At SM Energy, we strive to sustainably generate profitable growth through investments in energy production and supply. Our strategy is to be a premier operator of top-tier assets, and our view of being a premier operator includes a strong commitment to environmental, social and governance (ESG) best practices. Sustainability in our business is only possible if we effectively manage risk and preserve financial strength to enable future investment.

Since the last publication of this report, our team has achieved important numeric and qualitative goals related to our ESG practices. Our accomplishments included:

- **Environment:** Significant strides were made to reduce emissions and recycle water. Noteworthy statistics include:
  - Methane intensity in 2019 was top quartile among industry peers who reported.
  - Greenhouse gas (GHG) emissions intensity in 2019 was 12.4 mT CO₂/MBoe, beating our internal target.
  - Produced water recycling nearly doubled in the second half of 2019 to more than five million barrels as we designed and installed semi-mobile facilities at development sites.

- **Safety:** Total recordable incident rate for all Company employees and contractors in 2019 was 0.46, nearly top quartile among our peers.

- **Innovation:** Team collaboration led to the development and implementation of data dashboards for key safety, emissions, spill performance and water stewardship metrics. The current data provided by these dashboards is reviewed and discussed at each regular senior management meeting and each quarterly meeting of the Board of Directors, while up-to-date data enables operating personnel to monitor and pro-actively manage these factors on a daily basis.

- **People and Culture:** Our Leadership Learning Journey program was designed to include all SM Energy employees. This program combines training on our corporate values and desired leadership core competencies to enhance engagement, improve behavior consistent with our culture and develop talent across the organization. During 2019, our team collectively volunteered nearly 2,700 hours in service to community organizations, and we contributed $1.5 million to community causes.
Governance: Our Board of Directors amended the charter of its existing Nominating and Corporate Governance Committee to enhance oversight of ESG matters and rename it the Environmental, Social and Governance Committee. Our Board and management continued to engage our investors, including owners of a majority of our common stock, and received feedback that largely expressed satisfaction with our governance and executive compensation practices.

Disclosure: We have taken significant steps to improve the transparency and reporting of our ESG efforts. We are now participating in the CDP questionnaire, and we are publishing SASB metrics in conjunction with our Corporate Responsibility Report for your consideration.

Our capabilities in risk management have been tested by the COVID-19 pandemic, and I can proudly say that the SM Energy team was well prepared and has managed effectively through this disruption. Our IT infrastructure and broader operating procedures have made working remotely effective and secure, we have substantial hedges in place protecting us from the volatility in oil prices, and our operations and planning teams quickly slowed our pace of development to preserve liquidity and investment returns.

On the financial strength front, we completed our three-year portfolio transition to focus on developing top-tier oil and gas assets and generated free cash flow in the second half of 2019 and the first quarter of 2020. Our plan is to continue to focus on reducing leverage and generating debt adjusted per share cash flow growth moving forward.

Of course, none of this progress would have been possible without the outstanding efforts of our SM Energy team members and the support of our Board. Our Board has been consistently engaged in overseeing our ESG efforts to date, and with the designation of a specific Board committee to now oversee our ESG efforts, we expect to make even more transparent connections between our strategy, ESG performance goals and compensation practices.

We hope that you will find this report to be useful and efficient for your purposes, and always appreciate constructive feedback. Thank you for your interest in our Company.

Sincerely,

Jay Ottoson
Chief Executive Officer
August 2020
## Operational Metrics 2019

<table>
<thead>
<tr>
<th>Metric</th>
<th>2019 Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production:</td>
<td></td>
</tr>
<tr>
<td>Oil (MBbls)</td>
<td>21,873</td>
</tr>
<tr>
<td>Gas (MMcf)</td>
<td>109,804</td>
</tr>
<tr>
<td>NGLs (MBbls)</td>
<td>8,110</td>
</tr>
<tr>
<td>Total Production (MBoe)</td>
<td>48,284</td>
</tr>
<tr>
<td>Net operated wells completed:</td>
<td>131</td>
</tr>
<tr>
<td>Net producing wells:</td>
<td>1,245</td>
</tr>
<tr>
<td>Reserves:</td>
<td></td>
</tr>
<tr>
<td>Oil (MMBbls)</td>
<td>184.1</td>
</tr>
<tr>
<td>Gas (Bcf)</td>
<td>1,223.2</td>
</tr>
<tr>
<td>NGLs (MMBbls)</td>
<td>74.0</td>
</tr>
<tr>
<td>Total Reserves (MMBoe)</td>
<td>462.0</td>
</tr>
</tbody>
</table>

## Environmental Metrics 2019

<table>
<thead>
<tr>
<th>Metric</th>
<th>2019 Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Produced Fluid Spill Rate:</td>
<td></td>
</tr>
<tr>
<td>Produced Fluid Spilled/1000BBL Produced Fluid</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>0.052</td>
</tr>
<tr>
<td>2018</td>
<td>0.027</td>
</tr>
<tr>
<td>2019</td>
<td>0.015</td>
</tr>
<tr>
<td>Flaring Percentage (% gas flared to total production)</td>
<td>1.3%</td>
</tr>
<tr>
<td>Greenhouse Gas Intensity Rate (mT CO₂e/MBoe)</td>
<td>12.4</td>
</tr>
<tr>
<td>Total Produced Fluid Spill Rate</td>
<td>0.015</td>
</tr>
<tr>
<td>Produced Fluid Spilled / 1,000 Bbls Produced Fluid</td>
<td></td>
</tr>
<tr>
<td>Freshwater Used (MMBbl)</td>
<td>90.1</td>
</tr>
<tr>
<td>Recycled Produced Water (MMBbl)</td>
<td>7.5</td>
</tr>
<tr>
<td>Freshwater Intensity Rate (barrels of freshwater used / Boe produced)</td>
<td>1.38</td>
</tr>
</tbody>
</table>

## Governance Metrics 2019

<table>
<thead>
<tr>
<th>Metric</th>
<th>2019 Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board Members</td>
<td>9</td>
</tr>
<tr>
<td>Independent Board Members</td>
<td>89%</td>
</tr>
<tr>
<td>Gender or Ethnic Diversity</td>
<td>44%</td>
</tr>
</tbody>
</table>
SM Energy is a significant contributor to the economies of the states and communities where we live, work, and operate. The importance of our business to the local communities is underscored by more than $100 million per year paid in state and local taxes.
SM Energy’s Corporate Responsibility Report contains “forward-looking statements” within the meaning of securities laws, including discussion of potential future risks, and the Company’s processes, intentions, objectives, plans, goals and expectations in managing the Company’s business and potential future risks. These statements involve known and unknown risks, which may cause SM Energy’s actual results to differ materially from information expressed or implied by the forward-looking statements. All statements, other than statements of historical fact, included in the Corporate Responsibility Report that address processes, intentions, objectives, plans, goals and expectations of SM Energy are forward-looking statements. Such statements are subject to assumptions, risks and uncertainties that are beyond SM Energy’s control. Future results, plans, goals, objectives, expectations and forecasts may be impacted by the risks discussed in the Risk Factors section of SM Energy’s most recent Annual Report on Form 10-K, Form 10-Q or other filings with the SEC. The forward-looking statements contained herein speak as of the date of this report. Although SM Energy may from time to time voluntarily update its prior forward-looking statements, it disclaims any commitment to do so, except as required by securities laws.
INTRODUCTION

OVERVIEW

SM Energy’s strategic objective is to be a premier operator of top-tier assets. Founded in 1908, we are an independent exploration and production company with a longstanding, principled approach to doing business ethically and responsibly.

Our company culture drives our behavior and we seek to build open, honest, and transparent relationships with our stakeholders. Our purpose is to make people’s lives better by responsibly producing energy supplies, contributing to domestic energy security and prosperity, and having a positive impact in the communities where we live and work.

STRATEGY

Our long-term vision is to sustainably grow value for all of our stakeholders. We believe that in order to accomplish this vision, we must be a premier operator of top-tier assets. Our strategy is to focus on high quality, Lower 48 oil and natural gas producing assets, with top-tier economic drilling, completion, and production opportunities. At present, our investment portfolio is focused in five counties in the state of Texas, specifically the Midland Basin in West Texas and the Maverick Basin in South Texas.

We seek to maximize and expand the value of our assets through application of the latest technologies and outstanding operational execution, with our employees being our most valuable asset. We seek to expand through the acquisition of top-tier acreage and continued delineation of current top-tier assets. Finally, we strive to maintain a strong balance sheet through financial discipline and to generate high returns and profitable growth by efficiently deploying capital to develop our assets.
As a leader in the oil and natural gas industry, we provide resources that make people’s lives better every day.

From our experienced Board of Directors to our highly-skilled team members working hard in our operations in Texas and in our corporate headquarters in Denver, we understand the importance of conducting our business the right way.

We have programs and systems in place that serve to protect the health and safety of our employees and contractors. We are also contributing to our employees’ professional development by providing a company-wide leadership development program and educational assistance.

We are focused on being a good steward of shared resources. We have implemented and continue to pursue environmental initiatives designed to minimize our air emissions, and hydrocarbon and produced water spills from our operations.

We are dedicated to supporting improvement in the quality of life in the communities where we live and work. We develop strong partnerships and understand community needs so we can make a positive difference, particularly in the areas of education, civic and community service, and health and human services. SM Energy employees are passionate about giving back through volunteer time and financial contributions, and we offer various incentives to encourage personal involvement.

Our stakeholders trust us to conduct business in a manner that will protect our reputation, our employees, contractors, and the land on which we operate. We recognize that operating in this industry is a privilege and we take that seriously.

We strive to be top quartile among our industry peers in environmental, health, and safety (EHS) metrics. Annually, our Board of Directors establishes EHS performance goals for the Company and drives accountability for our results with quarterly and annual reviews. Our performance against these goals impacts the compensation of every employee.

The following sections describe our efforts regarding various elements of corporate responsibility.
At SM Energy, we are committed to providing a rewarding and productive work experience for our employees. We encourage our employees' personal and professional growth through a number of development programs and incentives.

**OUR EMPLOYEES ARE OUR MOST VALUABLE ASSET**

Our company vision and culture drive the way we conduct business. Our culture promotes:

- integrity and ethical behavior in the conduct of our business;
- environmental, health and safety stewardship;
- prioritizing the success of others and the team;
- understanding and communicating why we do what we do and how every employee contributes to achieving success;
- being highly collaborative and open to new ideas and technologies that serve business improvement; and
- supporting team members’ professional and personal development.

SM Energy operates only in the United States, and therefore employs people who live in the United States. We comply with all applicable US employment laws that prohibit unlawful discrimination, regulate wages and compensation, and ensure a safe workplace.
DIVERSITY
At SM Energy, we believe that diversity in our workforce helps to promote our culture and to more effectively and responsibly conduct our business. We recruit broadly and provide competitive welfare and benefit programs such as paid parental leave, flexible work hours, subsidized continuing education and professional development, to help us build and maintain a diverse workforce. Our Board of Directors reflects our commitment to diversity, bringing together experiences that cover various aspects of the energy industry, representing diverse backgrounds, skill sets and viewpoints, providing a blend of historical and new perspectives.

TALENT DEVELOPMENT
At SM Energy, career development is employee-driven, manager-facilitated, and organizationally supported. It is an ongoing process in which employees and managers partner to map realistic paths to achieve career aspirations and develop goals in alignment with the organization’s objectives.

We see leadership as a set of behaviors rather than a position or title. We believe every employee is called to lead every day, and we encourage leadership behaviors consistent with our culture. Leadership at SM Energy is demonstrated through behaviors associated with five core competencies—Building Collaborative Relationships, Living SM Energy Values and Ethics, Servant Leadership, Strategic Perspective, and Leading Change.

LEADERSHIP LEARNING JOURNEY
Our core competencies create the foundation for our Leadership Learning Journey, a broad-based leadership development program designed, built, and taught by our executive team. This highly successful program seeks to provide all employees with a common understanding of our culture and expectations of behavior and leadership, as well as the tools to operate effectively and in a manner consistent with these core competencies.
EDUCATIONAL ASSISTANCE PROGRAM
As part of SM Energy’s commitment to its employees’ personal and professional development, full-time employees are eligible to receive tuition reimbursement for course work toward a relevant degree and training that contributes to their overall competency.

COMPASS PROGRAM
SM Energy’s Compass Program is a two-year development program for college graduates as they begin their technical careers with SM Energy. We have had great success hiring candidates for this program directly from our internship pool each year. This allows both SM Energy and early career employees to assess the experience and general fit before committing to a longer-term relationship.

This rotation-based program is designed to provide engineers, geoscientists, and landmen with broad exposure to the various technical disciplines, and to help them determine where their technical passion may lie. Through the Compass Program, young petro professionals begin to learn on the job, attend technical classes and conferences, and attend workshops to develop professional skills. Mentors guide them in their work on technical projects and assignments, and provide important feedback along the way. Challenging work, in addition to complementary classes and workshops, and a strong support system, combine to ensure the successful launch of a rewarding career at SM Energy.

SUMMER INTERNSHIP PROGRAM
SM Energy offers a robust and impactful summer internship program that provides students with a 10 to 12-week rewarding work experience, where they gain exposure to a core discipline within SM Energy and are challenged with meaningful work and practical learning.

Internship disciplines include drilling, completions, production or reservoir engineering, geology, geophysics, and land management. Not only do interns work on projects with significant value to the Company, they also observe field operations and participate in community service events to further their professional and personal development. All interns entering their graduation year conclude their summer experience by presenting a report on some aspect of their work to senior leadership at our corporate headquarters in Denver, Colorado.

EMPLOYEE ENGAGEMENT
SM Energy believes that engagement and transparency with our employees is an important part of our culture. Quarterly, our senior management hosts a town hall, led by our CEO, which includes updates on business performance, charitable activities, and safety performance, and highlights key achievements and individuals. Additionally, throughout the year, officers of the Company typically travel to different field offices to engage with field employees.

At SM Energy, career development is employee-driven, manager-facilitated, and organizationally supported.
SAFETY & RESPONSIBLE OPERATIONS

We are proud of our strong safety culture at SM Energy. We conduct our business in a manner that focuses on safeguarding the environment and protecting the health and safety of all. We strive to achieve performance excellence in EHS management, and our Board sets annual EHS performance goals that impact the compensation of all employees.

We strive to conduct our operations in a manner that adheres to high ethical standards, the proper stewardship of natural resources, compliance with applicable laws and regulations, and commitment to operational excellence. We have a “Stop Work Authority” directive at all of our sites that empowers any employee or contractor to stop any work they believe is being conducted in an unsafe manner.

Our facilities are regularly inspected by SM Energy employees and consultants, and periodically by regulatory officials. We also routinely conduct safety, health and environmental meetings with our employees and contractors to help ensure compliance with applicable laws, regulations, and policies.
SAFETY & RESPONSIBLE OPERATIONS (CONT)

SAFETY METRICS
We track and record our employee and contractor total recordable incident rate (TRIR) and benchmark our performance against American Exploration and Production Council (AXPC) peer companies and the Permian Basin Petroleum Association peer companies. We use TRIR as an indicator of safety performance and expect our contractors to maintain their safety performance to the same levels we expect in our EHS program. We review these statistics with our employees and Board of Directors at least quarterly.

CONTRACTOR MANAGEMENT PROGRAM
We recognize the valuable role our independent contractors play in our operations and the important contributions they make to the success of our company. We strive to work with contractors who share our commitment to health and safety and the proper stewardship of shared natural resources. To help confirm that our independent contractors are aligned with our culture and EHS focus, we use a Contractor Management Program that facilitates our selections of vendors with effective EHS programs, and allows monitoring of contractor performance.

Since 2008, SM Energy has utilized ISNetworld (ISN) to facilitate the collection, maintenance, and verification of contractor information. Contractors are required to submit their safety and training programs, safety performance data, and proof of insurance information to ISN, who independently verifies the information. Contractors are graded on the strength of their EHS management systems and training programs, as well as their performance. Contractors are generally selected based on their performance against defined benchmarks, and the use of each contractor is approved by Company representatives involved in the work to be performed. We maintain a list of qualified contractors and generally only those contractors are permitted to work at our operations.

We expect all of our contractors to comply with their respective EHS programs, state and federal regulations, and to respect our safety culture and core values. To help ensure that contractors implement their respective safety programs and provide proper training, we conduct periodic audits of a sampling of our contractors at both the corporate and field level. Contractors are selected for these reviews based on the risks attendant to the work to be performed, activity level, past performance, and other factors.
EMERGENCY MANAGEMENT PROGRAM

We pursue a comprehensive approach to emergency management. Our emergency management framework consists of Emergency Response Action Plans, Corporate Response Plans, and Business Continuity Plans. SM Energy’s preparedness framework attempts to:

• secure and protect the environment, our employees and contractors, and the public;
• quickly and effectively identify, respond to, manage, and recover from an incident;
• minimize any potential impacts on people, the environment, and our facilities; and
• maintain business continuity throughout the incident.

Our incident response plans are aligned with the National Incident Management System (NIMS) guidelines and are designed to expand based on incident size and complexity. Field and area level plans are supported by the SM Energy Corporate Response Plan that is intended to guide our response to consider impacts beyond the immediate incident. We routinely conduct training drills that include tabletop and field-based scenarios to test our emergency preparedness. These drills are specifically designed for each department, including but not limited to drilling, completions, and production. Additionally, we often include local first responders and law enforcement in our drills to improve emergency responsiveness.

“We routinely conduct training drills that include tabletop and field-based scenarios to test our emergency preparedness.”
COMMUNITY ENGAGEMENT

We regularly engage with the communities where we live and work because we believe that open, honest dialogue with all stakeholders helps make us a good neighbor. By proactively engaging with local officials, landowners, and emergency responders, we are able to quickly identify and address concerns related to our operations.

As an example, SM Energy field tours have become a part of the annual curriculum for the Chamber of Commerce’s Leadership Course in Big Spring, Texas. Educating leaders in the community about our business gives them a better understanding of our industry and the positive contributions SM Energy makes to their community.

COMMUNITY INVESTMENT

SM Energy is committed to building and maintaining partnerships with our stakeholders by investing in and connecting with the communities where we live and work. Developing effective partnerships with organizations and our neighbors helps us to better serve these communities. We are proud of the employee-led charitable giving programs that help us realize this vision.
Part of our charitable giving program includes a monetary match of our employees’ personal contributions to qualified organizations. We are proud to have so many of our outstanding employees investing their time, talents, and financial resources in their communities. Our approach is to thoughtfully and purposefully invest in the following areas:

**EDUCATION:**

We support education programs that focus on science, technology, engineering and math (STEM), while encouraging students to pursue higher education. Examples of our support include:

- SM Energy continues to be the headline sponsor of Texas Tech University Whitacre College of Engineering’s Robotics Program. This partnership helps cultivate an interest in STEM studies and careers throughout West Texas by serving over 2,500 students, 65 school districts, 118 school campuses, home school organizations, private schools, 4-H organizations, and Boys and Girls Clubs. It also lays the groundwork for SM Energy to provide meaningful support to schools in the areas where we live and work.

- Working closely with the Big Spring Independent School District and the Big Spring Economic Development Council, we have secured robotics programs for all K-12 students in Big Spring, Texas, so that these students have the opportunity to participate in robotics activities on their school campuses.

- Our Denver office partners with Junior Achievement (JA) to teach K-12 students to be financially responsible, entrepreneurial and career ready by giving them a realistic view of the working world. Our employees participate in a number of programs, including JA Bowl-A-Thon and JA in a Day. JA in a Day allows SM Energy employees to help students explore the role that financial investment plays in their families and communities.

In the community of Big Spring, Texas, SM Energy supported restoration of the town’s Historic Spring. This revitalization project resulted in a beautiful community park with a plaza, new trails, parking and refurbishment of the historic Comanche Trail Amphitheater.
CIVIC AND COMMUNITY SERVICE:
We are responsive to the needs of our communities and invest in civic and community organizations that serve critical social needs and enhance social and economic conditions.

• SM Energy’s partnership with Habitat for Humanity of Metro Denver began in 2000. During this time, the Company has donated more than $1.0 million and has sponsored the building of 15 new homes that provide affordable housing while building stability and self-reliance for the future homeowners. Employees have donated countless hours assisting with the construction of these homes.

• SM Energy also supports New Genesis in downtown Denver. New Genesis helps meet some of the critical needs of those experiencing homelessness. Through this partnership, SM Energy has donated office furniture, funds, and volunteer hours to help New Genesis open a new employment center to aid individuals seeking support to prepare, connect, and succeed in employment opportunities. Additionally, SM Energy donated funds to upgrade appliances in New Genesis’ existing kitchen, which feeds more than 175 people every day.

HEALTH AND HUMAN SERVICES:
We support organizations and programs that focus on community health and wellness and that place special emphasis on family wellness initiatives and occupational health programs.

• SM Energy supports the Houston, Texas Chapter of Oilfield Helping Hands (OHH) an organization that assists families with financial assistance in times of crisis. The funds raised by OHH are given, based on need, to families that live and/or work within the greater Houston and surrounding areas, and have members employed by our industry.

• SM Energy is proud to partner with United Way which serves the needs of communities and focuses on education, health and human services. Every fall, SM Energy hosts an employee campaign to support United Way chapters in Metro Denver, Houston, Midland, Big Spring and Laredo. United Way connects people in our communities to critical resources such as food, shelter, rental assistance, utility assistance, and childcare. United Way chapters also provide financial coaching, classes, and opportunities to build job skills to help people reach financial stability.

VOLUNTEERISM:
Our employees volunteer at numerous charities throughout Texas and Colorado. Each year we volunteer thousands of hours of time and commitment to the many charitable organizations SM Energy supports.
We strive to operate in a safe and environmentally responsible manner, in support of our industry’s efforts to ensure the supply of sustainable, abundant and affordable energy.

As part of this commitment, in 2020, SM Energy initiated its participation in the Carbon Disclosure Project (CDP) and in the publication of the Company’s Sustainability Accounting Standards Board (SASB) metrics for oil and gas exploration and production companies. The SASB report can be found on our website and as an Exhibit to this report.

In addition, SM Energy’s short-term incentive compensation program incorporates EHS performance targets, including spill volumes, greenhouse gas (GHG) emissions (including targets for CO₂e and methane emissions), and TRIR, as well as certain safety training objectives. Short-term incentive compensation is tied to top-quartile performance and certain target metrics. Top-quartile is based on surveyed and/or publicly available data from AXPC members. Additionally, goals include putting systems in place for tracking broader ESG metrics to enable increased reporting in the future and to increase employee awareness.
Consistent with our commitment to environmental stewardship, we believe it is important to control GHG emissions in our operations. We strive to comply with and often exceed air quality standards applicable to our operations, including the Environmental Protection Agency’s (EPA’s) New Source Performance Standards (NSPS). SM Energy utilizes a variety of technologies to help in our efforts to meet applicable regulatory requirements. We report annual required GHG emissions to the EPA and on our website. As our oil and gas production grows, emissions are likely to increase, yet at an expected lesser rate.

At SM Energy, we are combining collaboration among our teams with innovation to identify and solve for ways in which we can reduce emissions. Areas of particular opportunity are through reduced flaring, improved vapor recovery, application of improved controller technology, and increased sophistication of leak detection technology. Here are examples of some of our efforts —

**REDUCING FLARING**

SM Energy developed a gas flare reporting tool that provides daily information used to support our operational decision making and achievement of our ESG goals. The system is linked to a dashboard where members of our operations team can monitor flaring levels and location daily.

The best way to minimize any impact from flaring is to prevent it from occurring in the first place. Accordingly, we seek to design and maintain our facilities to minimize flaring and capture all gas so it can be sold. The Permian Basin has been the focus of significant oil shale growth since 2008, and that growth has strained gas gathering and processing infrastructure. We strive to capture emissions attributable to well completions on all of our assets – a process commonly referred to as green completions – through constructing infrastructure that routes production flowback directly to facilities and pipelines, thereby minimizing releases into the atmosphere. In 2019, the Company collaborated with downstream purchasers on an interconnection project that serves to reduce potential flaring caused by downstream capacity constraints.
IMPROVING VAPOR RECOVERY
We seek to reduce emissions by installing vapor recovery units (VRUs) and combustors at our production facilities. VRUs are small compressors that remove valuable vapors and gases from storage tanks and route them to pipelines for sale. This strategy allows us to capture, recover, and sell regulated air emissions (VOCs), as well as methane, as part of our value chain to increase efficiency while reducing GHG emissions.

UPGRADING CONTROLLERS
Additionally we seek to reduce methane emissions by converting pneumatic controllers. Prior to the EPA’s NSPS 0000 regulation, we employed a proactive approach to reducing emissions that utilized intermittent or low-bleed gas pneumatics on many of our facilities. We have converted certain pneumatic devices to operate on a compressed instrument air system, which replaces pressurized natural gas with atmospheric air, eliminating methane emissions. These systems have been installed at our new facilities in our Midland Basin assets since 2017. At our South Texas assets, we are replacing gas pneumatic devices with solar and wind powered electronic controllers. During 2019, we installed nearly 1,000 zero emissions and non-gas pneumatic controllers resulting in a significant reduction in methane emissions.

MORE SOPHISTICATED LEAK DETECTION AND REPAIR TO REDUCE FUGITIVE EMISSIONS
We utilize various techniques, including audio/visual/olfactory inspections (AVO) and optical gas imaging (OGI) cameras, across SM Energy operations to monitor fugitive emissions. Since 2017, we have been using a leak detection and repair (LDAR) program at all new facilities in accordance with the EPA’s NSPS 0000a rules and undertake voluntary efforts over and above regulatory requirements, such as our use of an OGI camera to conduct LDAR as part of our maintenance program in both our Midland Basin and South Texas assets. In conjunction with our participation in The API Environmental Partnership, the Company sets targets above and beyond regulatory requirements. During 2019, the Company exceeded its LDAR goals by implementing the technology at 100% of Midland Basin and 50% of South Texas facilities.
We understand the importance of respecting the land on which we operate. We are thoughtful about where and how we build our facilities and how we conduct our operations. We work with landowners, neighbors, and local community leaders before we begin operations to ensure the proper planning of well locations, service roads, and pipeline routes. Where feasible, we utilize multi-well pads and centralized facilities to help minimize the surface footprint of our operations. Additionally, SM Energy strives to adapt our operations to minimize impacts on wildlife and their habitat.

LIGHT DETECTION (LIDAR) AND AERIAL IMAGERY
In 2016, SM Energy initiated a pilot project by collecting approximately 275 square miles of light detection and ranging (LIDAR) data and aerial imagery over our South Texas operations. This effort provided elevation data for engineering designs, enabling us to estimate cut and fill for construction projects, increased efficiency and reduced costs in well pad planning and construction. This also allowed us to reduce our environmental impact by identifying topographical features, such as drainage features to avoid erosion, and to anticipate potential obstacles in the field. Over the past few years, more than 580,000 acres of high resolution aerial imagery was flown over our asset portfolio. This high precision imagery data was integrated across various applications to guide surface use and development planning to reduce surface disturbances in the development of access roads, well sites and facilities.

SPILL PREVENTION, WASTE MANAGEMENT AND RECYCLING
We know that the best way to minimize any impact from spills is to prevent them from occurring in the first place. We design and maintain our facilities to prevent spills, but in the event of a spill, we have safeguards intended to contain all fluids on location. When a spill does occur, we work to properly clean-up the affected area, dispose of any recovered fluids and, as necessary, remediate any contaminated soil or water. For each spill, we determine the source and the cause to analyze spill trends, and work to implement new procedures and practices to mitigate future occurrences.

SM Energy has implemented a voluntary Spill Reduction Planning effort across the Company. This effort, which began in 2013, goes beyond current EPA requirements for Spill Prevention, Control and Countermeasure (SPCC) Plans. A Spill Reduction Team, comprised of operations personnel, engineers and environmental specialists, are responsible for analyzing common spill sources and causes, and developing mitigation strategies to reduce leaks and spills. We benchmark our spill performance against AXPC peer companies using the spill metric of Total Produced Fluid Spill Rate, which is the ratio of the total barrels of produced fluids that are spilled to the total barrels of produced fluids. In our operations, on average we spill less than five barrels of produced fluid per 100,000 barrels of fluids produced. Much of this spilled fluid is captured within secondary containment built to protect the land and environment.

We strive to manage produced waste in our operations as part of our commitment to our corporate values and goals. We continually look for new opportunities and technologies to minimize environmental impacts from our operations through reduction and/or the reuse/recycling of produced waste streams.

We maintain a Corporate Waste Management Program, as well as Operations Waste Management Plans specific to our operations. We also maintain an auditing program directed at reviewing third-party operated waste disposal facilities. Most of the products/resources from our operations are not classified as a hazardous waste at end use by the EPA Resource Conservation and Recovery Act (RCRA) regulations.
Striving to protect the environment and be a good environmental steward includes our efforts to protect and conserve water and other shared natural resources. We seek to identify and utilize new technologies to help us use water resources wisely, recycle water where feasible, and minimize the amount of water needed for our operations.

Where practical, our drilling operations utilize closed-loop technology to eliminate the use of reserve pits, thereby minimizing the waste and surface impacts associated with pit reclamation. Instead of discharging drilling fluids into the reserve pit, these fluids are processed real-time, removing solids so that the fluids can be recycled back into the drilling fluid system.

In the Midland Basin, SM Energy currently recycles produced water where infrastructure is available, and we continue to explore new technologies designed to increase the amount of recycled produced water used in our completions operations.

**GROUNDWATER PROTECTION**

We apply stringent specifications in the design and operation of our facilities to better protect groundwater and other natural resources, and we meet the applicable regulatory requirements. Potable water aquifers (permeable rock containing groundwater) in the areas where we operate are located at relatively shallow depths. The oil and gas bearing rock formations that we target for production are often more than a mile below such aquifers, with a thick layer of solid, impermeable rock in between.

Our wells are constructed with multiple layers of steel pipe, called casing, that is cemented into place to provide a barrier between our drilling and production activities and groundwater. The cement for the surface casing string must meet certain strength and quality criterion and is extended up to the surface.

We separate flowback and produced water from produced hydrocarbons and temporarily store this water in above ground tanks, located within

Approximately 95 percent of our produced water from our Howard County assets is transported to our operated disposal wells via pipeline, which reduces emissions, truck traffic and operating costs.
secondary containment barriers. The water is then either recycled or disposed of at permitted disposal sites. We do not send any flowback or produced water to municipal treatment facilities.

**FRACTURING FLUIDS**

In general, more than 99 percent of our typical fracturing fluid mix is comprised of water and sand, with the remaining less than one percent a blend of highly diluted special purpose chemicals that are also frequently used at municipal water treatment plants. SM Energy discloses the chemicals used in our fracturing fluids at FracFocus.org in accordance with state regulations.

**PRODUCED WATER DISPOSAL WELLS**

Oil and natural gas production requires wastewater disposal. We recycle water where feasible; however, when we cannot, we are required to use regulated and approved disposal wells.

When using third-party disposal wells, we periodically audit the operators to ensure they are approved and permitted by applicable governmental agencies and meet our expectations. In addition, we utilize our auditing program in an attempt to confirm that each operator and its wells are in compliance with applicable regulations.

In some areas, we own and operate our own disposal wells in conjunction with our production operations. By year-end 2019, SM Energy had installed more than 80 miles of pipeline in the Midland Basin to transport produced water from our wells, thereby minimizing our environmental impact while improving operating costs. Approximately 95 percent of produced water from our Howard County assets is transported via pipeline, which reduces emissions, truck traffic, and operating costs. We carefully plan the location of our disposal wells in an attempt to ensure that our operations minimize any potential environmental impacts. Our well sites
are generally selected by integrated teams of geoscientists and engineers using subsurface imaging and characterization, including multi-attribute analysis from our 3D seismic data and earth modeling for well planning. These efforts are undertaken with the goal of minimizing any impact on fault lines and other potential seismic risks.

To monitor potential seismic activity, SM Energy has deployed a fit-for-purpose, real-time seismic monitoring array in the vicinity of our Howard County assets. We serve on the TexNet Center for Integrated Seismic Research (CISR) Advisory Committee to remain informed about seismicity through science and data-based knowledge and to collaborate with other operators and researchers at the Bureau of Economic Geology in the State of Texas.

API ENVIRONMENTAL PARTNERSHIP
We participate in The API Environmental Partnership, whose programs and initiatives align with our commitment to being a good steward of shared natural resources. The API Environmental Partnership is a voluntary program, comprised of a growing number of companies in the U.S. oil and natural gas industry committed to improving the industry’s environmental performance and collaborating with one another to achieve the best results. The Partnership’s initial focus is on environmental technologies that are technically feasible, commercially proven, and operationally successful in achieving significant emissions reductions. The Partnership provides a forum for participants to share information, best practices, and technological advancements to help reduce emissions. SM Energy is committed to continued learning about the latest innovations and practices that can further reduce our own environmental footprint.

The Partnership is about taking action, and has identified three initial Environmental Performance Programs in which SM Energy participates. These programs are the Pneumatic Controller Program, the Manual Liquids Unloading Program, and the Leak Detection and Repair Program.

Learn more about The API Environmental Partnership at https://theenvironmentalpartnership.org/.

CDP
In 2020, SM Energy also initiated participation in the CDP questionnaire. CDP is a not-for-profit organization that maintains a global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. Learn more about CDP at https://www.cdp.net.
The technology and data landscape is rapidly changing in the oil and gas industry. We recognize that as we transform our processes and decision making to take advantage of new data sets and technologies, we need to ensure that our people have the skills and education needed to adapt to technological advances.

We utilize state-of-the-art digital technology in our operations. We are continually seeking innovative ideas to help us reduce our impact on shared natural resources and striving to utilize the most effective technologies available to operate in an efficient, safe, and responsible manner.

- SM Energy has cultivated in-house expertise in geomechanical modeling and fracture simulation that allows us to tailor our completions to specific reservoir intervals across our asset to take into account changes in geology. This results in minimizing well interference and, hence, optimizing well performance. Many of the findings have resulted in using less water for our completions, reducing the amount of freshwater needed per lateral foot completed.
• Integrating seismic inversion data, now being performed in-house, into our well planning and geosteering models has substantially increased our rate of penetration, saving costs by reducing drill time and the number of drill bits required per well. Less time drilling leads to fewer potential instances of injury and spills and less fuel and emissions per pad.
• Recent in-house microseismic analyses have revealed new insights for well sequencing that may act to reduce the effects of offset depletion for newly-drilled wells at no additional cost to the Company.

We offer our entire organization opportunities to develop and maintain the skills needed to thrive in our current, data-rich environment, including the following:
• Our geoscientists, engineers, and data specialists from around the Company attend a three-day, in-house technical conference to learn and discuss innovative technologies and methods being employed across the Company. This sharing ensures that we broadly leverage the most current technologies to efficiently develop our assets.

• Employees are offered training on the latest analytic platforms, and work on data-driven projects that improve operational efficiencies around the organization. In 2018, we introduced two new internal training programs focused on developing the skills needed to work with larger datasets, automate workflows, and leverage machine learning techniques.

3D EARTH MODELING
Our digital 3D geomodels provide a more complete understanding of subsurface geology and facilitate economic, efficient and safer development of our assets. The models are used for:
• understanding the 3D distribution of geologic and reservoir properties;
• reservoir mapping and calculations;
• well spotting and planning;
• lateral target selection;
• real-time monitoring of drilling wells; and
• reservoir simulation and well completion activities.
PRODUCTION AND RESERVOIR OPTIMIZATION

As a responsible operator of top-tier assets, we apply innovative technologies to continually optimize production and reservoir performance. Technologies currently being applied or tested in our operations, include:

• fiber optic cable, which is installed to determine fracture stimulation stage and cluster efficiency as well as for long-term reservoir monitoring; and
• microseismic monitoring, which defines fracture networks and well interference and also aids in benchmarking new technologies.

ANOMALY AND DYNAMIC JOB ROUTING

SM Energy uses anomaly detection algorithms and sensor arrays to identify operating conditions that are outside expected parameters. We leverage machine learning algorithms and supplement our existing pressure and rate sensors with the latest technology to help identify potential issues associated with our field operations. We utilize mobile applications to modernize our field operations, and improve our efficiency and safety by reducing the number of miles driven each day and focusing our activity on the most impactful tasks. We work to monitor our operations and make changes to help improve efficiencies, decrease our spill and emissions rates, and reduce the expense and risk associated with performing unwarranted tasks.
INDUSTRIAL INTERNET OF THINGS (IIOT)
SM Energy applies instrumentation and connected sensors to equipment in our field operations. We are constantly evaluating new and existing technologies to expand our monitoring and automation capabilities, including applying new technology and communications to bring automation to legacy devices that could only be viewed and controlled on-site in the past. This automation helps us determine when to shut down wells, pumps, and other devices remotely to respond to weather or other unexpected events. In addition to automating devices, we are using video for site safety, security, and analytics. We expect new technologies will allow us to conduct remote field surveillance and receive alarms for equipment failure that could lead to spills or emissions.

BUSINESS CONTINUITY AND SAFETY
In 2020, the Company is utilizing its mobile application available to all employees as it seeks to ensure the safety of employees and others when entering SM Energy office and field locations during the COVID-19 pandemic. The Company’s IT group implemented the application requiring employees to complete an attestation and notification to the Company through their phone to control access and maintain adherence to COVID-19 rules.

CYBERSECURITY
Cybersecurity and information security efforts are undertaken to protect the confidentiality, integrity, and availability of information. As is increasingly apparent, failure to maintain the confidentiality, integrity, or availability of the information facilitating our business activities can result in critical failures in our ability to realize our corporate vision and strategic plans. Moreover, we believe cybersecurity plays a critical role in our core sustainability practices because information and communications technologies increasingly support our traditional sustainability activities. To this end we value and support cybersecurity efforts across all levels of our organization from quarterly meetings with the Board of Directors; to building a culture of appropriate cybersecurity awareness and behaviors for all our employees.

We believe that incorporating elements of sustainability management into our cybersecurity efforts will help reframe the perceptions of cybersecurity from fear, uncertainty, and doubt to a more proactive belief of awareness, confidence, and responsible behavior. This shift, we believe, will in turn lead to improved cybersecurity practices for all of our stakeholders and ultimately a more secure, resilient, and enduring technology ecosystem to sustain our Company and our stakeholders.
Our governance focus and practices are directed by our active and engaged Board of Directors. Our Board reflects an effective balance of fresh perspective and industry and Company experience, responsible for representing the long-term interests of our stockholders.

Our Board is comprised of eight independent members, plus one non-independent member, our CEO. A number of our independent directors have served as members of senior management of other companies in the oil and gas industry and are currently serving, or have served, as directors of other public companies. We believe that our directors, the respective experiences and skills that they bring to our Board, and the overall leadership of our Board by our independent Chairman provide great benefit to our Company and our stakeholders.

We are committed to sound corporate governance practices. Our Board has adopted charters for each of its committees, Corporate Governance Guidelines, Financial Code of Ethics, and our Code of Business Conduct and Conflict of Interest Policy, all of which are available on our website, http://sm-energy.com/aboutus/governance/. Our Board’s oversight focus includes the assessment of risks potentially impacting our business and the measures taken to minimize and manage such risks, including in the areas of economic growth, cybersecurity, environmental stewardship, and social responsibility.
We are committed to conducting our business consistent with the highest ethical standards. We value and expect integrity and honesty of our employees and contractors while operating in compliance with applicable laws and regulations.

Our Code of Business Conduct and Conflict of Interest Policy states the standards of integrity and conduct that every SM Energy employee, officer and director is expected to uphold. We conduct trainings on our Code, and require annual certification of compliance with our Code. As a means of promoting compliance, we support multiple methods of reporting violations and concerns, including anonymous reporting, and we prohibit retaliation against any employee for providing information concerning a violation of law, regulation, or policy.

We are committed to preserving, protecting and fostering a culture of trust and integrity that has long defined SM Energy as a company. Doing this requires that every SM Energy director, officer, employee, and contractor voice concerns of any suspected violation of the law or policy.
At SM Energy, we are proud to contribute to United States energy independence. To help our country become energy self-reliant, SM Energy works with industry partners and our legislative representatives to advocate for a secure energy future.

SM Energy does not have a political action committee; however, through industry trade associations, including those named below, we participate in the legislative process to inform policymakers and regulators about our industry and advocate for solutions that mutually benefit the communities in which we live and work.
This SM Energy Corporate Responsibility Report reflects our priorities, goals and intentions related to managing our business in the best interest of all stakeholders. The topics addressed have been identified as having a possible impact on our performance in areas important to our stakeholders, as reflected in engagement with various stockholders and other stakeholders on these issues.

In preparing this report, we also considered sector-specific guidelines based on International Petroleum Industry Environmental Conservation Association (IPIECA), American International Petroleum Institute (API), International Association of Oil and Gas Producers (IOGP), Oil and Gas Industry Guidance, the core level of the Global Reporting Initiative (GRI), as well as the Carbon Disclosure Project (CDP), and the Sustainability Accounting Standards Board (SASB) for oil and gas exploration and production.

It is our expectation that our Corporate Responsibility Report will continue to evolve and improve over time on these and other relevant issues, as we continue to respond to our stakeholders concerning the type of disclosure that is helpful and important to them.

Information or content available on websites referenced in this report is not incorporated in or otherwise made a part of this report.
SM Energy’s Sustainability Accounting Standards Board (SASB) report contains “forward-looking statements” within the meaning of securities laws, including discussion of potential future risks, and the Company’s processes, intentions, objectives and expectations in managing potential future risks. These statements involve known and unknown risks, which may cause SM Energy’s actual results to differ materially from information expressed or implied by the forward-looking statements. All statements, other than statements of historical fact, included in the SASB report that address processes, intentions, objectives and expectations of SM Energy are forward-looking statements. Such statements are subject to assumptions, risks and uncertainties that are beyond SM Energy’s control. Future results, plans, objectives, expectations and forecasts may be impacted by the risks discussed in the Risk Factors section of SM Energy’s most recent Annual Report on Form 10-K, Form 10-Q or other filings with the SEC. The forward-looking statements contained herein speak as of the date of this report. Although SM Energy may from time to time voluntarily update its prior forward-looking statements, it disclaims any commitment to do so, except as required by securities laws.
TOPIC
Greenhouse Gas (GHG) Emissions

ACCOUNTING METRIC
Gross global Scope 1 emissions, percentage methane, percentage covered under emissions-limiting regulations

CATEGORY
Quantitative

UNIT OF MEASURE
Metric tons (mT) CO₂e, Percentage (%)

CODE
EM-EP-110a.1

SM RESPONSE
Calendar year 2019 gross global Scope 1 emissions (metric tons CO₂e): 775,678 mT. Comment: As reported per EPA GHG Mandatory Reporting Rule 40 CFR 98 Subpart W. Percentage Methane: (79,419 CH₄ in mT CO₂e/775,678 mT CO₂e) x 100 = 10.2%. Comment: As reported per the Environmental Protection Agency (EPA) GHG Mandatory Reporting Rule 40 CFR 98 Subpart W GWP (IPCC Fourth Assessment Report (AR4 -100 year)). CO₂ GWP of 1. CH₄ GWP of 25. None covered under emission-limiting regulations.

ACCOUNTING METRIC
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

CATEGORY
Quantitative

UNIT OF MEASURE
Metric tons (mT) CO₂e

CODE
EM-EP-110a.2

SM RESPONSE
Amount of gross global Scope 1 emissions from: 1) Flaring and Venting: 369,037 mT CO₂e; 2) Combustion (other than flaring): 359,174 mT CO₂e; 3) Process emissions: none; 4) Other vented emissions: 32,791 mT CO₂e; 5) Fugitive emissions: 14,677 mT CO₂e. Comment: 1) Flaring and venting of associated gas reported as one source per EPA GHG Mandatory Reporting Rule 40 CFR 98 Subpart W; 4) Other vented emissions includes pneumatic devices and pumps, storage tanks, reciprocating compressors, liquids unloading, completions with and without hydraulic fracturing.

ACCOUNTING METRIC
Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against these targets

CATEGORY
Discussion and Analysis

UNIT OF MEASURE
n/a

CODE
EM-EP-110a.3

SM RESPONSE
At SM Energy, we are combining collaboration among our teams with innovation to identify and solve for ways in which we can reduce emissions. Areas of particular opportunity are through reduced flaring, improved vapor recovery, application of improved controller technology, and increased sophistication of leak detection technology. Our strategy to manage Scope 1 emissions includes actions in each of these areas, which we intend to pursue in the near, mid, and long-term. The scope of emissions control most relevant to our business includes CO₂ and CH₄ emissions. GHG emissions were 12.4 mT CO₂e/MBoe, which beat our internal goal of 14.5 set for the year. Here are examples of some of our efforts:
**REDDING FLARING** - SM Energy developed a gas flare reporting tool that provides daily information used to support our operational decision making and ESG goals. The system is linked to a dashboard where members of our operations team can monitor flaring levels and location daily.

The best way to minimize any impact from flaring is to prevent it from occurring in the first place. Accordingly, we seek to design and maintain our facilities to minimize flaring and capture all gas so it can be sold. The Permian Basin has been the focus of significant oil shale growth since 2008, and that growth has strained gas gathering and processing infrastructure. We strive to capture emissions attributable to well completions on all of our assets – a process commonly referred to as green completions – through constructing infrastructure that routes production flowback directly to facilities and pipelines, thereby minimizing releases into the atmosphere. In 2019, the Company collaborated with downstream purchasers on an interconnection project that serves to reduce potential flaring caused by downstream capacity constraints. In addition, at various times, the Company shut-in production of certain wells.

For 2019, methane intensity was 0.05 mT CH₄/MBoe, which was top quartile among industry peers who reported, thereby meeting our internal target, and flaring percentage was 1.3% (gas flared/total production). Further, in the Midland Basin, efforts described above led to a dramatic decline in the flaring intensity for our operations in the area for the second half of 2019, down nearly two-thirds compared with the first half of 2019, and comparing favorably to the benchmark set by the Railroad Commission of Texas.

**IMPROVING VAPOR RECOVERY** - We seek to reduce emissions by installing vapor recovery units (VRUs) and combustors at our production facilities. VRUs are small compressors that remove valuable vapors and gases from storage tanks at many of our facilities and route them to pipelines for sale. This strategy allows us to capture, recover, and sell regulated air emissions (VOCs), as well as methane, as part of our value chain to increase efficiency while reducing GHG emissions.

**UPGRADING CONTROLLERS** - Additional methane emissions reductions can be achieved by converting pneumatic controllers. Prior to the EPA’s NSPS 0000 regulation, we employed a proactive approach to reducing emissions that utilized intermittent or low-bleed gas pneumatics on many of our facilities. We have converted certain pneumatic devices to operate on a compressed instrument air system, which replaces pressurized natural gas with atmospheric air, eliminating methane emissions. These systems have been installed at our new facilities in our Midland Basin assets since 2017. At our South Texas assets, we are replacing gas pneumatic devices with solar and wind powered electronic controllers. During 2019, we installed nearly 1,000 zero emissions and non-gas pneumatic controllers resulting in a significant reduction in methane emissions.

**MORE SOPHISTICATED LEAK DETECTION AND REPAIR TO REDUCE FUGITIVE EMISSIONS** - We utilize various techniques, including audio/visual/olfactory inspections (AVO) and optical gas imaging (OGI) cameras, across SM Energy operations to monitor fugitive emissions. Since 2017, we have been using a leak detection and repair (LDAR) program at all new facilities in accordance with the EPA NSPS 0000a rules and undertake voluntary efforts over and above regulatory requirements, such as our use of an OGI camera to conduct LDAR as part of our maintenance program in both our Midland Basin and South Texas assets. In conjunction with our participation in The API Environmental Partnership, the Company sets targets above and beyond regulatory requirements. During 2019, the Company exceeded goals for the implementation of LDAR by implementing the technology at 100% of Midland Basin and 50% of South Texas facilities.

We strive to comply with and often exceed air quality standards applicable to our operations, including the EPA’s New Source Performance Standards (NSPS). SM Energy utilizes a variety of technologies to help in our efforts to meet applicable regulatory requirements. We report annual required GHG emissions to the EPA and on our website.

In addition, SM Energy’s short-term incentive compensation program is based partially on environmental targets including GHG emissions targets for CO₂ and methane. Short-term incentive compensation is tied to top-quartile performance and certain target metrics. Top-quartile is based on surveyed and/or publicly available data from American Exploration & Production Council (AXPC) members. Additionally, goals include putting systems in place for tracking broader ESG metrics to enable increased reporting in the future and to increase employee awareness.
**Accounting Metric**
Air emissions of the following pollutants: (1) NOx (excluding N2O), (2) SOx, (3) volatile organic compounds (VOCs), and (4) particulate matter (PM10)

**Category**
Quantitative

**Unit of Measure**
Metric tons (mT)

**Code**
EM-EP-120a.1

**SM Response**
Air emissions of the following pollutants (each in metric tons): (1) NOx: 1,948; (2) SOx: 376; (3) VOCs: 2,955; (4) PM10: 88.

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**Accounting Metric**
(1) Total fresh water withdrawn, (2) Total fresh water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress

**Category**
Quantitative

**Unit of Measure**
Thousand cubic meters (m³), Percentage (%)

**Code**
EM-EP-140a.1

**SM Response**
(1) Freshwater is only tracked as used/consumed, not withdrawn. (2) Total freshwater consumed: 90,100,000 bbls x 0.16 m³/bbl = 14,416 thousand m³. Comment: No percentage of freshwater consumed in High or Extremely High Baseline Water Stress regions.

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**Accounting Metric**
Volume of produced water and flowback generated; percentage (1) discharged, (2) injected, (3) recycled; hydrocarbon content in discharged water

**Category**
Quantitative

**Unit of Measure**
Thousand cubic meters (m³), Percentage (%), Metric tons (mT)

**Code**
EM-EP-140a.2

**SM Response**
Volume of produced water and flowback generated 12,704 thousand m³, (1) 0%, (2) 90.6%, (3) 9.4%
Water Management (continued)

ACCOUNTING METRIC
Percentage of hydraulically fractured wells for which there is public disclosure of all fracturing fluid chemicals used

CATEGORY
Quantitative

UNIT OF MEASURE
Percentage (%)

CODE
EM-EP-140a.3

SM RESPONSE
100%

ACCOUNTING METRIC
Percentage of hydraulic fracturing sites where ground or surface water quality deteriorated compared to a baseline

CATEGORY
Quantitative

UNIT OF MEASURE
Percentage (%)

CODE
EM-EP-140a.4

SM RESPONSE
0%

Biodiversity Impacts

ACCOUNTING METRIC
Description of environmental management policies and practices for active sites

CATEGORY
Discussion and Analysis

UNIT OF MEASURE
n/a

CODE
EM-EP-160a.1

SM RESPONSE
SM Energy oil and natural gas operations are onshore and limited to five counties in the state of Texas. Our facilities are not located in protected conservation areas or endangered species habitats.

We understand the importance of respecting the land on which we operate. We are thoughtful about where and how we build our facilities and how we conduct our operations, and we strive to meet or exceed regulatory requirements and minimize the impact of our operations. We work with landowners, neighbors, and local community leaders before we begin operations to ensure the proper planning of well locations, service roads, and pipeline routes. Where feasible, we utilize multi-well pads and centralized facilities to help minimize the surface footprint of our operations. Additionally, SM Energy strives to adapt our operations to minimize impacts on wildlife and their habitat. Examples of our environmental management practices include the following:

(continued)
LIGHT DETECTION AND AERIAL IMAGERY - In 2016, SM Energy initiated a pilot project by collecting approximately 275 square miles of light detection and ranging (LIDAR) data and aerial imagery over our South Texas operations. This effort provided elevation data for engineering designs, enabling us to estimate cut and fill for construction projects, increased efficiency and reduced costs in well pad planning and construction. This also allowed us to reduce our environmental impact by identifying topographical features, such as drainage features to avoid erosion, and to anticipate potential obstacles in the field. Over the past few years, more than 580,000 acres of high-resolution aerial imagery was flown over our asset portfolio. This high precision imagery data was integrated across various applications to guide surface use and development planning to reduce surface disturbances in the development of access roads, well sites, and facilities.

SPILL PREVENTION, WASTE MANAGEMENT, AND RECYCLING - We know that the best way to minimize any impact from spills is to prevent them from occurring in the first place. We design and maintain our facilities to prevent spills, but in the event of a spill have safeguards intended to contain all fluids on location. When a spill does occur, we work to properly clean-up the affected area, dispose of any recovered fluids and, as necessary, remediate any contaminated soil or water. For each spill, we determine the source and the cause to analyze spill trends, and work to implement new procedures and practices to mitigate future occurrences.

SM Energy has implemented a voluntary Spill Reduction Planning effort across the Company. This effort, which began in 2013, goes beyond current EPA requirements for Spill Prevention, Control and Countermeasure (SPCC) Plans. A Spill Reduction Team, comprised of operations personnel, engineers, and environmental specialists, are responsible for analyzing common spill sources and causes, and developing mitigation strategies to reduce leaks and spills. We benchmark our spill performance against AXPC peer companies using the spill metric of Total Produced Fluid Spill Rate, which is the ratio of the total barrels of produced fluids that are spilled to the total barrels of produced fluids. In 2019, our spill rate was 1.5 barrels of produced fluid per 100,000 barrels of fluids produced. Much of this spilled fluid is captured within secondary containment built to protect the land and environment.

In 2019, SM Energy took on multiple activities to reduce produced water spills totaling nearly $9 million, which included:
• Tank, vessel and pipeline inspections, and replacement as necessary;
• Extra manpower to help prevent spills, which include flowback crews and night lease operators; and
• Projects to increase automation and associated maintenance to help reduce spills and leaks.

We strive to manage produced waste in our operations as part of our commitment to our corporate values and goals. We continually look for new opportunities and technologies to minimize environmental impacts from our operations through reduction and/or the reuse/recycling of produced waste streams.

We maintain a Corporate Waste Management Program, as well as Operations Waste Management Plans specific to our operations. We also maintain an auditing program directed at reviewing third-party operated waste disposal facilities. Most of the products/resources from our operations are not classified as a hazardous waste at end use by the EPA Resource Conservation and Recovery Act (RCRA) regulations.

ACCOUNTING METRIC
Number and aggregate volume of hydrocarbon spills, volume in Arctic, volume impacting shorelines with ESI rankings 8-10, and volume recovered

CATEGORY
Quantitative

UNIT OF MEASURE
Number, Barrels (bbls)

CODE
EM-EP-160a.2

SM RESPONSE
Number of spills: 20; Aggregate volume of hydrocarbon spills: 253 bbls. Volume recovered: 192 bbls. Comment: All spills to soil, none to water. Hydrocarbon spill data includes produced/crude, not refined, oil. No spills in Arctic, or impacting shorelines with ESI index 8-10.
Biodiversity Impacts (continued)

ACCOUNTING METRIC
Percentage of (1) proved and (2) probable reserves in or near sites with protected conservation status or endangered species habitat

CATEGORY
Quantitative

UNIT OF MEASURE
Percentage (%)

CODE
EM-EP-160a.3

SM RESPONSE
None of our operations are located in such areas. However, the very southern end of our South Texas field in Webb County is adjacent to the portion of the Rio Grande River that is in the USFWS range of the Endangered Texas Hornshell Mussel.

ACCOUNTING METRIC
Percentage of (1) proved and (2) probable reserves in or near areas of conflict

CATEGORY
Quantitative

UNIT OF MEASURE
Percentage (%)

CODE
EM-EP-210a.1

SM RESPONSE
0%

ACCOUNTING METRIC
Percentage of (1) proved and (2) probable reserves in or near indigenous land

CATEGORY
Quantitative

UNIT OF MEASURE
Percentage (%)

CODE
EM-EP-210a.2

SM RESPONSE
0%
### Security, Human Rights & Rights of Indigenous Peoples (CONTINUED)

<table>
<thead>
<tr>
<th>ACCOUNTING METRIC</th>
<th>Discussion of engagement processes and due diligence practices with respect to human rights, indigenous rights, and operation in areas of conflict</th>
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<tbody>
<tr>
<td>CATEGORY</td>
<td>Discussion and Analysis</td>
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<tr>
<td>UNIT OF MEASURE</td>
<td>n/a</td>
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<td>EM-EP-210a.3</td>
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<td>SM RESPONSE</td>
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### Community Relations

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<th>ACCOUNTING METRIC</th>
<th>Discussion of process to manage risks and opportunities associated with community rights and interests</th>
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<tr>
<td>CATEGORY</td>
<td>Discussion and Analysis</td>
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<td>UNIT OF MEASURE</td>
<td>n/a</td>
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<td>CODE</td>
<td>EM-EP-210b.1</td>
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<tr>
<td>SM RESPONSE</td>
<td>SM Energy operates in five counties in the state of Texas and none are on Federal or indigenous lands.</td>
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We are committed to building and maintaining partnerships with our stakeholders by investing in and connecting with the communities where we live and work. We regularly engage with our local communities and maintain open, honest dialogue with all stakeholders. By proactively engaging with local officials, landowners, and emergency responders, we are able to quickly identify and address concerns related to our operations. For example, SM Energy field tours have become a part of the annual curriculum for the Chamber of Commerce’s Leadership course in Big Spring, Texas. Educating leaders in the community about our business gives them a better understanding of our industry and the positive contributions SM Energy has on their community. Community investment includes developing effective partnerships with organizations and our neighbors, and it includes numerous employee-led charitable giving programs across communities for local education, community service, and health and human services.

SM Energy is also a significant contributor to the economies of the states and communities where we live and work. The importance of our business to the local communities is underscored by more than $100 million per year paid in state and local taxes.
TOPIC
Community Relations

ACCOUNTING METRIC
Number and duration of non-technical delays

CATEGORY
Quantitative

UNIT OF MEASURE
Number, Days

CODE
EM-EP-210b.2

SM RESPONSE
n/a

TOPIC
Workforce Health & Safety

ACCOUNTING METRIC
(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

CATEGORY
Quantitative

UNIT OF MEASURE
Rate, Hours (h)

CODE
EM-EP-320a.1

SM RESPONSE
1) TRIR: Employees: 0.15; Contractors: 0.53. 2) Fatality Rate: Employees: 0; Contractors: 0. NMFR: Employees: 0.62; Contractors: 1.17. Hours of health, safety, and emergency response training per worker: Employees: 3.8; Contractors: We do not train contractors.
Top Topic

Workforce Health & Safety (Continued)

Accounting Metric

Discussion of management systems used to integrate a culture of safety throughout the exploration and production life cycle

Category

Discussion and Analysis

Unit of Measure

n/a

Code

EM-EP-320a.2

SM Response

We are proud of our strong safety culture at SM Energy. We conduct our business in a manner that focuses on safeguarding the environment and protecting the health and safety of all. We strive to achieve performance excellence in environmental, health, and safety (EHS) management, and our Board of Directors sets annual EHS performance goals that impact a portion of the compensation of all employees.

We strive to conduct our operations in a manner that adheres to high ethical standards, the proper stewardship of natural resources, compliance with applicable laws and regulations, and commitment to operational excellence. We have a “Stop Work Authority” directive at all of our sites that empowers any employee or contractor to stop any work they believe is being conducted in an unsafe manner.

Our facilities are regularly inspected by SM Energy employees and consultants, and periodically by regulatory officials. We also routinely conduct safety, health, and environmental meetings with our employees and contractors to help ensure compliance with applicable laws, regulations, and policies.

Safety Metrics - We track and record our employee and contractor total recordable incident rate (TRIR) and benchmark our performance against AXPC peer companies and the Permian Basin Petroleum Association peer companies. We use TRIR as an indicator of safety performance and expect our contractors to maintain their safety performance to the same levels we expect in our EHS program. We review these statistics with our employees and Board of Directors at least quarterly.

Contractor Management Program - We recognize the valuable role our independent contractors play in our operations and the important contributions they make to the success of our Company. We strive to work with contractors who share our commitment to health and safety and the proper stewardship of shared natural resources. To help confirm that our independent contractors are aligned with our culture and EHS focus, we use a Contractor Management Program that facilitates our selection of vendors with effective EHS programs, and allows monitoring of contractor performance.

Since 2008, SM Energy has utilized ISNetworld (ISN) to facilitate the collection, maintenance, and verification of contractor information. Contractors are required to submit their safety and training programs, safety performance data, and proof of insurance information to ISN, who independently verifies the information and consolidates the results for SM Energy’s use. Contractors are graded on the strength of their EHS management systems and training programs, as well as their performance. Contractors are generally selected based on their performance against defined benchmarks, and the use of each contractor is approved by Company representatives involved in the work to be performed. We maintain a list of qualified contractors and generally only those contractors are permitted to work in our operations.

We expect all of our contractors to comply with their respective EHS programs, state and federal regulations, and to respect our safety culture and core values. To help ensure that contractors implement their respective safety programs and provide proper training, we conduct periodic audits of a sampling of our contractors at both the corporate and field level. Contractors are selected for these reviews based on the risks attendant to the work to be performed, activity level, past performance, and other factors.
TOPIC
Reserves Valuation & Capital Expenditures

ACCOUNTING METRIC
Estimated carbon dioxide emissions embedded in proved hydro carbon reserves

CATEGORY
Quantitative

UNIT OF MEASURE
Metric tons (mT) CO₂e

CODE
EM-EP-420a.2

SM RESPONSE
45,723,102 mT

ACCOUNTING METRIC
Amount invested in renewable energy, revenue generated by renewable energy sales

CATEGORY
Quantitative

UNIT OF MEASURE
Reporting currency

CODE
EM-EP-420a.3

SM RESPONSE
42 wind/solar systems for approximately $300,000. This is operational support equipment with no associated revenue generated.

ACCOUNTING METRIC
Discussion of how price and demand for hydrocarbons and/or climate regulation influence the capital expenditure strategy for exploration, acquisition, and development of assets

CATEGORY
Discussion and Analysis

UNIT OF MEASURE
n/a

CODE
EM-EP-420a.4

SM RESPONSE
Capital investment decisions are based on projected returns that incorporate long-term futures market commodity prices. Futures prices inherently “price in” market perceptions of supply and demand as well as factor in enhanced regulations. Our financial planning models incorporate estimates of costs and expenses required to meet or exceed all regulations. We also factor in potential restrictions on development. For example, we believe that future regulation could restrict oil and natural gas development on federal lands. The potential for this regulation is among reasons that caused our Company to divest of federal acreage positions. All of our operations are onshore and limited to the state of Texas.
**ACCOUNTING METRIC**
Percentage of (1) proved and (2) probable reserves in countries that have the (2) lowest rankings in Transparency International’s Corruption Perception Index

**CATEGORY**
Quantitative

**UNIT OF MEASURE**
Percentage (%)

**CODE**
EM-EP-510a.1

**SM RESPONSE**
0%

**ACCOUNTING METRIC**
Description of the management system for prevention of corruption and bribery throughout the value chain

**CATEGORY**
Discussion and Analysis

**UNIT OF MEASURE**
n/a

**CODE**
EM-EP-510a.2

**SM RESPONSE**
SM Energy’s headquarters is located in the state of Colorado and our operations are located in the state of Texas. Our suppliers are predominantly regionally based or have regional offices that are subject to federal and applicable state laws.

At SM Energy, we have a Code of Business Conduct and Conflict of Interest Policy that in part sets forth our values and expectations for employee and corporate conduct, which includes complying with all laws and regulations, and, coupled with other policies and initiatives, promotes our culture of doing what is right. Certainly, corruption and bribery are contrary to those values and expectations. We train employees on our expectations and culture. We seek to do business with qualified business partners generally known in the industry, and particularly in the areas of our operations, to have reputations consistent with our own and the values we promote within our Company, and terminate relationships found to fall short. We maintain a confidential reporting hotline available for anyone to report a suspected violation. Our legal department leads the investigation of all asserted legal, regulatory, code, or policy violations reported through the hotline or otherwise. Executive management and our Board of Directors are informed and involved as appropriate, and any confirmed violations result in discipline up to and including termination. We also have a system requiring key employee certifications of quarterly legal and regulatory compliance.
### Management of the Legal & Regulatory Environment

**Accounting Metric**

Discussion of corporate positions related to government regulations and/or policy proposals that address environmental and social factors affecting the industry.

**Category**

Discussion and Analysis

**Unit of Measure**

n/a

**Code**

EM-EP-530a.1

**SM Response**

As a small to mid-cap company, with finite resources, SM Energy largely relies on peer data and its participation in industry trade groups and programs, such as The API Environmental Partnership, to inform its business and operational decisions related to the legal, regulatory, and social environment in which the industry and the Company operates, including sustainability related issues. The Board of Directors is kept abreast of these matters through reports from management to the Board and its committees. Management considers risks that could potentially impact the Company’s business through its Enterprise Risk Management Committee (ERM) and individual employee involvement in legal and regulatory matters related to specific operating and functional discipline areas. Risks include those concerning emissions, water and other resource stewardship, health and safety and protection of the environment. See the Company’s discussion of risk factors impacting its business in the Company’s most recent Form 10-K and 10-Q filings, for a more complete description of these risks. The governing legal and regulatory regime changes continuously and is always subject to the goals of the political parties in control of the presidency and Congress, but also subject to local and state impacts. These continuous changes result in a lack of consistency and predictable interpretation and application; increasingly more demanding and complex regulatory regimes; and ever increasing compliance costs. The Company will remain focused on compliance with applicable laws and regulations, the development of new and improved technologies and services, and the improvement of its processes and procedures designed to manage business risks and opportunities, all to drive stockholder value and serve all stakeholders and the Company’s role in the communities impacted by its activities. The Company will adjust its business strategies and structures as appropriate to meet these objectives. The Company believes that its focus and goals are in substantial alignment with those of the industry’s trade groups and the Company’s peers.

### Critical Incident Risk Management

**Accounting Metric**

Process Safety Event (PSE) rates for Loss of Primary Containment (LOPC) of greater consequence (Tier1)

**Category**

Quantitative

**Unit of Measure**

Rate

**Code**

EM-EP-540a.1

**SM Response**

OSHA Process Safety Management regulations do not apply to our operations. Therefore, we do not track PSE rate.
SM ENERGY SASB 2019

TOPIC
Critical Incident Risk Management (CONTINUED)

ACCOUNTING METRIC
Description of management systems used to identify and mitigate catastrophic and tail-end risks

CATEGORY
Discussion and Analysis

UNIT OF MEASURE
n/a

CODE
EM-EP-540a.2

SM RESPONSE
The policy of the Company’s ERM Committee sets forth a process whereby risks are identified, assessed and reviewed in consideration of the likelihood of the risk to occur, the potential impact of the risk and the timeframe of the risk. Impact is graded into five categories from minimal to major, with an assigned dollar value range for each category. The ERM committee evaluates, monitors and mitigates (where possible) those risks. Emerging risks and trends are also considered. The top ranked risks are reviewed at the Committee’s periodic meetings along with a presentation provided by a selected risk owner discussing their risk evaluation metrics and currently employed risk mitigation strategies. We develop a risk matrix that describes the risk, tracks the mitigation strategy, and ascribes a risk owner and whether the risk is part of the E&P life cycle or related to business partners.

Specific to emergency management policies, we pursue a comprehensive approach. Our emergency management framework consists of Emergency Response Action Plans, Corporate Response Plans, and Business Continuity Plans. SM Energy’s preparedness framework attempts to:
• secure and protect the environment, our employees and contractors, and the public;
• quickly and effectively identify, respond to, manage, and recover from an incident;
• minimize any potential impacts on people, the environment, and our facilities; and
• maintain business continuity throughout the incident.

In addition, the Company has implemented incident response plans aligned with the National Incident Management System (NIMS) guidelines that are designed to expand based on incident size and complexity. Field and area level plans are supported by the SM Energy Corporate Response Plan that is intended to guide our response to consider impacts beyond the immediate incident. We routinely conduct training drills that include tabletop and field-based scenarios to test our emergency preparedness. These drills are specifically designed for each department, including but not limited to drilling, completions, and production. Additionally, we often include local first responders and law enforcement in our drills to improve emergency responsiveness.

One area of increasing focus has been cybersecurity and information security, which are efforts undertaken to protect the confidentiality, integrity, and availability of information. As is increasingly apparent, failure to maintain the confidentiality, integrity, or availability of the information facilitating our business activities can result in critical failures in our ability to realize our corporate vision and strategic plans. Moreover, we believe cybersecurity plays a critical role in our core sustainability practices because information and communications technologies increasingly support our traditional sustainability activities. To this end, we value and support cybersecurity efforts across all levels of our organization from quarterly meetings with the Board of Directors; to building a culture of appropriate cybersecurity awareness and behaviors for all our employees. We believe that incorporating elements of sustainability management into our cybersecurity efforts will help reframe the perceptions of cybersecurity from fear, uncertainty, and doubt to a more proactive belief of awareness, confidence, and responsible behavior. This shift, we believe, will in turn lead to improved cybersecurity practices for all our stakeholders and ultimately a more secure, resilient, and enduring technology ecosystem to sustain SM Energy and our stakeholders.

The Board annually reviews the Company’s risk management philosophy and practices. The Board also considers potential risks to the Company’s strategic initiatives. More broadly, environmental, health, and safety risks and opportunities are part of daily operations under the oversight of the SVP of Development and Environmental, Health and Safety and SVP of Operations.
TOPIC
Production of: (1) oil, (2) natural gas, (3) synthetic oil, and (4) synthetic gas

CATEGORY
Quantitative

UNIT OF MEASURE
Thousand barrels per day (MBbl/day); Million standard cubic feet per day (MMscf/day)

CODE
EM-EP-000.A

SM RESPONSE
In 2019, the Company reported full year sales volumes of approximately 59.9 MBbl/day crude oil, 300.8 MMcf/day natural gas, and 22.2 MBbl/day natural gas liquids.

TOPIC
Number of offshore sites

CATEGORY
Quantitative

UNIT OF MEASURE
Number

CODE
EM-EP-000.B

SM RESPONSE
One non-operated: 15% working interest, 13.125% net revenue interest. 0.1% of total oil and gas revenue in 2019.

TOPIC
Number of terrestrial sites

CATEGORY
Quantitative

UNIT OF MEASURE
Number

CODE
EM-EP-000.C

SM RESPONSE
As of December 31, 2019, the Company had working interests in 807 gross (758 net) productive oil wells and 519 gross (487 net) productive gas wells.