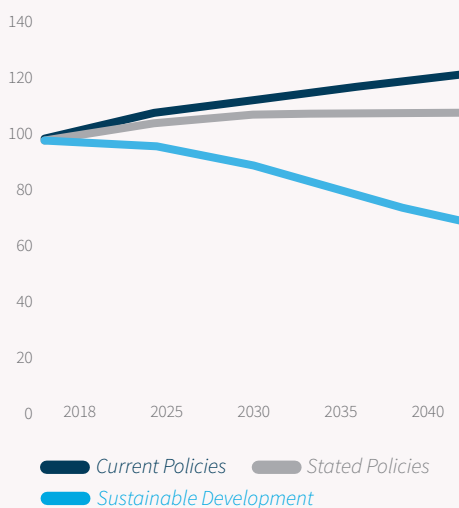
In North America's developed economy, total energy demand is forecasted to grow at a slower pace of 0.3 per cent per year from 2018 to 2040, with oil and natural gas demand expected to represent 71 per cent of total North American demand in 2040. Natural gas demand is expected to grow by 0.8 per cent per year from 2018 to 2040.

Global emissions are expected to continue to rise as the economic development of emerging economies greatly outpaces efficiency improvements. A small increase in the carbon price, from \$36 per tonne in 2030 to \$39 per tonne in 2040, is expected to have little influence over investment behaviours within the Canadian energy sector.

Global Natural Gas Demand ⁽¹⁾
(Bcm)



Global Oil Demand ⁽¹⁾
(MMbbl/day)



⁽¹⁾ International Energy Agency "World Energy Model" (November 2019).

Carbon Offsets

Since 2010, ARC has executed three approved offset project plans in British Columbia, having replaced gas turbines with grid-connected hydro-electric power provided by BC Hydro. Collectively, these projects have significantly reduced ARC's corporate GHG emissions, and at the end of 2019, had cumulatively generated over 625,000 tonnes of carbon offsets. Carbon offsets are critical to improving the economics of emission reduction projects and ARC will continue to identify opportunities to generate offsets and reinvest the proceeds for further emission reduction opportunities.



Analyst Corner

- + TCFD: Strategy b)
- + TCFD: Strategy c)
- + SASB: EM-EP-110a.3
- + SASB: EM-EP-420a.4

Stated Policies Scenario

The IEA's Stated Policies Scenario incorporates all known energy-related policy initiatives announced to date and reflects predicted improvements in the cost of energy technologies. Under this scenario, all fuels, except for coal, will contribute to meeting global demand growth. Efficiency improvements and considerable momentum in renewable energy growth is not expected to offset emissions generated by the expanding global economy, resulting in a continuation of growth in energy-related emissions.

Global energy demand growth is projected to be one per cent per year from 2018 to 2040, requiring over \$1 trillion in annual investment in fossil fuels, not including carbon capture and storage. By 2040, the pace of growth is expected to be led by renewables; however, global natural gas demand will grow 35 per cent and is expected to maintain a 25 per cent share of total energy demand. LNG is anticipated to become the dominant method of inter-regional trade by the late 2020s, while global oil demand is forecasted to rise by nine per cent. By 2030, growth in oil demand is expected to flatten due to improved fuel efficiency and the continued electrification of the transportation sector.

North American energy demand is expected to be relatively flat from 2018 to 2040 as policy initiatives and consumer behaviour shifts rapidly in developed economies. As the cleanest and most reliable fossil fuel, the North American market share of natural gas demand is expected to continue increasing by growing 0.6 per cent per year, and is assumed to take significant market share away from coal.

Global emissions are expected to rise by an average of more than 100 million tonnes per year between 2018 and 2040, which is slower than the rate of increase between 2010 and 2018, but is not expected to meet the climate goals of the Paris Agreement. A small increase in the carbon price, from \$36 per tonne in 2030 to \$39 per tonne in 2040, is expected to have little influence over investment behaviours within the Canadian energy sector.

Sustainable Development Scenario

The IEA's Sustainable Development Scenario assumes that the major policy and technological changes needed to drive rapid reductions in emissions to meet the targets of the Paris Agreement, while still achieving universal energy access for a growing global population, will be put in place.

In this scenario, total energy demand is forecasted to decline by 0.3 per cent per year while still meeting the growing energy needs of emerging economies. It is assumed that this is accomplished through dramatic efficiency improvements, electrification, and fuel switching. Significant carbon emission reductions are anticipated to limit global temperature rises to well below two degrees Celsius. Carbon pricing will increase to \$100 per tonne and \$140 per tonne in 2030 and 2040, respectively, which will play an integral role in driving capital investment allocation to renewable energy sources.

Growth in renewable energy sources is forecasted to be 10 per cent per year from 2018 to 2040 and renewable energy sources are expected to swiftly replace coal. Global oil and natural gas demand are forecasted to account for 47 per cent of total energy demand in 2040. While global oil demand decreases considerably by 2040, sizeable investment in oil production will still be needed to replace annual production declines. Global natural gas demand is expected to rise until 2030, and thereafter, is expected to decline by three per cent by 2040. LNG trade will remain strong. An annual investment of \$600 billion is forecast to be needed in fossil fuels.

ARC's Perspective

In both the Current Policies Scenario and the Stated Policies Scenario, the IEA forecasts moderate pricing levels for oil and natural gas over the long term due to the higher-cost supply that will be necessary to satisfy increasing demand. Both globally and in North America, natural gas will continue to be a primary fuel source and the fastest growing fossil fuel on an absolute production basis. Globally, LNG trade is expected to grow to meet demand from China, India, and other emerging economies in Asia.

In the Sustainable Development Scenario, ARC expects considerable investment in both natural gas and oil will be necessary despite lower absolute demand. **All three scenarios support ARC's existing strategy as a low-cost, low-carbon intensity energy provider whose high-quality assets have considerable natural gas resource growth potential.**

ARC's long-term corporate strategy takes into consideration the key findings and assumptions of the three IEA scenarios. Transition risks related to climate change are likely to emerge over a longer time horizon and the magnitude is uncertain. ARC's deliberate approach to strategic planning is enhanced by assessing the Company's business plan under the three different scenarios. ARC will continue to implement energy efficiency measures into current and future operations where reasonably practical.

ARC has analyzed its current portfolio of assets against the IEA's scenarios, modelling a carbon price of up to \$140 per tonne by 2040 in the Sustainable Development Scenario. Preliminary analysis suggests that under both the Current Policies Scenario and the Stated Policies Scenario, ARC's reserves



Analyst Corner

- + TCFD: Strategy c)
- + SASB: EM-EP-110a.3
- + SASB: EM-EP-420a.4

ARC's Carbon Emissions & Management Plan

and the associated economics of extraction are robust enough to succeed amid an energy mix transition in both North America and globally. **Analysis of the Sustainable Development Scenario confirms that ARC's long-term strategy, which focuses on development of low-emissions natural gas, is robust. ARC believes that natural gas is the fuel of the future in providing clean energy and will play a critical role in the energy transition to a lower carbon economy.** With approximately 1,000 net sections in the world-class Montney resource play and over 100 Tcf of natural gas resources in-place, ARC has both the opportunity and the plan to position itself as a leading natural gas producer in providing clean energy into the future.

While there is a high degree of uncertainty around many of the key inputs and data required to develop a reliable quantitative climate scenario analysis, ARC believes there is value in continuing to use climate scenario analysis as a tool in the development of its long-term business strategy.

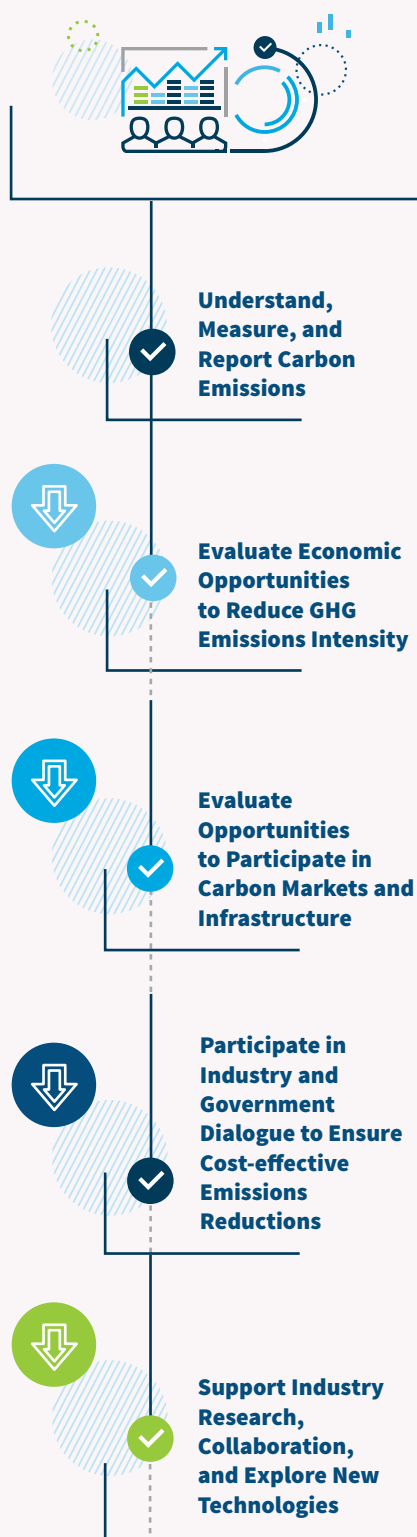
Risk Management Processes

Risk Identification

ARC's procedures for risk identification are guided by its risk management program, which is overseen by the Risk Committee of the Board. Several sources are used to identify and assess climate-related risks and opportunities, including the Company's business risk matrix, its ESG materiality assessment, a review of SASB, investor engagement, industry benchmarking, and recommendations of the TCFD.

Risk Management Systems

ARC has developed a Carbon Emissions and Management Plan which provides a framework for assessing and implementing opportunities for carbon reduction, emissions targets, and regulatory and cost considerations. The current plan spans a 20-year time horizon and is updated annually.



ARC maintains a detailed GHG emissions inventory that covers emissions sources across the Company's operations. To ensure accuracy, ARC's GHG emissions in British Columbia are externally verified in accordance with ISO 14065. Additionally, PricewaterhouseCoopers LLP ("PwC") has provided a limited assurance report on ARC's 2019 reporting of its Alberta Scope 1 emissions and corporate Scope 2 emissions.

ARC's long-term strategy focuses on development of low-emissions natural gas.



Analyst Corner

- + TCFD: Risk Management a)
- + TCFD: Risk Management b)
- + TCFD: Strategy c)
- + SASB: EM-EP-110a.3
- + SASB: EM-EP-420a.4

ARC's Performance

Risk Integration

ARC's comprehensive climate change strategy is fully integrated into the Company's risk management processes. Material climate-related impacts are considered in all investment and operating decisions. Understanding corporate emissions intensity and area-specific emissions levels allows ARC to reduce compliance costs, analyze investments, and target investment in lower risk, lower cost areas.

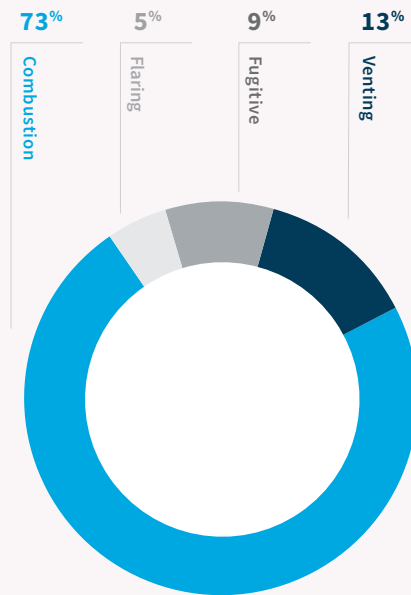
Metrics and Targets

ARC measures all absolute GHG-related metrics as recommended by SASB, as well as additional SASB metrics that are deemed to be relevant. This includes energy consumed and metrics related to reserves valuation and capital expenditures. ARC measures its GHG emissions intensity per boe.

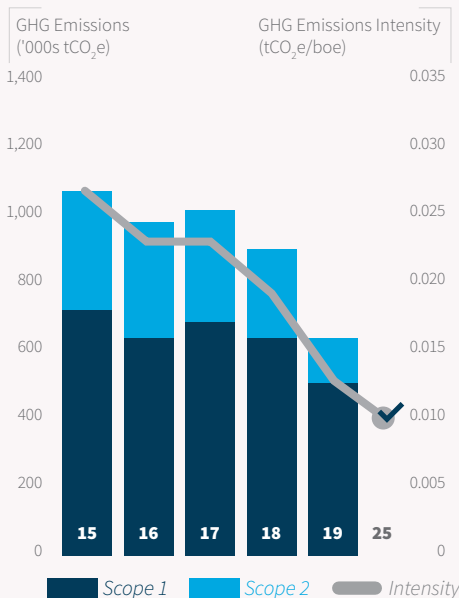
In 2018, ARC set a corporate target to reduce its GHG emissions intensity by 25 per cent by the end of 2021, relative to the Company's 2017 baseline. ARC has significantly exceeded this target, having reduced its corporate GHG emissions intensity by 47 per cent, exceeding the original target by 22 per cent two years ahead of schedule. ARC has set a new target to reduce its GHG emissions intensity by 20 per cent by the end of 2025, using 2019 as the baseline. While ARC recognizes the aspirational nature of a net zero target, as an organization, the Company believes that a practical plan with near-term reduction targets and a clearly defined road map is the preferred strategy to reducing corporate emissions. ARC continues to monitor advancements in technology and will assess viable options to develop a clearly defined plan to become a net zero energy provider.

ARC's 2019 Scope 1 Emissions by Source

Compared to Peers (tCO₂e/boe)



Greenhouse Gas Emissions



Trend Analysis

Between 2017 and 2019, ARC's absolute GHG emissions decreased by 37 per cent and its carbon intensity decreased by 47 per cent, from 0.0260 tonnes per boe (26.0 kilograms per boe) to 0.0124 tonnes per boe (12.4 kilograms per boe).

From 2018 to 2019, ARC reduced its methane emissions by approximately 25 per cent. Process emissions, vented emissions, and flared emissions all decreased in 2019 relative to 2018.



Analyst Corner

- + TCFD: Risk Management c)
- + TCFD: Metrics and Targets a)
- + TCFD: Metrics and Targets b)
- + TCFD: Metrics and Targets c)
- + SASB: EM-EP-110a.1
- + SASB: EM-EP-110a.3
- + SASB: EM-EP-420a.4

ESG Leadership Spotlight

Sunrise Gas Plant – A Near-zero Emissions Facility

In November 2018, ARC connected its Sunrise natural gas processing facility to the electric grid in British Columbia, displacing natural gas-generated power from turbines with hydroelectricity.

Performance Highlights

ARC was the lowest carbon producer based on carbon intensity in 2019 relative to its Canadian peers.

ARC reduced absolute GHG emissions by over 37 per cent since 2017, despite total production increasing by 13 per cent during that same timeframe.

ARC reduced GHG emissions intensity by 47 per cent, exceeding the Company's 25 per cent reduction target by the end of 2021, relative to the Company's 2017 baseline.



Refer to the section entitled, "[ESG Performance Table](#)" within this report.



Sunrise Facility

The facility processes 240 MMcf per day of ARC's natural gas production and is designed to emit less than 3,000 tonnes of CO₂e per year, making it **one of the lowest GHG-intensive gas processing facilities in Canada.**



Electrification of the Sunrise facility resulted in a

97%

reduction in absolute emissions compared to a conventional facility design, which is the equivalent of removing more than

22,000

cars off the road annually

ARC's Climate-related Risks

Risk	Potential Risk to ARC	Mitigation Strategies
Acute	Potential for severe weather events, such as flooding or wildfires, to damage infrastructure (e.g., pipelines).	Operations are designed for the extreme conditions typical of northern Canada.
	Potential for severe weather events to disrupt business operations.	-----
	Potential for severe weather events to disrupt supply chain.	Consideration of severe weather events is incorporated into infrastructure design, construction, and operation.
Chronic	Potential for long-term changes in weather patterns relating to precipitation patterns or snow melt affecting working conditions and/or length of work season.	Prioritization of high-risk assets, monitoring, and actions to replace or shut in infrastructure depending on the risk level.
Policy and Legal	Uncertainty around the nature and scope of current and future federal and/or provincial regulations relating to greenhouse gas regulations and the potential to affect ARC's ability to meet regulatory requirements and remain cost competitive.	Perform carbon pricing analysis as part of climate scenario analysis.
Technological	Limitations on availability, scalability, and cost effectiveness of emissions reduction technologies.	Business case assessment. ----- Participation in technology pilot programs.
Markets	Potential for decreased market demand due to political factors, lack of egress, and availability of lower priced product from jurisdictions with less stringent regulations.	Participation in public policy dialogue, industry actions, and investor events aimed at potentially raising the profile of Canadian energy and influencing policy outcomes.
		----- Publication of reports and investor communications designed to disclose ESG performance and climate-related risks and opportunities.
Reputational	Potential for political factors and regulatory uncertainty to adversely impact the reputation of Canada's energy sector, negatively impacting ARC's ability to access capital.	Similar mitigation strategies as for market risks. ----- Differentiate ARC's corporate culture by highlighting corporate values based upon respect, integrity, trust, and community. ----- Proactive engagement and involvement of local stakeholders in operational decisions, including supporting local communities.



Analyst Corner

+ TCFD: Strategy a)

ARC's Climate-related Opportunities

Opportunity	Potential Benefit to ARC	Actions and Strategies
Resource Efficiency	<p>Potential to reduce operational costs and decrease GHG emissions through application of efficiency measures and technologies.</p> <p>-----</p> <p>Allow ARC to focus on efficient and environmentally clean Montney development.</p>	<p>Actions to improve efficiency will reduce operating costs.</p> <p>-----</p> <p>Compliance with Multi-sector Air Pollutant Regulation ("MSAPR") will present the opportunity for higher efficiency engines that could generate incentives and reduce future carbon taxes.</p> <p>-----</p> <p>ARC has a total of 56 engines to which the regulation applies, with the potential to reduce GHG emissions by approximately 3,385 tonnes of CO₂e per year and thereby reduce ARC's GHG emissions intensity.</p> <p>-----</p> <p>Replacement and/or retrofit of pneumatic devices by year-end 2021 is expected to reduce annual GHG emissions by approximately 900 tonnes of CO₂e per year and reduce ARC's GHG emissions intensity.</p>
Energy Source	<p>Opportunity to reduce emissions through electrification using renewables.</p>	<p>Substitution of hydroelectricity for natural gas used in power generation will reduce GHG emissions, carbon intensity, and future carbon taxes.</p> <p>-----</p> <p>Electrification of natural gas processing facilities at Dawson, Parkland, and Sunrise will result in an annual carbon tax savings of approximately \$9 million by 2021.</p>
Products/ Services	<p>Opportunity to create a revenue stream from development and sale of carbon offsets or investments in technology.</p>	<p>Opportunity to generate revenue through sale of carbon offsets.</p>
Markets	<p>Opportunity to access new investors and markets by demonstrating that ARC has a best-in-class GHG emissions intensity profile.</p>	<p>ARC has received third-party recognition for its strong ESG and climate change performance.</p> <p>-----</p> <p>Several of ARC's current investors factor climate change into their investment decision-making.</p>
Resilience	<p>Opportunity to increase company value through improving infrastructure resilience to physical impacts of climate change.</p>	<p>Reduce potential of product loss.</p>



Analyst Corner

+ TCFD: Strategy a)

Air Emissions



Regulations for atmospheric emissions are becoming increasingly stringent. ARC proactively manages its air emissions and complies with all relevant regulations, and where possible, strives to comply beyond regulations.

Why

Is This Material to ARC?

Clean air is fundamental to the health of our communities and ecosystems. Atmospheric emissions from ARC's operations include sulphur dioxides ("SO_x"), nitrogen oxides ("NO_x"), volatile organic compounds ("VOCs"), and particulate matter ("PM10"), all of which have the potential to be harmful to human health and the environment. These emissions arise largely from the combustion of fuels used in production activities and from company vehicles. Air emissions are subject to increasingly stringent regulation at the federal and provincial levels, with regulations having the potential to materially increase ARC's compliance costs. Improved engine efficiency is an opportunity for ARC to lower its cost structure through reducing overall fuel usage.

ARC's

Approach

New federal MSAPR were introduced in 2018, with new regulatory standards applying to boilers, heaters, and engines. These standards will be phased in over time, with 2021 and 2026 deadlines. ARC continues to proactively retrofit and improve performance of existing equipment by designing new operations to meet or go beyond the regulations and by testing innovative technologies.

ARC's Performance

Air Emissions

In 2018 and 2019, ARC completed emission checks on all engines to assess the Company's level of preparedness for compliance with MSAPR's 2021 deadline. All retrofits and maintenance to meet the 2021 requirements have been completed and ARC will continue to evaluate and execute operational work to meet the 2026 regulatory requirements.

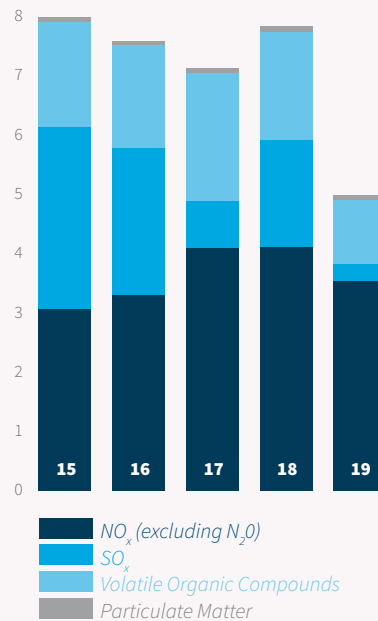
Technology Application

ARC continually evaluates the viability of pollution-control technologies that are compatible with the Company's operations. In 2019, ARC completed engine conversions with a "remvue" system used for a rich-to-lean conversion on engines. This process reduced engine emissions and improved fuel efficiency.

Trend Analysis

As a result of investments in retrofits, maintenance activities, investment in technology, and corporate divestment activities, ARC's air emissions decreased in 2019 relative to 2018, with NO_x emissions decreasing by 14 per cent, SO_x emissions decreasing by 27 per cent, VOCs emissions decreasing by 41 per cent, and PM10 emissions decreasing by 16 per cent.

Five-year Trend of Air Emissions at ARC
(metric tonnes)



38%

ARC has reduced its air emissions by 38 per cent since 2015

Performance Highlights

Air emissions reductions are a result of the application of new technologies and proactive portfolio management.



Refer to the section entitled, "ESG Performance Table" within this report.



Analyst Corner

- + SASB: EM-EP-120a.1
- + ESG Performance Table

Water Management



ARC is committed to reducing its overall fresh water use while maintaining water security for the Company's operations, for local communities, and for the maintenance of healthy ecosystems.

Why

Is This Material to ARC?

Water security is vital for our communities and for maintaining healthy ecosystems. Water plays an integral role in ARC's operations as it is primarily used in the Company's hydraulic fracturing activities. As such, ARC is exposed to potential risks associated with water availability, long-term water security, and costs associated with meeting regulatory requirements. Water management represents a significant operational cost to ARC, averaging approximately \$25 million per year. Through reducing the Company's water use through re-use and recycling, ARC has realized extensive environmental and economic benefits.

ARC's

Approach

ARC has adopted technology and innovation in its water management practices, which has resulted in increased water recycling capacity and cost savings. Water infrastructure development has also lowered ARC's corporate GHG emissions and air emissions by reducing trucking activity associated with the elimination of water transfer activities.

ARC's Water Stewardship Plan

Water Stewardship Plan

To determine water needs and usage, ARC adopted a Water Stewardship Plan that is updated on an annual basis.

Site-specific Water Plans

Lifecycle-based water management plans are in place for each of ARC's key development areas. Each plan includes a comprehensive evaluation of specific water requirements, water availability, capital expenditure requirements, operating expenses, and risks associated with access to fresh and saline water. Water requirements are continually evaluated and optimized for each development area.

ARC has made considerable investments to ensure water security for its operations. The Kiskatinaw area in British Columbia is a water-stressed area and is in close proximity to ARC's lands. While the water risk is low in comparison to other jurisdictions such as the Permian resource play, ARC has constructed reservoirs to ensure water access when water cannot be drawn from the Kiskatinaw river. ARC is also involved in a multi-stakeholder collaboration with other oil and natural gas producers in northeast British Columbia and with the local municipality to ensure water resources are being managed appropriately.

Water Security through Recycling, Infrastructure, and Advancement of Technology

ARC's goal is to recycle 90 per cent of the produced water generated from its operations and to evaluate all produced water for re-use. In 2018 and 2019, ARC recycled nearly 90 per cent of its produced water. In addition to ARC's investment in water recycling technology for hydraulic fracturing operations, ARC is able to recycle a significant portion of its produced water due to reservoir waterflood in the Cardium play.



\$55 million

invested in major water infrastructure projects to secure water for the Company's operations, improve water recycling capabilities, and reduce GHG emissions by removing trucks from the road



Analyst Corner

+ Board Oversight of ESG

ESG Leadership Spotlight

Water Infrastructure

Industry Collaboration

ARC is a member of the Montney Water Group, an industry collaboration group of 15 oil and natural gas producers in northeast British Columbia. Members of the Montney Water Group share water by storing it in large storage tanks and reservoirs. By pooling water resources, the group increases its collective use of flowback water, and ultimately decreases the industry's use of fresh water in the Montney area. This is the only group of its kind in Canada.

Trend Analysis

Total fresh water withdrawn and consumed increased by 18 per cent from 2018 to 2019, as increased development activities saw an increase in volumes required for hydraulic fracturing activities. None of the produced water ARC generated was discharged and approximately 90 per cent of water was recycled during this period.



Recycled nearly
90%

of water ARC produced in its operations during 2018 and 2019

In 2018, ARC completed \$55 million of water infrastructure investments that provide water security for ARC's operations and improves the Company's ability to recycle produced water where possible. ARC has constructed more than 100 kilometres of pipeline to transport water between its areas of operation and has constructed water treatment facilities and storage reservoirs to conserve produced water for future use. ARC's Dawson and Parkland properties were interconnected by pipeline, further supporting the efficient recycling of water resources between areas of operation.



Dawson Water Storage Reservoir

ARC is currently evaluating the commercial viability of chemical technologies to treat and recycle sour water produced across its areas of operation. Successful pilot projects have confirmed that the use of these chemicals and other development technologies could further increase the amount of produced water capable of being utilized for future operations.

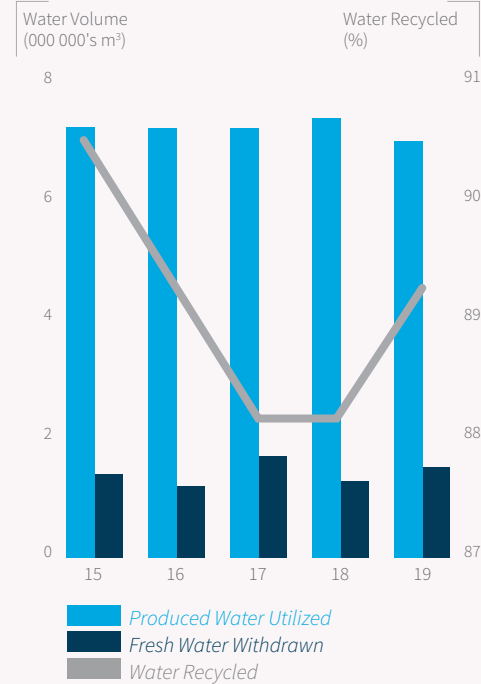
ARC is assessing the feasibility of increasing the scale of these pilot projects and is investigating direct investment in water technologies to increase utilization of produced water versus fresh water.



Sunrise Water Storage Reservoir

ARC's Performance

Corporate Water Usage



Analyst Corner

- + SASB: EM-EP-140a.1
- + SASB: EM-EP-140a.2
- + ESG Performance Table



ESG Leadership Spotlight

Ultrafiltration Technology

Performance Highlights

Recycled approximately 90 per cent of water produced in ARC's operations during 2018 and 2019. ARC's goal is to evaluate all produced water for re-use.

Observed no measurable deterioration in groundwater or surface water quality at hydraulic fracturing sites.

Met or exceeded all federal and provincial water quality and quantity regulations across ARC's operations.

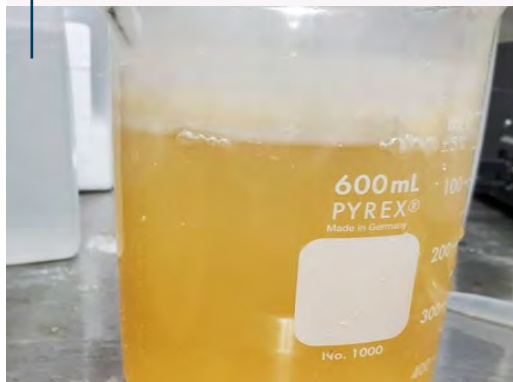


Refer to the section entitled, "[ESG Performance Table](#)" within this report.

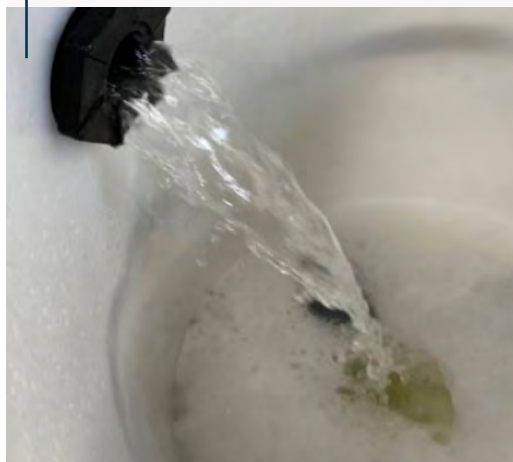
ARC is investing in ultrafiltration technology, currently being used for municipal treatment of wastewater, with the intent to apply this technology to produced water recycling in the Company's operations. To date, bench-scale laboratory tests have been conducted with encouraging results.

If successful, ARC expects that the technology will facilitate the process of recycling and reusing produced water. Additionally, it could result in significant annual savings and approximately 1,150 barrels per year of oil production recovery.

Inlet



Outlet



Analyst Corner

- + SASB: EM-EP-140a.2
- + SASB: EM-EP-140a.4
- + ESG Performance Table

Land Use, Reclamation, and Asset Retirement



ARC's goal is to exceed compliance requirements to minimize its environmental footprint and to leave the land in its original state once operations are complete.

Why

Is This Material to ARC?

Development of ARC's assets has the potential to impact environmental quality and biodiversity. ARC believes it has a moral and legal obligation to reclaim inactive wells, pipelines, and facilities, and decommission and reclaim sites. There has been a significant increase in orphaned wells in Alberta and British Columbia, which has resulted in increased involvement from regulators to ensure that energy companies are making adequate financial provisions for future asset retirement obligations.

ARC's

Approach

Responsibly managing asset retirement obligations is key to ARC's organizational purpose and risk mitigation strategies. Throughout its history, ARC has consistently and proactively invested in well abandonment and reclamation programs. ARC includes the cost of asset retirement in forecasted lifecycle costs for all development plans. ARC's operational procedures are designed to minimize land disturbance through multi-well pad design and drilling and a waste management program for drilling cuttings is in place.

Approximate Timeline to Obtain a Reclamation Certificate

(Year 1- Year 5)

Liability Management Planning

Energy companies have a legal obligation to reclaim land used for their operations and return it to beneficial use. ARC believes this is also the right thing to do. In 2018, ARC developed a Liability Management Plan aimed at reducing reclamation cycle times by engaging in concurrent closure activities.

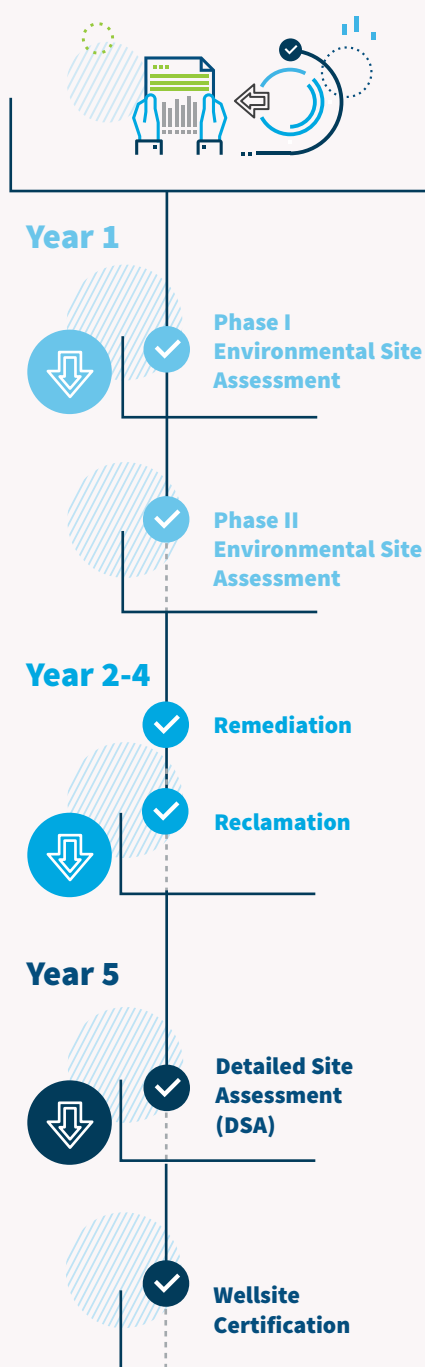
The plan is updated annually and outlines opportunities to reduce liabilities and ensure capital investment is allocated in an efficient and effective manner.

Execution of the Liability Management Plan requires ARC to prioritize its site reclamation activities. To do so, ARC uses ARKit, a software program that helps in identifying higher density areas of liability and tracks spending by site. By using this software, ARC has realized significant efficiencies in its Liability Management Plan.

Financial Management of ARC's Asset Retirement Obligations

At December 31, 2019, ARC recognized asset retirement obligations of \$409.6 million for the future abandonment and reclamation of ARC's properties. ARC's Montney asset base in northeast British Columbia and northern Alberta is relatively new and undeveloped, thereby resulting in lower near-term settlement obligations. Conversely, ARC's Cardium legacy assets in Alberta have relatively higher near-term settlement obligations. ARC estimates that the payments associated with its asset retirement obligations will be made over the next 67 years, with the majority of payments being made in years 2069 to 2086.

ARC contributes to the Orphan Well Association in Alberta and the Orphan Site Reclamation Fund in British Columbia.



ARC's objective is to obtain reclamation certificates within five years of abandonment.



\$34 million

invested in asset retirement obligations in 2018 and 2019



Analyst Corner

- + Board Oversight of ESG
- + Financial Statements
- + SASB: EM-EP-160a.1

ARC's Performance

Area-based Closure in Alberta

Consistent with the Company's commitment to go beyond minimum environmental compliance, ARC has opted into the newly developed ABC program in Alberta. Under this program, there is a minimum spend requirement outlined by the Alberta Energy Regulator. ARC expects to exceed the required investment under this voluntary program.

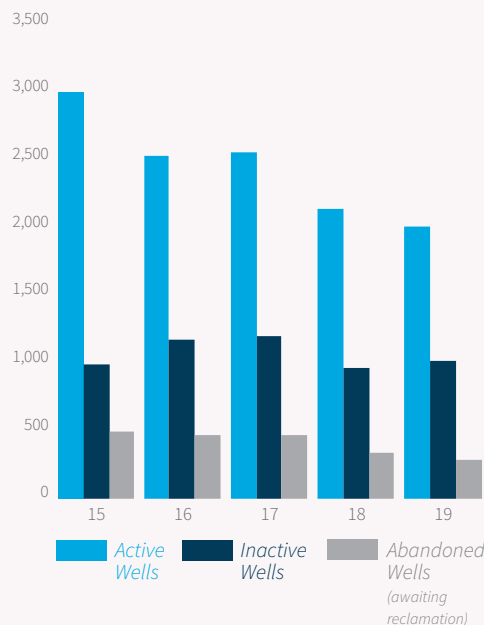
Dormant Site Regulation in British Columbia

In 2019, the Dormant Site Regulation was implemented in British Columbia, with the objective of clearing the number of legacy assets within the province. It is the first regulation in Canada to specify timelines and stage gates for reclamation of inactive wells; on average, the regulations stipulate that producers must restore inactive sites within 10 years of abandonment. ARC is on track to meet the Dormant Site Regulation's first stage gate deadline in December 2021.

Trend Analysis

Due to significant investments in asset retirement and reclamation, the number of reclamation certificates that ARC receives annually has steadily been increasing. Corporate well counts have decreased since 2015 due to the disposition of non-core assets.

Corporate Well Counts
(number of wells)



Performance Highlights

Over the past two years, ARC has made sustained progress towards its obligations and objectives regarding asset retirement.

ARC obtained 18 reclamation certificates in 2018 and 23 reclamation certificates in 2019.

ARC invested \$34 million in asset retirement obligations over the past two years



Refer to the section entitled, "[ESG Performance Table](#)" within this report.



Completed reclamation of over
130 hectares of land and planted

57,500
trees in 2018 and 2019



Analyst Corner

- + SASB: EM-EP-160a.1
- + ESG Performance Table

Operational Integrity and Spills

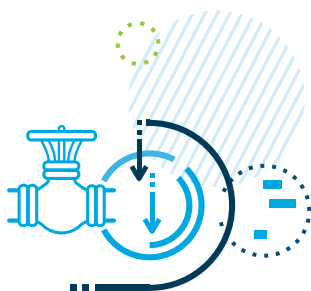


ARC's objective is to prevent spills and leaks before they occur.

Why

Is This Material to ARC?

Spills and leaks have the potential to impact local communities and can reduce biodiversity through habitat loss. In addition, large or frequent spills could damage ARC's reputation and result in significant cleanup costs and fines.



ARC's pipeline incident rate decreased

47%

in 2019 relative to 2017

ARC's

Approach

Prevention is the first line of defence against spills. ARC has invested in maintenance and asset integrity to reduce the risk of spills and to ensure productivity, reliability, and safety of its operations. ARC has comprehensive procedures and training programs to ensure a timely response in the event of a spill.

ARC's Performance

Enhancing Asset Integrity

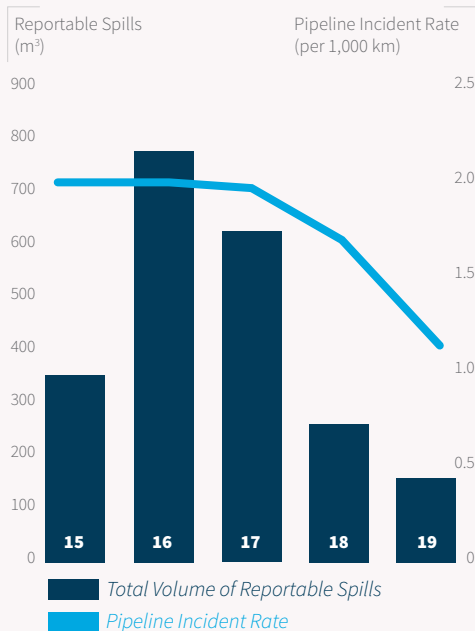
ARC proactively maps the risk profile of its infrastructure and prioritizes removal or upgrade of legacy infrastructure. ARC continuously improves its frequency of inspections and monitoring through inline inspections and integrity digs, and uses incident findings and learnings to enhance the Company's asset integrity programs through:

- + New technologies to conduct internal pipeline inspections such as smart pigging
- + Pipeline right-of-way surveillance
- + Application of corrosion inhibitors
- + Subscription to a flood and water flow monitoring tool that sends alerts to ARC personnel in the event of a flood or a significant ground change that could affect the Company's assets or sites
- + Geotechnical (e.g., ground movement, soil changes, etc.) and hydro-technical (e.g., water level changes, flood, etc.) work has been completed to assess risk to Company infrastructure
- + Evaluation of leak detection technologies, identifying opportunities to improve systems and identify spills at early stages to enable timely response

Trend Analysis

ARC's spill and leak performance has improved significantly because of investments to enhance asset integrity. The total volume of reportable spills has decreased annually since 2016, down from 773 cubic metres to approximately 100 cubic metres in 2019. ARC's pipeline incident rate decreased 48 per cent in 2019 relative to 2017. ARC has not incurred any spill-related fines or penalties.

Corporate Spills & Pipeline Incidents



Performance Highlights

The number of reportable spills **decreased significantly in 2019.**

In both 2018 and 2019, **ARC did not incur any spill-related fines or penalties.**

Through ARC's inline inspection program, **17 per cent of infrastructure has been internally inspected.**



Refer to the section entitled, "[ESG Performance Table](#)" within this report.



ARC invested

\$4 million

on inspections of its pipelines

\$8.5 million

on infrastructure improvements in 2018 and 2019



Analyst Corner

- + Board Oversight of ESG
- + SASB: EM-EP-160a.1
- + SASB: EM-EP-540a.2
- + SASB: EM-EP-160a.2
- + ESG Performance Table

Social

Topics in This Section

Workforce Health and Safety	49
Indigenous Relations	54
Stakeholder Relations	56
ARC's People	58

The energy that ARC creates provides people with the opportunity to live better lives.

ARC strives to have a positive impact on the communities in which it operates and to provide opportunities that benefit those who support and are impacted by ARC's business and the energy it produces.

As societal expectations of energy rapidly evolve, it is people who are key to ARC's business success. ARC relies on its employees to drive innovative thinking and partners with local communities to create shared value for society. ARC is committed to providing opportunities to society, including meaningful employment, a safe workplace, prosperous communities, and a healthy environment that respects tradition and local culture.

Central to ARC's operations is the health, safety, and wellbeing of its employees, contractors, and the communities in which ARC operates. Through strong ESG practices, ARC has always been committed to building strong and lasting relationships with Indigenous Peoples, improving the quality of lives in local communities, and developing its assets in the most responsible manner possible. ARC adheres to the highest employment standards, which has made ARC an employer of choice.

Delivering on these commitments requires a diverse and inclusive workforce. ARC is committed to the equitable treatment of its staff and values all employees for their unique contributions. A diverse and inclusive workforce is a competitive advantage, fostering new ideas, fresh perspectives, and an engaged workforce.

Social Highlights



6 years
without an employee
lost-time incident



26%
of leadership roles are
held by women



37%
decrease in contractor
recordable injuries
since 2017



\$3 million
donated to charitable
organizations over the
last two years

Guiding Principles



Be an industry leader in both health, safety, and environment practices and performance

Continue ARC's strong focus on safety, ensuring employees and contractors have the tools they need to develop and operate ARC's assets in the safest manner possible.

Investigate and implement new technologies that improve personal and process safety.

Form strong relationships with Indigenous communities

Recognize the rights of Indigenous Peoples and ensure appropriate consultation and engagement for all development projects.

Identify opportunities to create employment for local Indigenous community members.

Create shared value for society

Provide employment opportunities and work for local suppliers.

Support the communities in which ARC operates through contributions, employment, taxes, and royalty payments.

Develop a diverse and inclusive workforce

Create and maintain a workforce that is inclusive and diverse, which requires upfront efforts to identify, recruit, and train with inclusivity and diversity in mind.

Ensure ARC has the best talent through a diverse and inclusive workforce with a strong culture of ESG.

Continue to pursue gender diversity targets and inclusivity at the Board and management levels with formal processes and appropriate oversight.

Goals & Targets



Deliver industry-leading safety performance in total recordable injury frequency ("TRIF") and lost-time incident frequency.

Reduce incidents with the potential to seriously harm ("PH3+ Frequency").

Acknowledge recommendations published in internationally recognized United Nations Declaration of Indigenous Peoples ("UNDRIP").

Make concerted efforts to sign Impact Benefit Agreements with Indigenous Peoples in ARC's primary areas of development.

Continue to demonstrate leadership through active engagement with stakeholders on subjects such as a noise mitigation, induced seismicity, etc.

Commit a minimum of \$1 million annually to community development initiatives.

Create a formal recruitment strategy to build an inclusive workforce with a focus on increasing gender, race, and Indigenous heritage diversity in roles currently underrepresented, including management and field operations.

Workforce Health and Safety



Conducting its operations in a safe manner is ARC's number one priority. The wellbeing of employees and contractors is fundamental to ARC's organizational purpose of producing energy that creates a better world for everyone, and is crucial in delivering strong business results. ARC's goal is to be an industry leader in health and safety practices and performance.

Why

Is This Material to ARC?

ARC is relentlessly focused on prevention and continuous improvement to ensure the safety of employees and contractors. Poor health and safety performance may affect the Company's reputation, employee morale, and financial and operational results.

ARC's

Approach

Safety starts at the top and is a shared responsibility of ARC's leaders, employees, and contractors. Health and safety is ARC's number one priority, and is deeply engrained in the Company's culture. ARC's approach to health and safety is guided by ARC's integrated management system ("AIMS") and ARC's Operational Excellence Policy, a company-wide commitment to health and safety performance for all employees and contractors.

A Five-year Safety Strategy Vision 2025



Achieved a

64%

reduction in employee TRIF and a

37%

reduction in contractor TRIF
in 2019 compared to 2018

The Potential Hurt Approach

ARC has set a target of ‘Zero Harm’ to employees, contractors, and the communities in which the Company operates. ARC has incorporated the ‘Potential Hurt Approach’ to safety, focusing on caring for individuals and preventing future incidents rather than taking a treatment-based approach.

- + Assess every incident/safety event, regardless of recordability, severity, or injury.
- + Focus on the events that have the potential to severely injure workers.
- + Assess the event regardless of the treatment that the injured worker receives.
- + Assign potential hurt levels, on a scale of one to five (“PH1” to “PH5”), for each incident to ensure adequate investigation and follow-up is completed. Any incident classified above level three is considered to be serious in nature and an independent third-party incident investigation is conducted.

In 2019, ARC developed key focus areas for its Vision 2025 strategic plan to advance the Company’s safety practices and performance. The plan aims to create an environment where everyone is supported, mentored, and empowered as safety leaders, and focuses on continuous improvement. The Vision 2025 safety strategy focuses on the following areas:



100%

of ARC onsite supervisors have received "one-on-one" safety leadership coaching. In 2019, ARC captured 243 coaching conversations.



Analyst Corner

- + Board Oversight of ESG
- + AIMS Operational Excellence Policy
- + SASB: EM-EP-320a.2

ESG Leadership Spotlight

State-of-the-art Health and Safety Management System

ARC employees received nearly

5,000 hours

of training on health and safety practices

100%

of employees and onsite supervisors have completed ARC's e-learning training

Completed

100%

of planned audits on high-risk contractors

Data-driven Analysis

ARC is always seeking ways to improve its safety performance. In 2018, ARC launched a comprehensive safety analytics dashboard which allows leaders access to data analysis, trends and follow-up activities in real time, and the ability to identify areas for improvement. It also provides real time, safety performance metrics to ARC Operations and Production staff. ARC tracks both lagging and leading indicators to understand historical safety performance and proactively manage future safety performance.

Introduced in 2017, AIMS creates a centralized source of information that guides the safety and operational efforts throughout the organization. It includes over 13,000 pages of content, including ARC standards, site-specific operating procedures, job safety analysis, and lock-out and tag-out procedures. The AIMS application has been downloaded by over 400 users to date, and ARC continues to adopt new procedures and standards within the system.



Ongoing Safety Leadership Development

ARC has adopted and has been training leaders on the '10 Life-saving Rules', which are designed to prevent injuries and significant incidents at ARC's operations and across the energy industry. ARC has successfully implemented a comprehensive learning management system that utilizes E-learning, and all operations employees and onsite supervisors have completed assigned training.

In 2019, ARC hired a safety leadership coach to provide one-on-one safety leadership coaching for ARC's onsite supervisors. In 2019, ARC employees received approximately 5,000 hours of training on health and safety practices.



Analyst Corner

- + SASB: EM-EP-320a.1
- + SASB: EM-EP-320a.2

Improving ARC's Contractor Management

On an annual basis, ARC's contractors perform over 80 per cent of the total hours worked. ARC is diligent in its contractor selection and only selects those with best-in-class safety records. In 2018, ARC created a comprehensive dashboard for contractor selection that considers health and safety, environmental, operational experience, culture and leadership, and service quality metrics.

Managing contractor safety requires ongoing engagement to create alignment, strong relationships, and learning opportunities. In 2019, ARC introduced a contractor management program that is focused on the 'Three Ps' of contractor management: Pre-work (vendor pre-qualification and selection), Perform Work (onsite management), and Post-work (project and contractor review).

ARC remains focused on developing strong relationships with its key contractors and giving project managers the tools to effectively assess contractor risk. The Company's comprehensive model allows ARC to manage each contractor according to their assessed risk level. In 2019, ARC conducted all of the audits planned on high-risk contractors, which had been identified based upon the type of activity being conducted and the frequency of exposure.

ARC held contractor engagement workshops in each of its operating areas and met with 300 representatives from 70 different service providers in 2018 and 2019. The key objective of these workshops was to share key health and safety learnings and to promote ARC's culture of safety.

Hazard Identification and Monitoring

A strong safety culture includes investing in hazard identification and monitoring. ARC has increased its monitoring activities, including increased field visits, inspections, and audits. Over the past five years, ARC has nearly doubled the number of field visits it conducts, has doubled the number of hazard identifications, and has increased the number of audits and inspections by 70 per cent.

Emergency Management and Response

ARC has a detailed Emergency Management Program that guides how to prevent and respond to incidents should they occur. Site-specific Emergency Response Plans ("ERPs") have been developed to protect the public, ARC's employees and contractors, and the environment. These plans are updated annually.

ARC conducts full field-based emergency response exercises every three years and frequently undertakes table-top exercises to ensure routine training takes place and to build familiarity with ARC's ERP.

- + In 2018, ARC conducted 849 hours of training related to emergency response for 215 attendees. In 2019, ARC conducted 1,747 hours of training for 308 attendees.
- + ARC connects with more than 300 local stakeholders annually to provide updates on the Company's emergency planning.



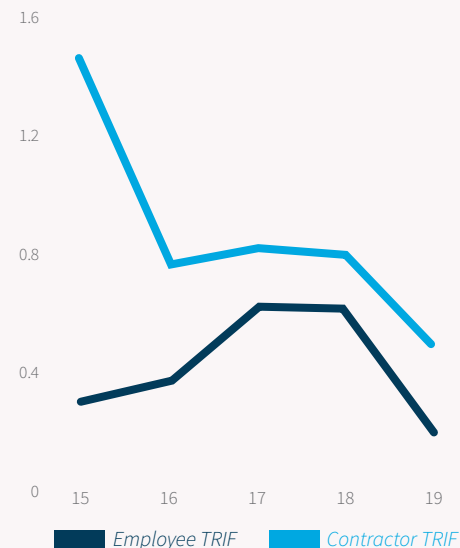
Analyst Corner

- + SASB: EM-EP-320a.1
- + SASB: EM-EP-320a.2

ARC's Performance

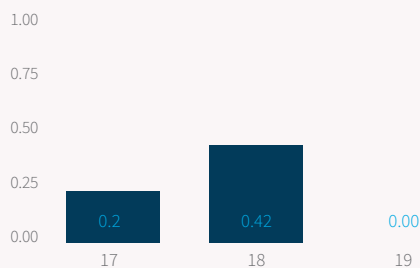
Corporate Total Recordable Incident Frequency

(recordable incidents per 200,000 work hours)



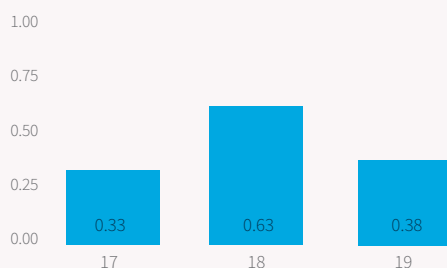
ARC Employees > PH3

(incidents per 200,000 work hours)



ARC Contractors > PH3

(incidents per 200,000 work hours)



Performance Highlights

More than doubled the number of hazards reported in the last four years, illustrating a **strong commitment to proactive safety behaviour**.

Introduced the 'Potential Hurt Approach' to safety which examines every incident and/or safety event, regardless of recordability, severity, or whether someone was injured.

ARC employees recorded two events greater than PH3 in 2018 and none in 2019. **ARC achieved a 40 per cent reduction in PH3+ incidents for contractors in 2019 relative to 2018.**

Launched a comprehensive safety analytics dashboard that provides real-time safety performance metrics to operations and production staff.

Evolved the Company's contractor management process with the launch of a comprehensive dashboard for contractor selection.



Refer to the section entitled, *"ESG Performance Table"* within this report.



Analyst Corner

- + ARC's Emergency Management Program
- + Safety Data Sheets
- + SASB: EM-EP-320a.1
- + SASB: EM-EP-320a.2
- + ESG Performance Table

Indigenous Relations



In addition to the Company's broader community commitments, ARC recognizes the unique needs of Indigenous communities that are affected by ARC's business activities. ARC proactively engages with neighbouring Indigenous communities in all operating areas. Each Indigenous group is unique, and ARC's objective is to build strong long-term relationships.

Why

Is This Material to ARC?

ARC has the utmost respect for the Indigenous communities in which ARC operates and recognizes that these communities may be affected by the Company's operations. It is ARC's goal to build positive relationships and work together in partnership. Indigenous Peoples in Canada have constitutionally recognized and protected Aboriginal and Treaty rights. While none of ARC's operational assets are within Indigenous lands, a portion lies within the traditional territory occupied by both Treaty 6 and Treaty 8 First Nations and by the Métis people.

ARC's

Commitment to Indigenous Peoples

ARC supports the Truth and Reconciliation Commission's call to action to corporations to adopt the UNDRIP as a framework for reconciliation. ARC recognizes the constitutionally protected rights of Indigenous Peoples and acknowledges the Company's role in engaging with Indigenous communities with honour, respect, and fairness.

ESG Leadership Spotlight

ARC's Approach: Proactive Engagement

ARC is transparent about its development plans and activities and has established engagement processes with each of the communities in which the Company operates. ARC recognizes that each community has its own unique goals and interests, and ARC works with elected leadership and elders to understand the priorities for the community.

ARC engages with Indigenous communities throughout the lifecycle of development activities – from planning and development, through operations and reclamation. ARC believes that its projects should be designed and implemented to minimize impacts, generate shared value, and enhance relationships with Indigenous Peoples. To facilitate this, ARC has funded traditional knowledge studies to help plan development activities in a way that allows communities to practice traditional cultural pursuits.

ARC follows established government policies and procedures for consulting with Indigenous communities; however, the nature of engagement is specific to each community based on their economic aspirations, environmental knowledge, and traditional land uses. ARC has built trusted relationships with its Indigenous neighbours and meets regularly with the leaders and community members.

Improving Economic Sustainability

ARC is committed to ensuring that its Indigenous partners have access to employment and share in the benefits of the Company's operations. ARC has established investment targets for Indigenous communities and businesses, including both direct and indirect spending where non-Indigenous suppliers sub-contract to Indigenous suppliers. ARC has working agreements with neighbouring Indigenous communities for initiatives that have been identified as priorities for those communities. ARC fully considers Indigenous economic inclusion in its bid evaluation processes.



In 2019, ARC provided Indigenous awareness training to 45 employees at all levels of the organization. This training included education on Indigenous history and rights and intercultural competency. ARC will continue to hold this training until adequate awareness is established throughout the organization.

ARC supports Indigenous communities by providing financial support to community pow wows, culture camps, treaty days, and other initiatives.

Post-secondary Scholarships for Indigenous Students

ARC is proud to have partnered with Indspire to provide scholarships to Indigenous youth enrolled in post-secondary education. Indspire is a national Indigenous registered charity that invests in the education of Indigenous Peoples for the long-term benefit of these individuals, their families and communities, and Canada. This partnership has been designed to support individuals from communities in and around ARC's operations in both Alberta and British Columbia, with the ultimate goal of these individuals gaining employment in the energy sector.



Refer to the section entitled, "[ESG Performance Table](#)" within this report.



Analyst Corner

- + Board Oversight of ESG
- + SASB: EM-EP-210a.3
- + ESG Performance Table

Stakeholder Relations



ARC is a responsible and contributing member of the communities in which it operates, striving to make a positive impact as a local employer and through community investment. ARC's business provides important economic contributions to municipal, provincial, and federal government revenues.

Why

Is This Material to ARC?

At ARC, community is a core value, and stakeholder engagement is key to the successful execution of the Company's development activities. ARC recognizes this is the right thing to do and without effective stakeholder engagement, could face unplanned costs or disruptions to operations due to potential community opposition and could experience significant reputational impacts.



Over the last two years,
ARC has invested over

\$3 million

in communities and non-profit
organizations

ARC's

Approach: Proactive Engagement

ARC is dedicated to building and maintaining positive relationships with its stakeholders. ARC engages with community members throughout the lifecycle of development activities – from planning and development, through operations and reclamation. The type and frequency of engagement is based on the potential impacts ARC's operations could have on stakeholders and the degree to which stakeholders wish to be involved. ARC works hard to understand each stakeholder's concerns and facilitates this dialogue through public information sessions. Field-based stakeholder relations teams and land professionals meet regularly with landowners and other stakeholders. ARC utilizes digital technology to effectively track, analyze, and respond to landowner and community concerns.

ESG Leadership Spotlight

Minimizing Community Impact

Addressing Community Concerns

ARC listens and responds to all community concerns. Vehicle speed, dust, and road deterioration have all been brought forward as concerns for the Company's stakeholders. In 2018, ARC installed GPS tracking systems in its vehicles, enabling real-time alerts if speed limits are exceeded by employees. The GPS system also tracks speed, harsh braking, aggressive acceleration, idle time, and rough driving. ARC receives weekly scorecards for all drivers which are reviewed by their supervisors. Over the two years since the implementation of this system, data indicates that ARC's employees are maintaining safe speeds in the communities where ARC operates, thereby improving safety for everyone.

ARC works to identify truck routes or undertake mitigation efforts that will ensure Company vehicles have the least impact on residents. Examples include minimizing traffic on roads during school drop-off and pick-up times and implementing mitigation systems during seeding and harvest to ensure that ARC's activities do not interfere with agricultural equipment.

Contributing to Communities

ARC is an active member of the communities in which it operates. When possible, ARC hires locally, contracts local businesses, and supports community causes. ARC's local partners include regional construction, transportation, and service vendors. ARC has contributed over \$3 million to local communities in the last two years.

ARC contributes to broader provincial and national economies by paying taxes and royalties. In 2019, ARC's payments to governments totaled \$105 million.

Most concerns voiced by communities are related to traffic, dust, road maintenance, and noise-levels. An ongoing subject of public concern is the effect that fracturing operations may have on the frequency of seismic activity.

In response, ARC has developed a stakeholder risk matrix, which evaluates 22 separate risk factors, to help identify surface locations where development activities will have the least impact to its stakeholders. Examples of risks identified within the matrix are the operation's proximity to residents, resident density, the risk of hydraulic fracture induced seismicity, traffic concerns in the area, and recent operations in the area, among others. This analysis guides ARC's decision-making and helps the Company to clearly understand the risks associated with the planning phase through to the execution phase of a development project. ARC takes a precautionary approach and has an Induced Seismicity Hydraulic Fracture Protocol in place.



Noise panels minimize noise impacts from ARC's operations.

ARC's Performance

ARC's commitment to local communities is reflected in the Company's performance in community-related metrics. Investments in local communities, commitments to shared value creation, and processes to identify and address stakeholder concerns allowed ARC to operate in 2018 and 2019 with no delays to operations due to community opposition.

Performance Highlights

Over the last two years, **ARC has invested over \$3 million in communities and non-profit organizations.**

ARC maintains investment and project development with more than \$1 billion spent with suppliers in 2019.



Refer to the section entitled, "[ESG Performance Table](#)" within this report.



Analyst Corner

- + Board Oversight of ESG
- + Induced Seismicity Hydraulic Fracture Protocol
- + SASB: EM-EP-210b.1
- + SASB: EM-EP-210b.2
- + ESG Performance Table

ARC's People



ARC considers its people and corporate culture to be business differentiators. ARC's employees are the Company's most valued asset, and the Company's core values are respect, integrity, trust, and community.

Why

Is This Material to ARC?

ARC's success is driven by its employees. ARC maintains a high-performing business with skilled employees who seek to meaningfully contribute to the Company's prosperous future.

ARC aims to attract the best talent, while motivating and developing employees to do their best and be their best.



ARC targets 80 per cent employee engagement. In 2019, ARC achieved a best-in-class employee engagement score of

92%

ARC's

Employee Engagement

ARC's corporate culture reflects the organizational purpose to create a better world for everyone and instills a sense of ownership in all employees to do the right thing for the business, society, and the environment. ARC believes that its employees perform their best when they are valued, challenged, respected, and connected to ARC's values and purpose.

Connecting with employees allows ARC to identify potential areas of improvement. ARC conducts an annual company-wide employee engagement survey to assess its cultural health, benchmarking the results to Gallup's Q12 Questions. ARC champions several employee initiatives in support of its high-performance culture, including days of caring, a company-wide mentorship program, and an employee-led learning series.

Talent Attraction, Development, and Retention

Possessing top talent is a business differentiator and ARC is committed to attracting talented people who are dedicated to their professional development. ARC believes that development from within has produced excellent leaders and a strong talent pipeline that has strengthened ARC's corporate culture.

The HRC Committee reviews the CEO's recommendations on internal candidates for executive succession, executive development opportunities, and performance assessment. Further, the Board regularly engages independent executive coaching services to establish formal skills and capability development amongst the Company's leadership team.

To ensure ARC has strong internal candidates to fill the Company's succession pipeline, ARC focuses on developing its employees to possess strong technical expertise as well as breadth in understanding of all areas of the business. To achieve this goal, ARC encourages employees to make cross-functional moves to other business functions to develop new skills and to take on new responsibilities. In 2019, ARC facilitated 20 development moves and internally promoted seven people.

Diversity and Inclusion

ARC's management and board of directors are committed to ensuring that ARC has a diverse and inclusive work environment. ARC believes that consideration of different skills, perspectives, and backgrounds all contribute to financial and operational excellence.

ARC aims to select the best candidate for the job. Because biases can exist, ARC has a rigorous recruitment process to ensure a skilled, qualified, and diverse candidate pool is selected for all positions. Like the Board's diversity and inclusion commitment, ARC's management team believes that diversity and inclusion is a critical differentiator and

advantage to ensuring long-term success. The management team is committed to ensuring at least 30 per cent of its leadership roles are held by women within ARC's corporate office. Currently, 31 per cent of these leadership roles are held by women. ARC is further committed to examining how the Company can increase diversity and inclusion within its field locations.

ARC's compensation planning practices support pay equity for comparable work and a gender pay analysis is conducted to ensure pay equity.

Employee Wellbeing

An important part of ARC's culture is committing to the wellbeing of employees. Since 2015, ARC has been focused on employee mental health and addressing the stigmas associated with mental health in the workplace. ARC's message to employees is that their mental health matters. ARC continues to partner with the Canadian Mental Health Association to support employee mental health with a Not Myself Today campaign each year. The basis of what has now become core to ARC's culture is that everyone at ARC cares about one another, that it is important to focus on one's mental health, and that everyone is responsible to reach out to one another, check in, and support one another.

ARC's Performance

ARC's commitment to its employees is reflected in strong performance on key human capital-related metrics. ARC's investment in employee training significantly increased in 2019 to approximately \$1 million, or approximately \$2,200 per employee. From 2018 to 2019, ARC's voluntary turnover rate decreased.

Performance Highlights

In 2019, ARC achieved a best-in-class employee engagement score of 92 per cent, surpassing an internal target of 80 per cent.

As at December 31, 2019, 42 per cent of ARC's office-based employees and **26 per cent of employees in management roles were female.**



Refer to the section entitled, "[ESG Performance Table](#)" within this report.



Analyst Corner

- + Board Oversight of ESG
- + Diversity Policy
- + ESG Performance Table

ESG Performance Table

Activity	Units	2015	2016	2017	2018	2019
Production of: (1) oil, (2) natural gas, (3) synthetic oil, and (4) synthetic gas	boe/day	114,167	118,671	122,937	132,724	139,126
Number of offshore sites	number	0	0	0	0	0
Number of terrestrial sites	number	0	0	0	0	0
Environment						
Direct energy consumption	GJ	10,504,502	10,277,582	11,041,628	10,325,575	8,853,421
Production energy intensity	GJ/m ³ oe	1.67	1.53	1.59	1.45	1.09
Greenhouse Gas Emissions						
Gross global scope 1 emissions	metric tonnes CO ₂ e	727,207	641,337	685,432	636,614	505,159
Indirect emissions	metric tonnes CO ₂ e	351,649	339,757	326,013	258,980	129,283
Intensity (scope 1 and scope 2)	metric tonnes CO ₂ e/boe	0.0259	0.0226	0.0225	0.0192	0.0124
Methane emissions	percentage	38	32	27	29	27
Covered under emissions-limiting regulations	percentage	34	36	53	56	60
Flared hydrocarbons	metric tonnes CO ₂ e	81,520	55,965	63,355	33,410	25,231
Other combustion	metric tonnes CO ₂ e	400,669	419,165	469,553	451,929	368,001
Process emissions	metric tonnes CO ₂ e	11,906	7,968	3,699	1,617	818
Vented emissions	metric tonnes CO ₂ e	79,315	60,950	53,877	57,627	64,396
Fugitive emissions	metric tonnes CO ₂ e	145,269	97,286	94,946	92,038	46,711
Flared gas	thousand m ³	32,327	22,263	24,711	13,349	10,280
Vented gas	thousand m ³	2,813	2,266	1,733	1,022	1,079
Solution gas conservation rate	percentage	96.5	97.8	99.0	99.2	97.1
Air Emissions						
NO _x (excluding N ₂ O)	metric tonnes	3,049	3,273	4,072	4,075	3,509
SO _x	metric tonnes	3,082	2,482	778	395	290
Volatile organic compounds	metric tonnes	1,757	1,721	2,150	1,803	1,068
Particulate matter	metric tonnes	86	66	76	115	97

ESG Performance Table

Activity	Units	2015	2016	2017	2018	2019
Water						
Total fresh water withdrawn	m ³	1,402,827	1,209,178	1,711,167	1,285,529	1,516,053
Total fresh water consumed	m ³	1,402,827	1,209,178	1,711,167	1,285,529	1,516,053
Volume of produced water and flowback generated	m ³	7,224,187	7,209,718	7,217,302	7,383,982	6,998,413
Water discharged	percentage	0	0	0	0	0
Water injected	percentage	10	11	12	12	11
Water recycled	percentage	90	89	88	88	89
Hydrocarbon content in discharged water	metric tonnes	N/A	N/A	N/A	N/A	N/A
Hydraulically fractured wells for which there is public disclosure of all fracturing fluid chemicals used	percentage	100	100	100	100	100
Hydraulic fracturing sites where ground or surface water quality deteriorated compared to a baseline	percentage	0	0	0	0	0
Biodiversity Impacts						
Number and aggregate volume of hydrocarbon spills	number; barrels	24; 532.12	25; 129.57	21; 1,403.26	21; 65.41	9; 35.85
Volume of hydrocarbon spills in Arctic	barrels	0	0	0	0	0
Volume of hydrocarbon spills impacting shorelines with ESI rankings 8-10	barrels	0	0	0	0	0
Volume of hydrocarbon spills recovered	barrels	522.05	102.52	640.93	41.51	23.90
Proved reserves in or near sites with protected conservation status or endangered species habitat	percentage	NPR	NPR	NPR	NPR	28
Probable reserves in or near sites with protected conservation status or endangered species habitat	percentage	NPR	NPR	NPR	NPR	28

ESG Performance Table

Activity	Units	2015	2016	2017	2018	2019
Reclamation						
Active wells (net - operated)	wells	2,938	2,468	2,506	2,089	1,953
Inactive wells (net - operated)	wells	976	1,148	1,176	934	987
Shut-in wells (net - operated)	percentage	22	20	15	14	15
Suspended wells (net - operated)	percentage	78	80	85	86	85
Abandoned wells (net - operated)	wells	490	458	460	325	286
Active wells (net - non-operated)	wells	332	124	122	67	50
Inactive wells (net - non-operated)	wells	149	88	86	59	72
Shut-in wells (net - non-operated)	percentage	19	25	19	20	23
Suspended wells (net - non-operated)	percentage	81	75	81	80	77
Abandoned wells (net - non-operated)	wells	141	117	68	46	37
Active reclamation ongoing (gross)	wells	206	386	262	275	290
Certificates received (gross)	wells	28	45	24	18	23
Reportable spills	count	24	25	21	21	9
Reportable non-pipeline spills	count	12	15	12	12	6
Reportable pipeline spills	count	12	10	9	9	3
Total volume of reportable spills	m ³	305	773	609	211	102
Volume of non-pipeline reportable spills	m ³	156	511	134	64	40
Volume of pipeline reportable spills	m ³	149	262	475	147	62
Pipeline incident rate	incidents/1,000 kilometres	1.97	1.98	1.95	1.64	1.02
Number of fines and penalties	count	0	0	0	0	0
Health & Safety						
Lost-time frequency - employee	cases/200,000 work hours	0	0	0	0	0
Lost-time frequency - contractor	cases/200,000 work hours	0.18	0	0.08	0	0.19
Recordable frequency - employee	cases/200,000 work hours	0.32	0.40	0.64	0.64	0.23
Recordable frequency - contractor	cases/200,000 work hours	1.47	0.78	0.83	0.82	0.52
Fatalities - employee/contractor	cases/200,000 work hours	0	0	0	0	0
Near miss frequency rate - employee	rate	11.78	1.82	3.84	1.69	0.45
Near miss frequency rate - contractor	rate	9.55	2.34	1.41	0.54	0.39
Average hours of health, safety, and emergency response training - employee	hours	NPR	NPR	NPR	NPR	4,969
Average hours of health, safety, and emergency response training - contractor	hours				No data available	

ESG Performance Table

Activity	Units	2015	2016	2017	2018	2019
Social						
Workforce profile	count	620	518	519	478	482
Full-time	count	556	461	470	443	437
Part-time	count	4	3	1	1	1
Contractors and temporary employees	count	60	54	48	34	44
Employees by Location						
Field (permanent)	count	243	203	217	197	242
Office (permanent)	count	317	261	254	247	196
Field (contractors and temporary)	count	25	19	20	9	12
Office (contractors and temporary)	count	35	35	28	25	32
Gender Diversity (Permanent Only)						
Women in workforce	percentage	32	30	27	27	26
Supervisory/professional positions	percentage	48	49	45	43	42
Management and executive team	percentage	25	24	20	20	20
Board of directors	percentage	20	18	18	20	22
Employee Age Categories						
30 years and under	count	114	84	63	69	71
30 to 50	count	339	283	321	303	291
Over 50	count	107	97	87	72	76
Voluntary turnover	percentage	2.8	1.2	2.4	3.4	3.2
Total spending on training	\$	1,653,822	876,844	738,125	781,299	982,795
Spending per employee	\$	2,953	1,890	1,567	1,760	2,244
Security, Human Rights & Rights of Indigenous Peoples						
Proved reserves in or near areas of conflict	percentage	NPR	NPR	NPR	NPR	0
Probable reserves in or near areas of conflict	percentage	NPR	NPR	NPR	NPR	0
Proved reserves in or near Indigenous land	percentage	NPR	NPR	NPR	NPR	0
Probable reserves in or near Indigenous land	percentage	NPR	NPR	NPR	NPR	0
Community Relations						
Number and duration of non-technical delays	number; days	0	0	0	0	0
Business Ethics & Transparency						
Proved reserves in countries that have the 20 lowest rankings in Transparency International's Corruption Perception Index	percentage	NPR	NPR	NPR	NPR	0
Probable reserves in countries that have the 20 lowest rankings in Transparency International's Corruption Perception Index	percentage	NPR	NPR	NPR	NPR	0

ESG Performance Table

Activity	Units	2015	2016	2017	2018	2019
Critical Incident Risk Management						
Process Safety Event rates for Loss of Primary Containment of greater consequence (Tier 1)	rate	NPR	NPR	NPR	NPR	0
Economic						
Value generated	millions of \$	1,563.3	1,276.7	1,514.1	1,543.9	1,023.1
Value distributed to:						
Suppliers	millions of \$	847.7	763.8	1,155.8	1,027.8	1,033.8
Providers of capital	millions of \$	459.8	295.6	258.5	255.0	255.3
Governments	millions of \$	167.4	126.9	154.0	163.9	105.4
Employees	millions of \$	107.0	127.3	100.3	97.4	117.7
Landowners	millions of \$	29.1	22.1	14.7	10.8	10.5
Communities	millions of \$	1.6	1.5	1.5	1.5	1.5
Value retained	millions of \$	-49.3	-60.5	-170.7	-12.5	-501.1
Reserves Valuation & Capital Expenditures						
Sensitivity of hydrocarbon reserve levels to future price projection scenarios that account for a price on carbon emissions	MMbbl; Bcf	NPR	NPR	NPR	NPR	See below
Estimated carbon dioxide emissions embedded in proved hydrocarbon reserves	metric tonnes CO ₂ e	NPR	NPR	NPR	NPR	157,409,000
Amount invested in renewable energy, revenue generated by renewable energy sales	reporting currency	NPR	NPR	NPR	NPR	0

Price Case		Proved Reserves			Probable Reserves			
(Scenario)	Oil (MMbbl)	Gas (Bcf)	Total (MMboe)	Tonnes (CO ₂ e)	Oil (MMbbl)	Gas (Bcf)	Total (MMboe)	Tonnes (CO ₂ e)
Current Policies Scenario (base)	57.9	2,708.4	595.4	157,409,000	24.9	1,451.5	314.6	82,801,000
New Policies Scenario	57.9	2,708.4	595.4		24.9	1,451.5	314.6	
Sustainable Development Scenario	54.2	2,659.8	582.4		24.8	1,432.8	311.2	

Reserves analysis completed by GLJ Ltd.

Notes:

Methodology used to collect activity data and calculate Scope 1 and Scope 2 emissions includes Canadian Association of Petroleum Producers, Calculating Greenhouse Gas Emissions, 2003; American Petroleum Institute Compendium of Greenhouse Gas Emissions Methodologies for the Oil and Natural Gas Industry, 2009; and Western Climate Initiative - Final Essential Requirements of Mandatory Reporting – 2011 Amendments for Harmonization of Reporting in Canadian Jurisdictions, December 21st, 2011.

Economic value generated comprises sales of crude oil, natural gas, condensate liquids and other income, before the reduction of any royalty obligations, gains and losses on risk management contracts and gains and losses on asset dispositions and business combinations. All figures are presented on an accrual basis.

Economic value distributed to suppliers comprises all operating, transportation and general and administrative costs as well as capital expenditures that are paid to suppliers other than employees, landowners, governments and for purposes of charitable donations. All figures presented on an accrual basis.

Economic value distributed to providers of capital includes interest expense paid in cash, cash dividends paid and common shares distributed through ARC's Dividend Reinvestment Program and Stock Dividend Program.

Economic value distributed to governments includes crown royalty obligations, corporate income taxes, property and business taxes, carbon taxes, provincial sales taxes as well as consideration paid to governments for surface rights of Crown-owned land and government licenses, fees and permits. Excludes contributions to government pension plans and government employment insurance premiums made on behalf of employees. All figures presented on an accrual basis. Due to the use of different reporting frameworks, figures presented will not necessarily conform to those presented in ARC's annual reporting under the Extractive Sector Transparency Measures Act ("ESTMA"). For more information or to view ARC's annual ESTMA report, please refer to ARC's website at www.arcresources.com.

Economic value distributed to employees comprise salaries, employee benefits and compensation associated with ARC's share-based compensation plans, all presented on an accrual basis.

Economic value distributed to landowners comprise land access payments and royalty obligations to individuals and corporations associated with non-Crown owned lands. Reduction in value distributed to landowners over a five-year time span attributed to reduction in total well count.

Economic value distributed to communities comprise contributions to charitable and not-for-profit organizations.

Economic value retained represents Economic value generated minus total Economic value distributed as presented herein. Economic value retained does not have any standard meaning prescribed by International Financial Reporting Standards ("IFRS") and should not be confused with retained earnings, net income, comprehensive income or any other measure prescribed by IFRS. May not be comparable to similar measures presented by other entities. measures presented by other entities.

SASB

Content Index

Accounting Metric	Unit of Measure	Code	Page
Greenhouse Gas Emissions			
Gross global Scope 1 emissions, percentage methane, percentage covered under emissions-limiting regulations	Metric tons CO ₂ -e (t), Percentage (%)	EM-EP-110a.1	26, 31, 60
Amount of gross global Scope 1 emissions from: (1) flared hydrocarbons, (2) other combustion, (3) process emissions, (4) other vented emissions, and (5) fugitive emissions	Metric tons CO ₂ -e	EM-EP-110a.2	31, 60
Discussion 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	n/a	EM-EP-110a.3	24-34
Air Quality			
Air emissions of the following pollutants: (1) NO _x (excluding N ₂ O), (2) SO _x , (3) volatile organic compounds (VOCs), and (4) particulate matter (PM ₁₀)	Metric tons (t)	EM-EP-120a.1	36, 60
Water Management			
(1) Total fresh water withdrawn, (2) total fresh water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	Thousand cubic meters (m ³), Percentage (%)	EM-EP-140a.1	39, 61
Volume of produced water and flowback generated; percentage (1) discharged, (2) injected, (3) recycled; hydrocarbon content in discharged water	Thousand cubic meters (m ³), Percentage (%), Metric tons (t)	EM-EP-140a.2	39-40, 61
Percentage of hydraulically fractured wells for which there is public disclosure of all fracturing fluid chemicals used	Percentage (%)	EM-EP-140a.3	61
Percentage of hydraulic fracturing sites where ground or surface water quality deteriorated compared to a baseline	Percentage (%)	EM-EP-140a.4	40, 61
Biodiversity Impacts			
Description of environmental management policies and practices for active sites	n/a	EM-EP-160a.1	41-43, 45
Number and aggregate volume of hydrocarbon spills, volume in Arctic, volume impacting shorelines with ESI rankings 8-10, and volume recovered	Number, Barrels (bbls)	EM-EP-160a.2	45, 61
Percentage of (1) proved and (2) probable reserves in or near sites with protected conservation status or endangered species habitat	Percentage (%)	EM-EP-160a.3	61
Security, Human Rights & Rights of Indigenous Peoples			
Percentage of (1) proved and (2) probable reserves in or near areas of conflict	Percentage (%)	EM-EP-210a.1	63
Percentage of (1) proved and (2) probable reserves in or near Indigenous land	Percentage (%)	EM-EP-210a.2	63
Discussion of engagement processes and due diligence practices with respect to human rights, Indigenous rights, and operation in areas of conflict	n/a	EM-EP-210a.3	54-55
Community Relations			
Discussion of process to manage risks and opportunities associated with community rights and interests	n/a	EM-EP-210b.1	56-57
Number and duration of non-technical delays	Number, Days	EM-EP-210b.2	57, 63

SASB

Content Index

Accounting Metric	Unit of Measure	Code	Page
Workforce Health & Safety			
(1) Total recordable incident rate (TRIR), (2) fatality rate, (3) near miss frequency rate (NMFR), and (4) average hours of health, safety, and emergency response training for (a) full-time employees, (b) contract employees, and (c) short-service employees	Rate, Hours (h)	EM-EP-320a.1	51-53, 62
Discussion of management systems used to integrate a culture of safety throughout the exploration and production lifecycle	n/a	EM-EP-320a.2	49-53
Reserves Valuation & Capital Expenditures			
Sensitivity of hydrocarbon reserve levels to future price projection scenarios that account for a price on carbon emissions	Million barrels (MMbbls), Million standard cubic feet (MMscf)	EM-EP-420a.1	64
Estimated carbon dioxide emissions embedded in proved hydrocarbon reserves	Metric tons (t) CO ₂ -e	EM-EP-420a.2	64
Amount invested in renewable energy, revenue generated by renewable energy sales	Reporting currency	EM-EP-420a.3	64
Discussion of how price and demand for hydrocarbons and/or climate regulation influence the capital expenditure strategy for exploration, acquisition, and development of assets	n/a	EM-EP-420a.4	24-34
Business Ethics & Transparency			
Percentage of (1) proved and (2) probable reserves in countries that have the 20 lowest rankings in Transparency International's Corruption Perception Index	Percentage (%)	EM-EP-510a.1	63
Description of the management system for prevention of corruption and bribery throughout the value chain	n/a	EM-EP-510a.2	18
Management of the Legal & Regulatory Environment			
Discussion of corporate positions related to government regulations and/or policy proposals that address environmental and social factors affecting the industry	n/a	EM-EP-530a.1	19
Critical Incident Risk Management			
Process Safety Event rates for Loss of Primary Containment of greater consequence (Tier 1)	Rate	EM-EP-540a.1	64
Description of management systems used to identify and mitigate catastrophic and tail-end risks	n/a	EM-EP-540a.2	44-45
Activity Metrics			
Production of: (1) oil, (2) natural gas, (3) synthetic oil, and (4) synthetic gas	Thousand barrels per day (Mbbl/day); Million standard cubic feet per day (MMscf/day)	EM-EP-000.A	60
Number of offshore sites	Number	EM-EP-000.B	60
Number of terrestrial sites	Number	EM-EP-000.C	60



TCFD

Content Index

Category	Disclosure	Page
Governance (a)	Board oversight	17
Governance (b)	Management's role	18
Strategy (a)	Identification of climate-related risks and opportunities	25, 33-34
Strategy (b)	Impact of climate-related risks and opportunities	25-28
Strategy (c)	Scenario analysis and strategy resilience	26, 28-30
Risk Management (a)	Risk identification and assessment process	30
Risk Management (b)	Risk management process	30
Risk Management (c)	Risk integration	31
Metrics and Targets (a)	Metrics	31
Metrics and Targets (b)	GHG emissions	31
Metrics and Targets (c)	Targets and performance	23, 31-32

GRI

Content Index

Disclosure	Description	Page
Organizational Profile		
102-1	Name of the organization	4
102-2	Activities, brands, products, and services	4
102-3	Location of headquarters	5
102-4	Location of operations	5
102-6	Markets served	5
102-8	Information on employees and other workers	63
102-13	Membership of associations	19
Strategy		
102-14	Statement from senior decision-maker	2-3
102-15	Key impacts, risks, and opportunities	10
Ethics and Integrity		
102-16	Values, principles, standards, and norms of behaviour	11
102-17	Mechanisms for advice and concerns about ethics	18
Governance		
102-18	Governance structure	17-18
102-19	Delegating authority	17-18
102-20	Executive-level responsibility for economic, environmental, and social topics	18
102-22	Composition of the highest governance body and its committees	2020 Information Circular – Proxy Statement
102-23	Chair of the highest governance body	2020 Information Circular – Proxy Statement
102-25	Conflicts of interest	2020 Information Circular – Proxy Statement
102-26	Role of the highest governance body in setting purpose, values, and strategy	15-16
102-27	Collective knowledge of highest governance body	17
102-35	Remuneration policies	2020 Information Circular – Proxy Statement
102-36	Process for determining remuneration	2020 Information Circular – Proxy Statement
102-37	Stakeholders' involvement in remuneration	2020 Information Circular – Proxy Statement

GRI

Content Index

Disclosure	Description	Page
Reporting Practice		
102-45	Entities included in the consolidated financial statements	12
102-46	Defining report content and topic boundaries	12
102-47	List of material topics	10
102-49	Changes in reporting	12
102-50	Reporting period	12
102-52	Reporting cycle	12
102-54	Claims of reporting in accordance with the GRI Standards	12
102-55	GRI Content Index	68-69
Economic Performance		
201-1	Direct economic value generated and distributed	64
201-2	Financial implications and other risks and opportunities due to climate change	24-34
Water		
303-1	Interactions with water as a shared resource	37-40
303-3	Water withdrawal	61
303-5	Water consumption	61
Biodiversity		
304-2	Significant impacts of activities, products, and services on biodiversity	41-45
Employment		
401-1	Employee turnover	63
Occupational Health and Safety		
403-1	Occupational health and safety management system	50-51
403-2	Hazard identification, risk assessment, and incident investigation	52
403-4	Worker participation, consultation, and communication on occupational health and safety	50-52
403-5	Worker training on occupational health and safety	50-52
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	50-51
403-9	Work-related injuries	62
Training and Education		
404-1	Average hours of training per year per employee	62
404-2	Programs for upgrading employee skills and transition assistance programs	59
Diversity and Equal Opportunity		
405-1	Diversity of governance bodies and employees	63
405-2	Ratio of basic salary and remuneration of women to men	59
Local Communities		
413-1	Operations with local community engagement, impact assessments, and development programs	56-57
413-2	Operations with significant actual and potential negative impacts on local communities	56-57

Forward-looking Statements

This ESG Report contains certain forward-looking information and statements within the meaning of applicable securities laws. The use of any of the words “expect”, “anticipate”, “continue”, “estimate”, “objective”, “ongoing”, “may”, “will”, “project”, “should”, “believe”, “plans”, “intends”, “strategy” and similar expressions are intended to identify forward-looking information or statements. In particular, but without limiting the foregoing, this ESG Report contains forward-looking information and statements pertaining to the following: expectations as to the Company’s reduction in GHG emissions intensity by 20 per cent by the end of 2025 relative to ARC’s 2019 baseline and ability to meet other climate-related goals and targets through, among other things, the electrification of ARC’s British Columbia facilities using renewables, investments in the voluntary ABC approach recently developed in Alberta, prioritizing reclamation and remediation activities based on the degree of environmental impact, restoring inactive sites in line with the Dormant Site Regulation in British Columbia and exceeding regulatory requirements by obtaining reclamation certificates within five years of site abandonment, implementing a minimum of 70,000 metric tonnes of CO₂e of emission reduction projects by 2025, electrification of the Dawson, Parkland, and Sunrise facilities and the anticipated reduction in ARC’s carbon tax obligation by \$9 million annually by 2021 resulting therefrom, substitution of hydroelectricity for natural gas used in power generation, revenue generation through the sale of carbon offsets, investing from \$50 to \$100 million in asset retirement obligations by 2025, efficiency measures and technologies and anticipated reductions in operating costs resulting therefrom, compliance with MSAPR, improving infrastructure resilience to physical impacts of climate change and replacing pneumatic devices by year-end 2021; developing a diverse and inclusive workforce and creating a formal recruitment strategy with a focus on increasing gender, race and Indigenous heritage diversity in roles currently underrepresented by these groups; establishing a minimum of 30 per cent female representation on ARC’s board of directors within three years; reducing environmental and safety incidents; increasing employee

skills and competencies through ARC’s planned development of AIMS; reducing methane emissions by enhancing the Fugitive Emissions Management Plan to align with new provincial methane regulations, utilizing efficient equipment to prevent the venting of methane into the atmosphere and converting high-bleed pneumatic controllers to low-bleed alternatives; identifying opportunities to generate offsets and reinvest the proceeds for further emission reduction opportunities; recycling 90 per cent of produced water generated from ARC’s operations; expected savings from investments in ultrafiltration technology; continuing to manage community concerns related to increased truck traffic, induced seismicity, and noise during project work; and engaging with ARC’s stakeholders, including concerted efforts to sign Impact-Benefit Agreements with Indigenous Peoples in ARC’s primary development areas and commitments to obtain FPIC of Indigenous Peoples before proceeding with projects.

The forward-looking information and statements contained in this ESG Report reflect several material factors, expectations and assumptions of ARC, including, without limitation: the general continuance of current industry conditions; the continuance of existing (and in certain circumstances, the implementation of proposed) tax, royalty, and regulatory regimes; the Company’s capital budget and operational plans for 2020; the ability to complete the infrastructure projects within the proposed timelines and within the proposed budget; the ability to obtain all necessary regulatory approvals on the anticipated timelines; certain commodity price and other cost assumptions for 2020; the general continuance of current industry conditions; the retention of ARC’s key properties; access to equipment and qualified personnel; and the continued availability of adequate debt and equity financing and funds from operations to fund the Company’s planned expenditures. ARC believes the material factors, expectations, and assumptions reflected in the forward-looking information and statements are reasonable, but no assurance can be given that these factors, expectations, and assumptions will prove to be correct.

The forward-looking information and statements included in this ESG Report are not guarantees of future performance and should not be unduly relied upon. Such information and 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 information or statements including, without limitation: changes in ARC’s plans regarding water management, facilities replacement and construction, and operations based on key learnings and experience gained through the design and implementation of such plans; changes to government regulations including royalty rates, taxes, and environmental and climate change regulation; delays and cost overruns in respect of the proposed projects; the inability to obtain the necessary regulatory approvals within the anticipated timelines; changes in commodity prices; changes in the demand for or supply of ARC’s products; the impact of the economic development of emerging economies on demand for fuel products; changes in development plans of ARC or by third-party operators of ARC’s properties; changes to the government; increased debt levels or debt service requirements; loss of key personnel; limited, unfavourable, or a lack of access to capital markets; deterioration of relations with Indigenous groups; a lack of adequate insurance coverage; the impact of competitors; and certain other risks detailed from time-to-time in ARC’s public disclosure documents (including, without limitation, those risks identified in this ESG Report and in ARC’s AIF for the year ended December 31, 2019).

The internal projections, expectations, or beliefs are based on the 2020 capital budget which is subject to change in light of ongoing results, prevailing economic circumstances, commodity prices, and industry conditions and regulations. Accordingly, readers are cautioned that events or circumstances could cause results to differ materially from those predicted. The forward-looking information and statements contained in this ESG Report speak only as of the date of this ESG Report, and none of ARC or its subsidiaries assumes any obligation to publicly update or revise them to reflect new events or circumstances, except as may be required pursuant to applicable laws.

August 25, 2020

Independent practitioner's limited assurance report on ARC Resources Ltd. CDP Submission and ESG Performance Table for the year ended December 31, 2019

To the Board of Directors and Management of ARC Resources Ltd.

We have undertaken a limited assurance engagement in respect of the Scope 1 emissions in Alberta and Scope 2 greenhouse gas ("GHG") emissions in Alberta and British Columbia as reported in ARC Resources Ltd. ("ARC Resources") ESG Performance Table and questions C6.1 and C6.3 in their submission to the CDP Climate Change Questionnaire 2020 (the "Reports") for the year ended December 31, 2019 and for the changes from December 31, 2018 to December 31, 2019 in scope 1 and 2 GHG emissions (the "Subject matter").

Subject matter

GHG emissions in tonnes CO₂e for the year ended December 31, 2019 and changes in GHG emissions from December 31, 2018 to December 31, 2019,

Scope	As at December 31, 2019 (tonnes CO₂e)	Changes from December 31, 2018 to December 31, 2019 (tonnes CO₂e)
Total Scope 1 (Alberta)	201,833	75,253 decrease in Scope 1 GHG emissions
Total Scope 2 (Alberta and British Columbia)	129,283	129,697 decrease in Scope 2 GHG emissions

ARC Resources management responsibilities

Management is responsible for preparation of the Reports in accordance with the Canadian Association of Petroleum Producers, (CAPP) Calculations Greenhouse Gas Emissions, 1999, 2003, 2005; American Petroleum Institute (API) Compendium of Greenhouse Gas Emissions Methodologies for the Oil and Natural Gas Industry, 2004, 2009; and National Inventory Report (1990-2018) (together, the criteria). Management is also responsible for such internal control as management determines necessary to enable the preparation of the Reports that is free from material misstatement.

Our responsibility

Our responsibility is to express limited assurance conclusion on the subject matter based on the evidence we have obtained. We conducted our limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3410, Assurance Engagements on Greenhouse Gas Statements (ISAE 3410) issued by the International Auditing and Assurance Standards Board. This standard requires us to conclude whether anything has come to our attention that causes us to believe that the Reports are not fairly stated, in all material respects.

A limited assurance engagement involves performing procedures (primarily consisting of making inquiries of management and other within the entity, as appropriate, and applying analytical procedures) and evaluating the evidence obtained. The procedures are selected based on our professional judgment, which includes identifying areas where the risks of material misstatement in preparing the Reports in accordance with the criteria are likely to arise.

The procedures performed in a limited assurance engagement vary in nature and timing from and are less in extent than for a reasonable assurance engagement and, consequently, the level of assurance obtained is substantially lower than the assurance that would have been obtained had a reasonable assurance

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engagement been performed.

Our independence and quality control

We have complied with the relevant rules of professional conduct/code of ethics applicable to the practice of public accounting and related to assurance engagements, issued by various professional accounting bodies, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Canadian Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements and, accordingly, maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Inherent limitations

Non-financial information, such as that included in the Reports, is subject to more inherent limitations than financial information, given the more qualitative characteristics of the subject matter and the methods used for determining such information. The absence of a significant body of established practice on which to draw, allows for the selection of different but acceptable measurement techniques which can result in materially different measurements and can impact comparability. The nature and methods used to determine such information, as well as the measurement criteria, may change over time.

Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Subject matter in ARC Resources Reports, prepared in accordance with the criteria during the year ended December 31, 2019 and for the changes from December 31, 2018 to December 31, 2019 is not fairly stated, in all material respects.

Purpose of statement and restriction of use and distribution

The Reports have been prepared to assist ARC Resources to comply with CDP submission. As a result, the Reports may not be suitable for another purpose.

Our report is intended solely for ARC Resources Ltd. and the Board of Directors and Management of ARC Resources, in accordance with the terms of our engagement, and should not be distributed to or used by parties other than ARC Resources and Board of Directors and Management of ARC Resources.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

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