

PEYTO EXPLORATION & DEVELOPMENT CORP.

BOARD DIVERSITY AND TERM LIMIT POLICY

Introduction

Peyto Exploration & Development Corp. ("**Peyto**") recognizes the benefits of having a diverse board of directors ("**Board**"). Nomination and appointment of candidates which provide for multiple perspectives, skills, expertise, industry experience and personal characteristics such as age, gender, ethnicity and other distinctions, all contribute to our continued success. At Peyto, these differences will be considered in determining the optimum composition of the board and when possible will be balanced appropriately. For purposes of Board composition, diversity includes, but is not limited to, business experience, geography, age, gender and ethnicity and aboriginal status. In particular, the Board should include women directors.

This Board Diversity Policy is intended to set out the framework for Peyto's approach to Board diversity and term limits and also outline the key criteria for the composition of the board that promotes our commitment and aspirational targets to diversity and inclusion.

Commitment and Policy Statement

Peyto is committed to a merit based system for board composition within a diverse and inclusive culture which solicits multiple perspectives. When assessing board composition or identifying suitable candidates for appointment or re-election to the Board, Peyto will consider candidates on merit against objective criteria having due regard to the benefits of diversity and the needs of the board including the existing level of representation of women on the Board.

The compensation and nominating committee of the Board (the "**Committee**") oversees the evaluation, assesses and considers the effectiveness, of the Board as a whole, the committees of the board and the contribution of individual members on an annual basis. The Committee also reviews the experience, qualifications and skills of our incumbent directors to ensure that the composition of the Board and committees and the competencies of the members are in line with those that the Committee considers that the Board and respective committees should possess.

In considering suitable candidates for appointment or re-election to the Board, or whether to accept the deemed resignation of a director pursuant to Peyto's Board Renewal Policy, and to assist us in attaining our targeted representation, the Committee shall:

- consider all aspects of diversity, including, but not limited to, those described above, in order to enable the Committee to discharge its duties and responsibilities effectively;
- assess the skills and backgrounds collectively represented on the Board to ensure that they reflect the diverse nature of the business environment in which Peyto operates;
- consider candidates on merit against objective criteria having due regard to the benefits of diversity on the Board; and
- engage, as deemed necessary, qualified independent external advisors to identify and assess candidates that meet the Board's skills and diversity criteria.

Review, Monitoring and Reporting

To assess Peyto's effectiveness in promoting a diverse Board, which includes an appropriate number of women directors, the Committee will annually review the skills, expertise, experience, independence and background of the Board, committees and each of its individual directors. In addition, the Committee will review the number of women considered or brought forward as potential nominees for board positions when the Board is looking to add additional members or replace existing members and will evaluate the skills, knowledge, experience and character of any such women candidates relative to other candidates to ensure that women candidates are being fairly considered relative to other candidates.

Any search firm engaged to assist the Committee in identifying candidates for appointment to the Board will be specifically directed to include diverse candidates generally, and multiple women candidates in particular.

In addition, each year the Committee will: (i) assess the effectiveness of this Board Diversity Policy and related objectives; (ii) monitor and review our progress in achieving our aspirational target for gender diversity; (iii) monitor the implementation of this Board Diversity Policy; and (iv) report to the Board and recommend any revisions that may be necessary.

This Board Diversity Policy will be made publicly available on Peyto's website.

EXECUTIVE OFFICER DIVERSITY POLICY

The Board believes that the appointment of executive officers should be made on the basis of the skills, knowledge, experience and character of individual candidates and the requirements of the particular position. Peyto believes that considering the broadest group of individuals who have the skills, knowledge, experience and character required to provide the leadership needed to achieve our business objectives is in the best interests of Peyto and all of its stakeholders.