



DIVERSIFIED
energy

Climate Risk and Resilience Report

March 2022

Letter from our CEO, Rusty Hutson, Jr.

Prices for natural gas and oil have surged over the past year, driven by Covid-19 economic stimulus measures, tight energy supplies, geopolitics, and considerations about the speed and direction of the energy transition. The recent Russian invasion of Ukraine has greatly exacerbated economic and geopolitical uncertainties and is likely to drive a fundamental shift in global energy markets as Western countries, led by the United States, seek to move away from reliance on Russian oil and gas supplies.

While these macro-economic and political factors are likely to have a significant impact on the supply and demand for natural gas for the near-term, they are largely outside of our control. By contrast, we are diligently focused on our ability to manage the risks and opportunities to our business model and operations from the longer-term impacts of the rapidly evolving energy transition. We recognise that the world economy must lower carbon emissions in order to avoid the potential impacts of climate change but expect natural gas to play an increasingly critical role in meeting growing energy demand, as a much cleaner energy source and as a potential feedstock for hydrogen production which is anticipated to rise rapidly.

Over the past 12 months, we have taken significant strides in further strengthening our climate change strategy, beginning with a new, Board-approved, Climate Change Policy. Led by our experienced Board, we have put in place robust processes to ensure that we can identify and manage climate-related risks and opportunities appropriately and proactively. We have announced ambitious targets to reduce carbon emissions from our own operations and have specifically earmarked \$15 million in this year's budget for emissions reductions initiatives to set us on the path towards achieving those goals. Additionally, we increasingly take climate considerations into account in strategic decision-making for the business, including in capital allocation.

We are working hard to ensure we meet or exceed the demands of our regulators and other stakeholders. Our existing voluntary actions on reducing unintended natural gas emissions and our well retirement programme place us ahead of the standards being set by federal and state regulators. In fact, Diversified retires more wells in Appalachia than anyone else, a practical illustration of how seriously we take our responsibility for the stewardship of the assets we own. To bolster that commitment, we are advancing plans to accelerate our plugging programme even further with the addition of expanded internal capacity. We see potential opportunities to expand this programme to benefit our fellow operators and perhaps even our partner states in plugging their orphan wells and to generate carbon offsets which can then be used either to offset some of our own residual emissions or to be sold in the voluntary carbon market.

We recognise the growing importance to our investors of understanding our approach to the energy transition. A significant amount of the presentation we gave at our Capital Markets Day in November 2021 was dedicated to our climate change strategy. Aligned with the global reporting framework developed by the Taskforce on Climate-related Financial Disclosures, this detailed report further expands on those strategies we communicated at the event. Specifically, this report explains how we are assessing and managing climate-related risk and includes the results of our climate scenario analysis work which confirms the resilience of our portfolio, even in a net-zero world.

At Diversified, we are aiming to position ourselves as a central and critical piece of the energy transition puzzle. I thank you for your interest in the great progress we have made so far and encourage you to continue following our climate journey.

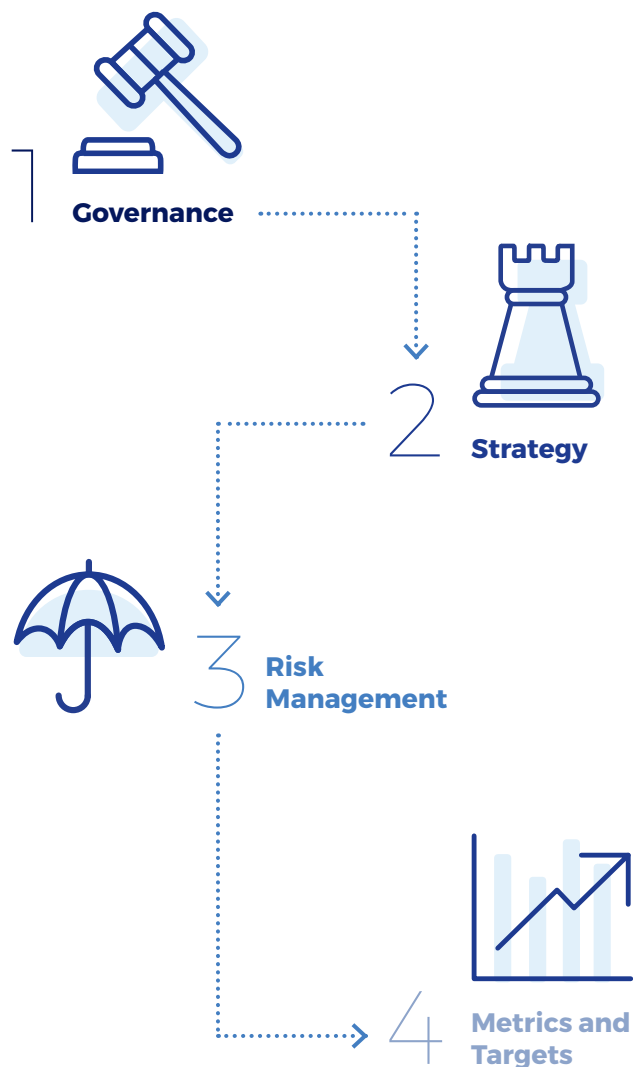
Sincerely,



ROBERT R. ("RUSTY") HUTSON, JR.
Chief Executive Officer



Task force for climate-related financial disclosures



The Board recognises the threat to our planet posed by climate change and the importance of commercial enterprises, including Diversified, to effectively manage their operations in a manner that positively impacts the environment while also managing the possible associated financial risks of doing so. Environmental stewardship coupled with maximising and improving the potential of our resources are key strategic pillars upon which we built and operate our business. We believe that we have valuable role to play in supporting an energy transition, not only by responsibly managing down our emissions profile, but as a solutions provider to enable a sustainable transition.

Many companies, lenders and investors are integrating climate change risks and opportunities into their financial planning. The TCFDs in particular have become a leading benchmark approach for climate disclosure and provide a universal framework to communicate companies' responses to the physical, transition and litigation risks of climate change. Climate-related risks and opportunities are becoming a natural part of our risk management and strategic planning processes. We believe that our Environmental, Social and Governance ("ESG") strategy is aligned with the TCFD recommendations as we evaluate the potential risks and opportunities related to climate change on our organisation's operations, strategy and financial planning. As such, and reflecting the importance of transparency in reporting of climate-related information, we have prepared this discussion for the year ended 31 December 2021 in compliance with the recommendations of the TCFD, excluding disclosures of Scope 3.



CLIMATE CHANGE POLICY

Approved by our Board earlier this year, this Policy reflects our recognition that climate change is a complex global issue that requires governments, businesses and communities working together on appropriate, achievable policies. We are committed to doing our part in supporting the goal of responsibly transitioning to a lower carbon world while still serving the energy needs of our communities and nation.

Reporting in line with the TCFD recommendations

Governance

- a) Board oversight of climate-related risks and opportunities
- b) Management role in risk assessment and management

Strategy

- a) Risks and opportunities with time horizon
- b) Impact on business, strategy, and planning
- c) Resilience of strategy to climate scenarios, including a 2°C or lower scenario

Risk Management

- a) Process for identifying and assessing climate-related risks
- b) Process for managing climate-related risks
- c) Integration with overall risk management

Metrics and Targets

- a) Metrics for climate-related risk assessment
- b) Scope 1, 2, and (if needed) 3 emissions and related risks
- c) Targets for risks and opportunities and related performance



Reflecting the importance of transparency in reporting of climate-related information, we are pleased to provide clear responses under each of the TCFD's four core pillars: Governance, Strategy, Risk Management, and Metrics & Targets.

Our understanding of the strategic significance to our business of climate change and the energy transition has progressed over the past 18 months. In 2021, as part of our year end 2020 Sustainability Report, we published our first report aligned with certain of the recommendations of the TCFD. In this year's TCFD report, with the help of a team of leading sustainability and energy sector experts, we go a step further - highlighting Diversified's pivotal role in the energy transition, the resilience of our business model, and the measures we are taking to mitigate the climate impact of our operations.

Our enhanced TCFD disclosure is also a response to the increased focus on climate risk reporting from regulators. In the United Kingdom, where our shares are listed on the LSE, both the government and the Financial Conduct Authority have been taking steps to make reporting in line with the TCFD framework mandatory for premium-listed companies such as ours. Accordingly, in preparing our TCFD report,

and in order to ensure that we are following best practice, our work has been informed by the [October 2021 guidance](#) on climate reporting provided by the LSE as well as by the latest observations from the TCFD itself as set out in its [2021 Status Report](#).

This year's TCFD report considers the discussions of the November 2021 United Nations climate conference, COP26. At the conference, Member States explicitly acknowledged the importance of limiting global warming to less than 1.5°C, rather than merely to 'well below 2°C', the now less ambitious target of the Paris Agreement. COP26 also saw more countries lining up to set net zero targets and a global agreement to 'phasedown' unabated coal power and phase-out fossil fuel subsidies. Taken together, these goals are likely to support demand for low intensity natural gas. They also validate our strategy of meeting that demand through efficient optimisation of production from existing assets.

The robustness of our approach is reflected in the results of the scenario analysis work we have carried out this past year to stress test our portfolio. These results, which form a central feature of this TCFD report, show that our business remains resilient and relevant to the future energy sector under all of the scenarios we considered, including the IEA's net-zero scenario. Details of our scenario analysis work are set out in our response under the TCFD Strategy pillar below.

Governance - a hands-on and integrated approach



As a function of our stewardship business model, addressing climate-related risks and advancing opportunities is something we take action on every day at Diversified. Climate risk is now clearly defined within our enterprise risk universe as a Principal Strategic Risk. It was discussed at several of the 15 Diversified Board of Director ("Board") meetings held in 2021 and a central focus of the six meetings of the Sustainability & Safety Committee. At the same time, we also see climate change, and the associated energy transition, as a significant Strategic Opportunity for Diversified, underpinned by robust demand for natural gas.

Our Board and senior management team take a hands-on and highly integrated approach to evaluating climate-related risks and opportunities. While our CEO takes ultimate responsibility for developing and delivering our climate change strategy, he is actively supported in this effort by our Chief Operating Officer ("COO"), Chief Financial Officer ("CFO") and the Chair of our Sustainability & Safety Committee. This team can also call on the diverse climate change subject matter experience and knowledge of the other Board members, details of which are provided below.

AN ENGAGED BOARD INCORPORATING CLIMATE CHANGE IN DECISION-MAKING

Our Board oversees the development of our climate change strategy which aims to position Diversified at the heart of the energy transition based on responsible stewardship of existing assets. The Board's decision-making is informed by the climate subject matter updates from the Sustainability & Safety Committee and our internal subject matter experts.

The Sustainability & Safety Committee evaluates all issues relating to climate change on behalf of the Board, including changes in regulation and policy and other external, macro-level developments relating to climate change. It also receives operational updates from the COO on our climate-related initiatives, including but not limited to our greenhouse gas reduction and methane emission detection projects and our

"Addressing climate-related risks and advancing opportunities is something we take action on every day at Diversified."

– BRAD GRAY, COO

well retirement programme. The CFO participates in meetings of the Sustainability & Safety Committee to remain informed on climate change matters impacting the Company in order to appropriately communicate the same to investors and to discuss financial, capital allocation and budgeting matters related to climate change, as applicable.

The Audit & Risk Committee oversees the Enterprise Risk Management ("ERM") process, including assessing and managing climate risk, while the Remuneration Committee is responsible for developing a compensation structure for senior management linked, in part, to ESG and climate metrics. Overseeing the size and composition of the Board, the Nomination Committee is responsible for ensuring the Board's collective skill set is positioned to adequately understand and shepherd climate-related decisions and opportunities for the Company.

In 2021, the Board approved a number of key initiatives in support of our climate goals. These included:

- allocating an initial \$15 million in 2022 for activities and equipment aimed at reducing our greenhouse gas emissions;
- setting Scope 1 methane emissions intensity (MT CO₂e/MMcfe)¹ reduction goals of 30% by 2026 and 50% by 2030 versus a revised 2020 baseline²;
- supporting an updated commitment to achieving net zero Scope 1 and 2 greenhouse gas emissions by 2040 (previously targeted by 2050); and
- engaging independent consultant Montrose Environmental to formalise our 2040 net zero plan.

Our Board is also integrating climate change considerations into our acquisition strategy to ensure consistency with our emissions reduction targets. For example, in 2021 the Board requested expanded emissions screening diligence for all contemplated acquisition opportunities that would allow the Board to better understand the target's standalone emissions profile as well as the impact to combined emissions if the acquisition were to be completed. In response to this request, management developed a methane emissions intensity screening tool that the Company utilises for all new potential acquisitions which considers both seller-provided and publicly reported emissions data and provides the desired standalone and combined emissions profile.

At the Board's direction, management is also developing new financial metrics, including a carbon pricing evaluation process, to factor the emissions profiles and emission reduction costs of potential acquisitions into the valuation of future transactions and other strategic capital allocation decisions. We plan to implement our new carbon pricing process during 2022.

The Board also has oversight of significant Investor Relation materials prior to publication including those relating to our climate change initiatives. Individually, Board members are increasingly involved in discussing climate change issues with our stakeholders.

¹ Methane emissions intensity as measured in metric tonnes ("MT") of carbon dioxide equivalent ("CO₂e") per million cubic feet of gas equivalent ("MMcfe")

² Refer to a brief discussion of revised 2020 baseline emissions in our 2021 Annual Report with an expanded discussion in our 2021 Sustainability Report.

Growing climate awareness and expertise among Board members

We are fortunate to have significant and growing climate change expertise among our Board members, in particular the Chair of our Sustainability & Safety Committee Ms. Sandra Stash, to support our CEO in the development of our climate change strategy. We provide details below of the climate-related experience of each of our Board members.



From left to right: Mr. David J. Turner, Ms. Sandra M. Stash, Ms. Sylvia Kerrigan, Mr. David E. Johnson, Mr. Rusty Hutson, Jr., Mr. Martin K. Thomas, Ms. Melanie A. Little, Mr. Bradley G. Gray

SANDRA M. STASH

Independent Non-Executive Director, Chair Sustainability & Safety Committee

Ms. Stash joined the Board of Diversified in October 2019 and is the Chair of our Sustainability & Safety Committee. She has 35 years of international executive and non-executive board experience, including in top executive leadership positions in ESG and sustainability at Tullow Oil (2014-2020), Talisman Energy (2008-2013), and TNK-BP (2003-2006). Alongside her role at Diversified, she currently serves as the Chair of the Sustainability Committee for Trans Mountain, Chair of the ESG Committee for Lucid Energy, and Chair of the Sustainability Committee for Chaarat Gold, giving her a particularly broad understanding of the impacts of climate change on business. To supplement her already extensive knowledge, she attended 10 hours of ESG/climate-related training in 2021 through the NACD Directorship Certification continuing education programme.

ROBERT R. ("RUSTY") HUTSON, JR

Chief Executive Officer

As Diversified's Chief Executive Officer, Mr. Hutson provides the leadership, and takes ultimate responsibility, for delivering our climate change strategy. In the context of Board meetings, he helps to shape discussion of investment decisions relating to our net zero strategy and mitigation initiatives. He engages frequently with industry peers, investors (both in the US and globally), lenders, and regulators and policy makers at the federal and state levels to discuss climate change policy and the energy transition and the potential impact of each on Diversified and the broader industry.

BRADLEY G. GRAY

Chief Operating Officer, Member Sustainability & Safety Committee

As Diversified's Chief Operating Officer, Mr. Gray provides hands-on leadership of our field operations and day-to-day oversight of the development and implementation of the practical steps we are taking to reduce our climate impact and achieve our ESG goals, including through our Smarter Asset Management Programme. He also ensures that all of our employees are being educated and given the tools to be able to make their own contributions to mitigate our climate impact. He is actively engaged in ESG and climate-related discussions with our stakeholders and through industry associations.

DAVID E. JOHNSON

Independent Non-Executive Chairman, Member Sustainability & Safety Committee

As our Chairman, Mr. Johnson's membership on the Sustainability & Safety Committee reflects the important role that sustainability issues, including climate change, play in helping to shape our strategy. Based in the UK, his understanding of climate change and its impacts is informed by active engagement in a broad range of climate and ESG-related seminars and other events conducted by investment firms and other financial, legal, and public relations experts. He is also a member of the Chartered Institute of Securities & Investment which provides educational updates on ESG and climate change issues.

MELANIE A. LITTLE

Independent Non-Executive Director, Member Sustainability & Safety Committee

Ms. Little joined the Board of Diversified in December 2019 and is a Senior Vice-President at Magellan Midstream Partners, where she provides leadership on Environmental, Health, Safety and Security matters. She is responsible for the publication of Magellan's annual Sustainability Report and the development of an ESG employee training programme. She also serves on the Strategic Committee of the International Liquid Terminals Association (ILTA) where she was part of the team that oversaw the drafting of the ILTA ESG Principles, including in relation to climate change.

DAVID J. TURNER, JR.

Senior Independent Non-Executive Director

Mr. Turner is the CFO of a Fortune 500 bank holding company where he is routinely involved in board- and management-level discussions about climate risk and mitigation. These discussions have included integration of environmental factors into the company's risk management framework and measures to reduce the company's greenhouse gas emissions and improve energy efficiency. He also serves on his company's Disclosure Review Committee, which reviews the company's ESG-related disclosures, including climate disclosures using the TCFD framework.

SYLVIA J. KERRIGAN

Independent Non-Executive Director

Ms. Kerrigan joined the Board of Diversified in October 2021. She brings considerable Board-level experience of ESG and climate-related matters, including as Executive Vice-President and General Counsel at Marathon Oil (2009-2017), where she had responsibility for publication of the company's ESG reports, and, currently, as Lead Director and Chair of the Governance Committee at Team Industrial Services, where she oversaw the publication of the company's first ESG report in 2021. As Executive Director at the Kay Bailey Hutchinson Center for Energy, Law and Business at the University of Texas, she has planned and executed events covering the energy transition, climate change, ESG activism and disclosure. She plans to enhance her understanding of climate-related issues further by undertaking climate change training via the NACD Directorship Certification continuing education programme in 2022.

MARTIN K. THOMAS

Non-Executive Vice Chairman

As a corporate lawyer based in London, Mr. Thomas has advised on IPOs and secondary financing of renewable energy companies (including wind, solar and tidal) for almost 20 years. He receives regular legal and educational updates on climate change and ESG issues from a cross-departmental team of lawyers at his law firm, equity analysts, and consultants.

Further enhancing climate change expertise of Board members

The Diversified Board holds two board training days per year. Our intention is to include climate change training provided by third party experts in at least one of these training days in 2022. This focused training will be in addition to any climate change training separately undertaken or planned by individual Board members. At the June 2021 meeting of the Sustainability & Safety Committee, our external auditor, PricewaterhouseCoopers (“PwC”) delivered an overview of climate-related risks and opportunities and their impact on non-financial reporting. In addition, our Vice President of Environmental, Health & Safety provided a briefing on voluntary carbon markets.

Management’s role in assessing and managing climate-related risks and opportunities

We have highlighted the responsibility of the CEO in developing and delivering our climate change strategy, and the supportive responsibilities and approach of our senior leadership team.

At a strategic and functional level, the COO is responsible for assessing the climate-related risks and opportunities associated with acquisition targets, both of natural gas producing assets and other commercial opportunities, such as well retirement resources, as part of his ‘go/no-go’ recommendation to the CEO and Board on acquiring the potential targets. The COO is also responsible for developing and implementing a structured and proactive plan to reduce our carbon intensity in accordance with our emission reduction goals. At the operational level, he oversees all activity related to climate change, including leak detection and repair, well integrity and safety, and well retirement. The COO leads bi-weekly meetings with his senior leaders that include reviews of the emissions reduction projects of our field personnel and other operational climate-related issues and further directs revisions to related planned activities, as relevant.

Working alongside the CEO and COO, our CFO oversees all areas of financial activity related to climate change, including financial modelling, scenario planning and

capital expense (“Capex”) and operating expense (“Opex”) budgeting. He also holds periodic staff meetings with his senior leaders to review financial results and to keep aligned with financial funding and planning of operational activities which may include climate risk and opportunities.

Tying executive compensation to climate goals

A review of the executive compensation related to climate specific goals and targets is provided in the Metrics and Targets section of this report under the “Setting ambitious emissions reduction targets” heading.



Strategy – a resilient portfolio and flexible business model



The potential impacts of climate change present a number of risks to our business. At the same time, we agree with those who see the energy transition as the greatest investment opportunity of our lifetimes. In accordance with best practice, we consider climate-related risks and opportunities under two broad headings: transition and physical risks. While transition risks and opportunities can cover a wide range of issues related to the energy transition, those we have identified as being material for Diversified are described in the following Risks and Opportunities tables together with their potential impacts on our strategy.

The Risks table also covers litigation risk and physical risk that develop from extreme weather events. We recognise that climate-related litigation is a rapidly evolving issue for our industry, but we do not consider it to be a significant immediate risk for Diversified. Nevertheless, we are monitoring developments closely, realising that the possibility of legal challenges for companies in our sector could rise as the costs of climate change mitigation and adaptation increase, and as more climate-focused regulations are considered.

CLIMATE-RELATED RISKS

Risk	Type	Impact	Timeframe*	Mitigation
Transition Risks	Market	Natural gas & oil price outlook	Medium - Long	<ul style="list-style-type: none"> Our portfolio is heavily weighted towards natural gas which is expected to fare better than oil in a carbon constrained future. Low-cost production provides considerable resilience to lower prices (see Portfolio Resilience section below).
		Cost of capital	Medium - Long	<ul style="list-style-type: none"> Hedging strategy provides significant protection for cash flows in the short - medium term. Levels of fixed-rate debt and amortising payments provide significant protection in the short - medium term. Short investment cycle for the business allows rapid response to changing market conditions.
	Policy	Cost of carbon	Medium - Long	<ul style="list-style-type: none"> Implementation of carbon measurement and reduction programmes as well as active LDAR programmes. Strategy of evaluating acquisition targets which ultimately result in a lowering of portfolio carbon intensity. Continued focus on cost-efficient operations and SAM initiatives. Use of shadow carbon price in relation to future acquisition programme and other capital allocation decisions. Work to create offsets through plugging wells and carbon capture use and storage projects.
		Well retirement policy	Medium - Long	<ul style="list-style-type: none"> Active participation with regulators regarding natural gas sector well retirement policy. Existing strategy to retire wells ahead of policy commitments. Ongoing development of our plugging capacity will help manage future cost risk (eg. our recent acquisition of Next LVL Energy, an Appalachian plugging service provider).

* The Diversified timeframes are defined as short -2022, medium - from 2023 to end 2025, and long - 2026 and beyond

CLIMATE-RELATED RISKS, continued

Risk	Type	Impact	Timeframe*	Mitigation	
Transition Risks	Technology	Methane loss reduction	Adopting new or existing technologies to retrofit or convert facilities to reduce methane leakage might prove to be costly	Medium - Long	<ul style="list-style-type: none"> Enhanced emissions detection using LiDAR equipment and hand held detection devices. Continuous investment through the SAM programme into repairing and eliminating unintended emissions. Demonstrated innovative actions to reduce emissions including retrofitting/elimination of existing equipment. Accelerated well retirement programme. Currently evaluating responsibly sourced natural gas certifications, including OGMP 2.0.
	Technology	Low carbon energy costs	Reduction in costs associated with low carbon energy technologies drives lower demand for gas and oil	Medium - Long	<ul style="list-style-type: none"> Assessment of the resilience of our portfolio under a number of carbon constrained energy scenarios where natural gas and oil demand is curtailed (see Portfolio Resilience section below).
	Reputation		Potential impact on the value of the Company related to changes in shareholder/ societal expectations related to the energy transition	Medium - Long	<ul style="list-style-type: none"> Transparency of emissions and climate risk reporting. Definition and delivery on climate-related targets. Ongoing engagement with shareholders, employees, regulators and other key stakeholders.
	Litigation		Potential litigation tied specifically to the Company's climate-related reporting or actions, or perceived lack thereof	Medium - Long	<ul style="list-style-type: none"> We are formalising plans to achieve net zero Scope 1 and 2 GHG emissions by 2040. Transparent reporting and communication of emissions and climate risks. Actively involved with state regulators with a demonstrated and ongoing commitment to meet our obligations. Strong community support in our operating areas.
Physical Risk			Extreme weather events like drought, flooding and storm frequency could impact operations and infrastructure	Medium - Long	<ul style="list-style-type: none"> Business continuity and crisis management plans in place. All assets are located onshore in the US away from coastal influences and wildfire risk. Minimal requirement for water consumption in current operations. Physically dispersed asset footprint that mitigates any large-scale disruption to production from events such as tornadoes. Appropriate levels of insurance to mitigate losses.

* The Diversified timeframes are defined as short -2022, medium - from 2023 to end 2025, and long - 2026 and beyond

We are also following closely the US Environmental Protection Agency's ("EPA's") proposals to introduce measures to reduce methane and other emissions in the natural gas and oil industry. The EPA's proposals include requiring companies to find and repair leaks at new and existing well sites and compressor stations, which may require new pneumatic controllers at production, processing, and transmission and storage facilities to have zero methane and volatile organic compound emissions. As we have described elsewhere, we are already addressing these issues in a manner that we anticipate will be compliant with EPA's proposals through our proactive approach to leak detection and repair and our well retirement programme. We are also actively monitoring developments with the EPA and engaging with state regulators to ensure that our actions exceed the proposed regulatory requirements. We will also consider opportunities to support and benefit from the funding being made available for orphan well retirement in President Biden's Bipartisan Infrastructure Law.

POTENTIAL CLIMATE-RELATED OPPORTUNITIES

	Description	Timeframe*	Progress
MARKET	Potential for the generation of carbon offsets related to early retirement of wells	Medium - Long	<ul style="list-style-type: none"> The development of our internal well retirement capacity will enhance our ability not only to retire our own wells but also those of our peer companies and states. We are working with third parties to examine the possibility of creating carbon offsets related to early retirement of wells. These carbon offsets could provide an opportunity to offset our own emissions and contribute to our goal of net zero Scope 1 and 2 GHG emissions in 2040, or be sold in the growing voluntary offset market.
	Offsetting of Scope 1 & 2 emissions through Carbon Capture, Utilisation and Storage ("CCUS")	Medium - Long	<ul style="list-style-type: none"> We have had preliminary discussions with a number of companies involved in the development of CCUS schemes. This technology, albeit requiring significant investment, could provide potential for offsetting our Scope 1 and 2 emissions in the future. We currently own gas storage fields, wells and midstream infrastructure which could be used for CCUS.
TECHNOLOGY	Growth of blue hydrogen market and opportunities for gas resource holders	Long	<ul style="list-style-type: none"> While at a nascent stage, we are actively monitoring the development of the market for hydrogen. As a significant resource holder of natural gas, we are keenly aware of the potential opportunity associated with the development of blue hydrogen.
	Utilisation of lower carbon emitting vehicles for production operations	Medium - Long	<ul style="list-style-type: none"> We currently have fleet replacement programmes in place aimed at lighter weight, more fuel-efficient vehicles. This could extend to consider the use of longer-range electric vehicles in the future. We have the ability to reduce vehicle mileage through increased remote monitoring of operations and emissions. We are exploring new technology to advance this possibility. Pilots have been initiated.
	Cost reductions associated with emissions and monitoring equipment	Short - Long	<ul style="list-style-type: none"> We continue to invest in emission related technologies including remote leak detection, aerial surveillance, compressor elimination, pneumatic device elimination, and single valve well designs. These technologies will be employed in our \$15 million emissions reduction expenditure plan for 2022. We actively track advances in emissions monitoring technologies and expect to take advantage of technology cost reductions as they develop. We are working with several technology providers to advance pilots. We are developing a robust marginal abatement cost curve project list which is being advanced through partnership with consultants and technology providers.

* The Diversified timeframes are defined as short -2022, medium - from 2023 to end 2025, and long - 2026 and beyond

Gas and oil price outlooks

One of the key climate-related risks for all gas and oil companies lies in the potential for reduced demand for fossil fuels and the subsequent weakening of gas and oil prices. With most carbon-constrained climate scenarios (including those used in our resilience analysis) pointing towards gas demand being more resilient than oil, our natural gas-dominated business

is well-positioned for possible future outcomes (see Portfolio Resilience section below). In addition, our price hedging strategy provides our business with considerable stability in the short to medium term - our current natural gas hedge positions are in line with our preferred target ranges of 70-90% for the next 12 months, 50-70% for months 13-24 and 30-50% for month 25 and beyond.

Diversified's flexible business model

In addition to having very low-cost production, ~\$1.33/Mcfe³ in 2021, our unique business model of acquiring existing, long-life, low decline producing wells and maximising production while reducing costs provides for a very flexible and nimble organisation. Our typical investment payback period of five years is significantly shorter than that of typical exploration

³ Represents operating expense and base (recurring) G&A expressed as a rate per Mcfe, or thousand cubic feet of natural gas equivalent. See 2021 Annual Report for more information.

and production companies, thus allowing a considerably more flexible approach to future investment. If climate-related weakening of gas and oil prices occurs, then we will be in a favourable position to respond quickly to minimise the long-term impact to our business e.g., valuation of new acquisition targets based on current gas price forward curve.

Additionally, if the pressure on financial institutions to reduce exposure to gas and oil companies results in increasing costs of capital for the sector, we believe our shorter payback periods can provide the opportunity to adjust our acquisition metrics to reflect the changing financial constraints thus keeping pace with the transition as it happens.

As part of our debt management, as of 1 March 2022, around 85% of our debt is in fixed amortising structures with scheduled maturities of seven to ten years. As part of the debt covenants for these instruments, we hedge up to 85% over the life of these loans. As a result of the debt management and hedging strategy we have in place, we face low commodity price risk and low cost of capital risk in the short- to medium-term.

Direct carbon costs

While there are currently no direct costs associated with carbon emissions from Diversified's operations within the US, it remains a possibility that climate-related policies that attach a cost to emissions of carbon (both CO₂ and methane), could be implemented in the future. Given our role as an independent energy company involved in the production and transport of primarily natural gas, we are taking continuous steps to decrease our carbon footprint to reach net zero by 2040. These steps include the evaluation of potential acquisitions from an emissions intensity perspective to ensure that future additions to the portfolio result in a subsequent net decrease in the Company's overall carbon intensity. In addition, future acquisitions and other major capital decisions will also include the use of a shadow carbon price as a consideration in the evaluation of investments.

Our business model relies on low cost producing wells and, combined with our proactive emissions reductions programme, provides a high level of resilience to future policies involving direct carbon costs, as demonstrated in the Portfolio Resilience section below.

Well retirement policies

While we have formal agreements in place with certain Appalachian state governments regarding well retirement schedules for the future, we are committed to accelerating our asset retirement programme to achieve up to 2.5x the annual obligations by year end 2023. Furthermore, as part of our preparedness for the future, we have recently acquired a leading Appalachian plugging service provider, Next LVL Energy, which will significantly increase our internal capacity to not only support our own asset retirement operations but also generate revenue from retiring wells for our fellow operators and possibly state governments as part of the states' desires to address their orphan wells. We believe the development of this capacity could provide valuable protection against inflationary cost pressures and possible future regulatory changes related to well retirement and may even provide a future opportunity to generate carbon offsets related to early well retirement.

Technology advances

Developments in technology provide potential risks to our business but also significant opportunities. While technology advances could pressure the business to increase spending on implementing new emission reduction equipment into legacy assets, there are a number of areas where the continued development of technology will provide future opportunities. Although blue hydrogen and CCUS are both at relatively nascent stages of development globally, we continue to maintain a dialogue with potential players in these areas to ensure that as developments occur, we are in a position to exploit our important position as a natural gas resource holder and the owner of gas storage assets. These technologies provide us with longer term options towards our net zero goal.

In our day-to-day well operations, we are striving to reduce our emissions related to transportation needs. We currently have vehicle fleet replacement programmes in place aimed at lighter weight, more fuel-efficient vehicles, and we continue to assess the future use of longer-range electric vehicles.

From an emissions monitoring and reduction perspective, Diversified has kept ahead of the curve by making aggressive capital investments in this area via leak detection accounting processes, handheld leak detection, aerial surveillance, compressor elimination, pneumatic elimination, and single valve well designs. For example, Diversified

is engaged in a 3-year, \$3 million per year partnership with Bridger Photonics, a specialist in Light Detection and Ranging ("LiDAR") technology, to conduct an aerial methane emissions survey of our midstream system. This technology, when coupled with newly deployed handheld detection devices which the Company will use to provide a comprehensive fugitive emissions assessment across our entire Appalachia upstream portfolio by mid-2023, is reflective of Diversified's zero-tolerance policy toward fugitive natural gas emissions.

We aim to continue to be proactive in exploiting the benefits that enhanced technologies and lower costs of monitoring can bring as we hit our milestones on the road to net zero.

Physical risk exposure

While we recognise the impacts of potential weather effects and physical risks due to climate change in our operations, we have plans in place for possible climate-related disruptions. As part of our safety protocols, we have both a Crisis Management Plan and a Business Continuity Plan to protect all personnel and to respond to emergencies appropriately. Moreover, all our assets are located onshore and inland and thus not exposed to any coastal risks related to storms or sea level rise. In addition, our production footprint is dispersed over a large geographical area across several states and thus our operations are less likely to be materially impacted by single weather-related events, such as tornadoes.

Diversified employs a cloud-first technology strategy and as such all of our corporate and supervisory control and data acquisition ("SCADA") system servers are 100% cloud-hosted. Delivering on our strategy to be business resilient even in our technology strategy, this approach displaces the need for certain discrete pieces of hardware and servers at corporate offices and field locations and therefore eliminates the physical risk exposure of this aspect of our business.

PORTFOLIO RESILIENCE

To align with the TCFD framework, we have evaluated our portfolio against globally recognised energy transition scenarios to assess its overall resilience. With different outcomes from a primary energy demand perspective and resultant oil and gas price forecasts for each, we have assessed the long-term impact on production and value of our portfolio relative to our base case. We have selected three transition scenarios; firstly, the IEA Net Zero Emissions (“NZE”)⁴ scenario; secondly, the Wood Mackenzie Accelerated Energy Transition (“AET-2”) scenario; and finally, the IEA Stated Policies Scenario (“STEPS”)⁵.

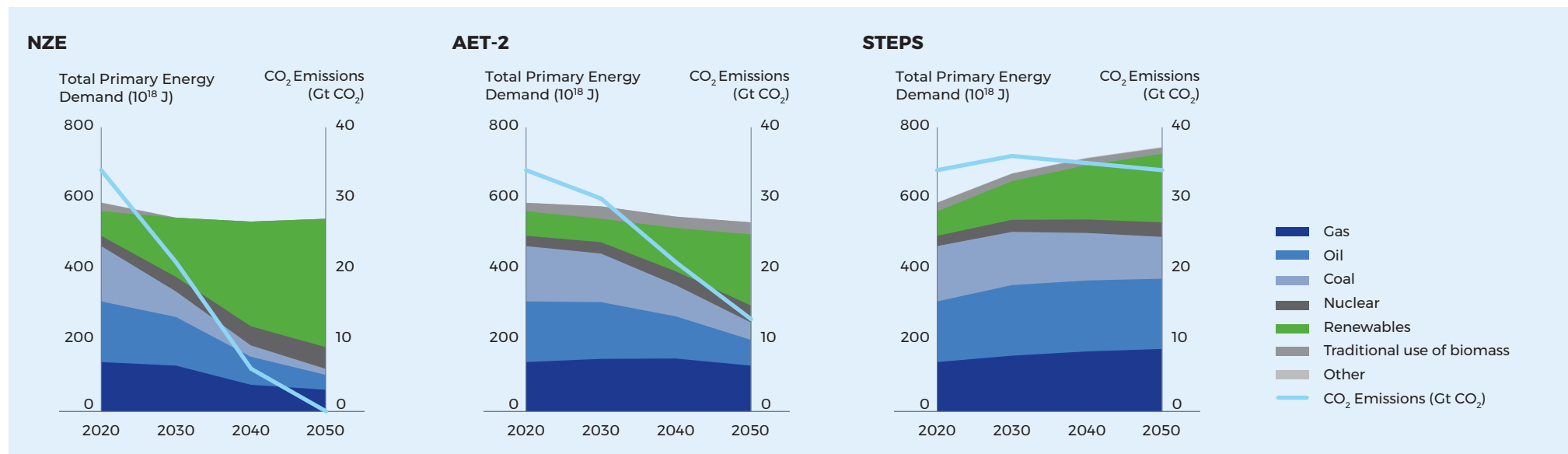
The **NZE scenario** is the IEA’s latest and most aggressive scenario showing a potential pathway for the global energy sector to achieve net zero CO₂ emissions by 2050, with advanced economies reaching net zero emissions in advance of others. The scenario is consistent with limiting the global temperature rise to 1.5°C. In this scenario, oil demand has peaked and is in decline from ~100 million barrels per day (mb/d) in 2021 to ~24 mb/d by 2050. Oil price also trends downward with prices forecasted to be ~\$36/bbl by 2030 and less than \$30/bbl from 2040 onwards. Global natural gas demand peaks in 2025 and falls well below 2020 levels by 2030. US natural gas prices are forecasted to remain

flat through 2050 at approximately \$2/MMBtu. The pathway relies on innovation, new technologies, and a change in consumer behaviour away from hydrocarbons.

The Wood Mackenzie **AET-2 scenario** shows a pathway that meets the condition of limiting the rise in global temperatures since pre-industrial times to 2.0°C by the end of this century. While similar in outcome to the IEA Sustainable Development Scenario (SDS), under this pathway developed countries reach net zero by 2050, and global net zero is reached by 2070. To achieve this, it is assumed that there is a rapid decarbonisation of the power sector and large-scale carbon capture along with significant green hydrogen development. It is forecasted that oil demand begins to decline from 2023, and by 2050 falls below 35 mb/d. Under this scenario, the oil price follows a similar pathway to demand dropping below \$40/bbl by 2025 and continuing to fall to less than \$30/bbl by 2040 and hitting \$10/bbl by 2050. Natural gas demand continues to rise to 2035 before plateauing and then declining from 2040. US natural gas prices maintain a level around \$4/MMBtu to 2050. As a result of the detailed regional modelling associated with the AET-2 scenario, basin-specific gas price differential forecasts were provided for Diversified’s Appalachian and Central production. This level of pricing specificity was not possible for the IEA scenarios.

The IEA’s **STEPS scenario** is the least aggressive of the three. In this scenario, oil demand peaks in the mid-2030s and gradually declines through to 2050 with prices remaining around \$85/bbl. Conversely, natural gas demand continues to grow to 2050, increasing almost 25% from current levels, driving US natural gas prices above \$3.50/MMBtu from 2030 and reaching over \$4/MMBtu by 2050. This scenario equates to a global average temperature rise of 2.6°C degrees.

Each of these scenarios represents a pathway, integrating all energy sources, that leads to the specific climate-related outcomes defined (such as a specific temperature rise or net zero by a specific date). They balance supply and demand for each of the energy sources, including oil and gas, and on that basis provide the price expectations for each. From an energy company’s perspective, it is not an actual decline in demand for oil or gas that presents a risk but the subsequent erosion in the prices of the commodities themselves. In this context we have assessed the impact the future gas and oil price forecasts (defined in each of the scenarios) could have on our ability to continue commercial production of the reserves that we hold and on the subsequent value of those reserves.



⁴ Based on IEA (2021), Net Zero by 2050, IEA, Paris: Net Zero by 2050 Scenario - Data product - IEA.

⁵ Based on IEA data from the IEA (2021) World Energy Outlook (“WEO”), www.iea.org/weo

IMPACT ON PRODUCTION AND VALUE

Due to our very low cost of production, none of our current production is at risk even under a 1.5°C degree scenario.

Using the price forecasts for oil and US natural gas under the different scenarios, our production outlook remains resilient and would remain unchanged under any of the scenarios. Due to our very low cost of production, overall \$1.33/Mcfe at year end 2021, we have the ability to maintain profitable production from all of our portfolio under low commodity price environments - even under the most aggressive NZE scenario. As such, none of our current production is at risk even under a 1.5°C degree scenario.

From a value perspective, our portfolio value under all three climate scenarios also remains resilient. Relative to our own internal price forecasts⁶, the IEA STEPS price outlook results in a significant uplift in value (as measured by net present value assuming a 10% discount rate, or "NPV 10") of more than 40%. The Wood Mackenzie AET-2 scenario provides for a slight improvement in NPV 10 as compared to our base case forecast while in the most aggressive NZE scenario we see some loss of portfolio value, at around 25%.

Although there is some loss of portfolio value under the NZE scenario, it is important to note that even under this most stringent of carbon scenarios, where the outlook for US gas prices is significantly below our base case, all of our assets remain commercially robust. Combined with the Company's hedging strategy any potential loss in value is manageable and would ultimately be offset by future acquisitions using more reflective gas prices to calculate target asset values. Our flexible business model and in particular the short payback period of our investment cycle, allows us to manage future commodity price fluctuations and minimise the impact on the Company's value.

NPV10 Impact relative to Diversified Base Case

Scenario	Portfolio Value Impact (NPV10)
STEPS	~ +40% ▲
AET2	~ +2% ▲
NZE	~ -25% ▼

CARBON COSTS

In addition to the impacts of carbon constrained scenarios on commodity prices, the scenarios also incorporate carbon price outlooks required to achieve the highlighted primary energy outcomes. While the IEA themselves acknowledge the fact that these estimates should be interpreted with caution, the CO₂ prices provide some context for the level of price that is required to promote fuel switching and associated investment decisions in the specific region or country. To assess the impact that carbon pricing may have on our business, we have utilised the carbon price forecast for the US for each of the scenarios and evaluated the implications based on our emissions targets (Scope 1 and 2) for the future.

Under the IEA NZE scenario, carbon prices in the US are forecast to rise to \$130/MT by 2030 and to \$205/MT by 2040, while STEPS does not incorporate a carbon cost in the US (at a country level) across the forecast period. The AET-2 scenario incorporates carbon prices of \$110/MT by 2030 and \$150/MT by 2040.

Diversified has stated its ambition to reduce its Scope 1 methane intensity by 30% by 2026 and 50% by 2030. Based on our revised IPCC 2020 Scope 1 methane intensity of 1.6 MT CO₂e/MMcfe⁷, we would therefore target methane intensities of 1.1 MT CO₂e/MMcfe by 2026 and 0.8 MT CO₂e/MMcfe by 2030. In addition, Diversified has set a target to achieve net zero (Scope 1 and 2) for both methane and CO₂⁸ by 2040.

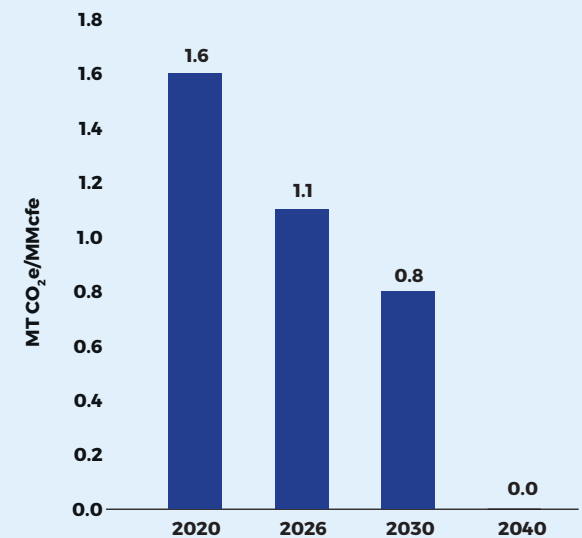
The revised CO₂ emissions intensity for 2020 was 2.1 MT CO₂/MMcfe. While no interim targets have been set for CO₂ emissions specifically, plans are already being implemented to reduce CO₂ emissions intensity in key areas such as field and pipeline gas compression. These activities will include compressor conversions (natural gas to electric) as well as compressor replacement and removal. In 2021 the removal of eighteen (18) compressors from operations reduced the CO₂ emissions intensity in Appalachia by 13% and, in combination with the acquisitions in the Central Region, the overall company CO₂ intensity fell from 2.1 CO₂/MMcfe in 2020 to 1.6 MT CO₂/MMcfe in 2021.

Using the carbon prices highlighted for each of the scenarios, the potential economic impact associated with our methane emissions targets would be a cost of \$0.11/Mcfe in 2030 under NZE and \$0.09/Mcfe in 2030 under AET-2. There would be no cost to our business under STEPS as this scenario does not

incorporate a carbon price in the US. As the plan is to be net zero by 2040, the cost associated with any future carbon price in 2040 would be zero for both methane and CO₂.

It should be noted that the estimated carbon costs in 2030 noted above are for methane losses only. In addition to this methane-related carbon cost, there would also be a cost associated with CO₂ emissions from combustion (compressors, etc.) in our operations. While current and future mitigation activities are also aimed at reducing our CO₂ emissions intensity by 2030 and beyond, it is likely that there would be an additional, as yet undefined, cost associated with CO₂ emissions prior to achieving net zero (Scope 1 and 2) for both methane and CO₂ by 2040.

METHANE INTENSITY TARGETS



	Carbon Prices (\$/MT)			
	2020	2026	2030	2040
NZE	n/a	n/a	130	205
AET-2	n/a	n/a	110	150
STEPS	n/a	n/a	n/a	n/a

⁶ Diversified Base Case Oil price assumption is \$75/bbl WTI in 2022 falling to \$50/bbl by 2026 and remaining flat in real terms thereafter. The Diversified Base Price Henry Hub gas price assumption is \$3.79/Mcf in 2022 falling to \$2.20/Mcf (real) by 2026 and then growing at 2% CAGR to 2050

⁷ Methane intensity factors utilise a global warming potential (100-year GWP) of 28 in line with IPCC Fifth Assessment Report (AR5).

⁸ The net zero target also includes N₂O emissions although these emissions are extremely small. Please refer to the GHG Emissions table in the Metrics & Targets section for details.

Risk management – placing climate change mitigation at the heart of our strategy



We recognise that climate change and the energy transition have become key drivers for the global economy and for our business. That is why we have categorised climate risk as a Principal Strategic Risk and why climate change considerations increasingly influence our strategic thinking, risk management processes, and operations on a day-to-day basis.

Our processes for identifying and assessing climate-related risks are built on our increasing awareness of the nature of these risks. Led by the Board, the Sustainability & Safety Committee and the Audit & Risk Committee, we have worked diligently over the past 18 months to ensure that the challenges presented by climate change are being communicated across our company.

We now consider each of the two categories of climate-related risk – transition risk (inclusive of litigation risk) and physical risk – in our ERM programme. We are enhancing our understanding of the specific risks we face in each category and their potential impact on our business by enlisting the support of third-party experts, Wood Mackenzie and JS Global, including in developing this TCFD report. Our general approach to ERM is described elsewhere in our 2021 Annual Report, while details of the climate-related risks we have identified are set out under the Strategy pillar of this TCFD disclosure.

At the strategic level, we are using scenario analysis to assess climate-related risks and test the resilience of our portfolio under a number of possible future global warming scenarios. This work shows that from a commercial commodity price perspective our portfolio remains resilient even under the IEA's NZE scenario.

Alongside our scenario analysis work, we are engaging with regulators and policy makers in the United States at both the state and federal levels to help us identify and assess specific risks to our business from existing and anticipated environmental and financial regulation and from other policy measures. We also draw on the expertise of industry bodies and trade associations, the views of our investors and other stakeholders, and the approaches taken by our peers.

This analysis forms the basis for our decision-making about the way we manage climate-related risk and is an integral part of the work of the Audit & Risk Committee which, during 2021, has sought to strengthen controls and risk management processes in relation to our Principal Risks. This work now underpins our strategy to reduce our climate impact, our new and ambitious methane emission intensity reduction targets, our 2040 net zero goal, and our decision to expand our climate risk reporting by aligning more fully with the TCFD framework. It has also helped to establish the business case for significant expansion of our methane emission detection, data collection and mitigation activities, including accelerated retirement of unproductive wells.

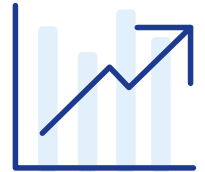
The initial investment of \$15 million we have announced for emission reduction and environmental stewardship projects in 2022 will include: engaging a third-party consultant to help formalise our net zero plan; installing air compression capability for pneumatic devices; implementing an aerial surveillance programme to help detect fugitive emissions; obtaining third-party verification of our greenhouse gas emissions; and expanding our asset retirement programme. These measures are in addition to our existing Smarter Asset Management and well retirement initiatives.

\$15 million

**INITIAL INVESTMENT IN 2022
FOR EMISSIONS REDUCTION AND
ENVIRONMENTAL STEWARDSHIP**



Metrics & targets – identify, improve & monitor



MEASURING METRICS WITH GREATER PRECISION

We use a broad set of macro-economic and other externally derived and determined metrics to assess the climate-related risks and opportunities to our strategy. This assessment includes short-, medium-, and long-term forecasts for the supply and demand for our products, commodity prices, carbon prices, and other costs associated with our business, including those related to our asset retirement programme.

At the same time, since a significant proportion of climate-related risk is tied to the climate impact of our own operations, we collect a comprehensive set of metrics that are material to our performance. These metrics, which include our absolute Scope 1 and Scope 2 greenhouse gas emissions broken down by type and source, and emissions intensity figures are set out in the Performance Data Table included in the Appendix of our Sustainability Report. The relevant data is reproduced in the GHG Emissions table at right. Due to the geographic locations of our assets and the nature of our business model aimed at acquiring and operating existing wells rather than largely developing new wells, we do not consider the scarcity of water to be a material climate-related risk for our company.

In 2021, we made significant progress in improving the accuracy of our emissions measurement calculations and reporting through our Project Fresh initiative. This process has involved developing a methodology for cataloguing more precisely the emissions from pneumatic devices and other emissions-producing equipment rather than relying on standard emissions

factors. This more precise approach has shown that our actual emissions are notably lower than the theoretical figures historically calculated and explains the majority of the lower Scope 1 emissions we have been able to report over the past two years. However, our enhanced ability to detect leaks using the nearly 600 handheld leak detection devices currently being deployed with our field personnel, as well as through aerial surveillance, has also begun to have an impact, allowing us to respond to and repair our assets more efficiently and give effect to our zero-tolerance policy for unintended natural gas emissions.

Our current and proactive approach to verifying and reducing methane emissions doesn't just meet existing state and federal regulatory requirements as expected but also exceeds those requirements in some cases. The EPA defines a leak as 500 parts per million ("PPM"), yet our high bias for action motivates us to engage in persistent emissions detection efforts and follow-on repair of identified leaks even at much lower levels than 500 PPM. Furthermore, as we assess the EPA's proposed methane emission rules, we are encouraged to know that the monitoring actions which we already perform exceed certain of those potential rules. Our approach also puts us ahead of the goal of the Global Methane Pledge signed at COP26, which commits the world to reducing global methane emissions by 30% from 2020 levels across all industries by 2030.

GHG Emissions ^(a)	Unit	2021	2020 ^(b)
Total Scope 1 and Scope 2 CO₂e^(c)	thousand MT CO ₂ e	1,634	959
Scope 1 Emissions:	thousand MT CO ₂ e	1,631	958
Carbon Dioxide	thousand MT CO ₂ e	841	538
Methane ^(c)	thousand MT CO ₂ e	790	420
Nitrous Oxide	thousand MT CO ₂ e	1	1
Scope 2 Emissions	thousand MT CO ₂ e	3	1
Scope 1 and Scope 2 GHG Emissions Intensity	MT CO ₂ e/MMcfe	3.1	3.8
Scope 1 Methane Emissions Intensity	MT CO ₂ e/MMcfe	1.5	1.6
Methane Emissions Intensity (NGSI)^(d)	%	0.28	0.29
Scope 1 Emissions Attributable to:^(c)			
Flared Hydrocarbons	thousand MT CO ₂ e	–	–
Other Combustion	thousand MT CO ₂ e	870	537
Process Emissions	thousand MT CO ₂ e	65	83
Other Vented Emissions	thousand MT CO ₂ e	295	54
Fugitive Emissions	thousand MT CO ₂ e	402	283

Air Quality ^(a)	Unit	2021	2020 ^(b)
Nitrogen oxide (NOx, excluding N ₂ O)	tonnes	4,435	5,809
Carbon monoxide (CO)	tonnes	3,840	3,451
Sulfur oxide (SOx)	tonnes	–	–
Volatile organic compounds (VOC)	tonnes	437	796
Particulate matter (PM Total)	tonnes	24	15

- (a) Emissions are reported under a modified Intergovernmental Panel on Climate Change ("IPCC") report format for EU investors.
- (b) Amounts have been revised from our previously reported results to include the results of Project Fresh as discussed in more detail in our 2021 Annual Report and in our separately published Sustainability Report. These revisions improve our year-over-year comparability and limit windfall gains in this critical area.
- (c) Uses a global warming potential of 28 for methane.
- (d) Assumes the Natural Gas Sustainability Initiative protocol and calculates methane intensity using methane emissions from Production assets only (therefore, excluding Gathering & Boosting facilities).

BY LAND & BY AIR - MAKING LEAKS RARE



AVO Inspection

'Boots on the ground' well tenders conduct audio-visual-olfactory inspection at every visit to every well site or facility



Remote Leak Detection

Well tenders utilise RMLD and GT44 leak detection devices to capture unintended emissions on well sites and gas pipelines



Aerial Surveillance

Inaugural successful flights support partnership development of multi-year plan of aerial LiDAR surveys, initially focused on Appalachia

EMISSION REDUCTION AMBITIONS



30%
REDUCTION IN METHANE
INTENSITY BY 2026



50%
REDUCTION IN METHANE
INTENSITY BY 2030



**NET ZERO (SCOPE 1
AND 2) GHG EMISSIONS
BY 2040**

SETTING AMBITIOUS EMISSIONS REDUCTION TARGETS

While we are pleased with the progress we are making in lowering our reported and actual emissions, our ambition is to go much further. We have set targets to reduce the methane emissions intensity of our operations over the next eight years: 30% by 2026 and 50% by 2030 (relative to a revised 2020 baseline), with the longer-term goal of achieving net zero Scope 1 and 2 greenhouse gas emissions by 2040. We look forward to providing updates on our progress towards achieving these ambitious goals through our periodic Investor Relations materials and year end reports.

As noted above, we have engaged environmental consultants, Montrose Environmental, to assist us in formalising and publishing our 2040 Net Zero Plan. This engagement will include reaffirming our greenhouse gas baseline emissions, prioritising and managing our emissions reduction projects, exploring opportunities to increase our use of direct greenhouse gas measurement, evaluating technologies available for reducing or eliminating emissions, and assessing our options regarding the generation or purchase of carbon offsets.

In full recognition of increasing investor expectations of climate-conscious corporate actions, we are also continuing to evolve our compensation plans to increasingly tie them to our achievement of ESG and climate-related targets. For instance, in 2020 and for the first time, we ascribed 10% of our Executive Directors' and senior leadership team's short-term incentive plan ("STIP") to an ESG-related performance component. In 2021, we increased the ESG-related STIP element to 25% based on initiatives in climate change, community engagement, enterprise risk mitigation and diversity/inclusion and on quantitative safety targets for TRIR, motor vehicle accidents and third-party ESG ratings. In 2022, our Board further increased this STIP component to 30%, with up to 15% specifically aligned to implementing operational changes and equipment modifications to achieve emissions reductions.

For the first time, in 2022, the Company is also aligning 20% of the Executive Directors' and senior leadership team's long-term incentive plan ("LTIP") specifically to methane intensity reduction targets. The Executive Directors' incentive compensation plans are subject to shareholder approval at the Company's Annual General Meeting in late April 2022.



Forward-Looking Statements

Certain information set forth in this Climate Risk and Resilience Report contains “forward-looking information”. Except for statements of historical fact, the information contained herein constitutes forward-looking statements which are provided to allow potential investors the opportunity to understand management’s beliefs and opinions in respect of the future so that they may use such beliefs and opinions as one factor in evaluating an investment.

These statements are not guarantees of future performance and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause actual performance and financial results in future periods to differ materially from any projections of future performance or result expressed or implied by such forward-looking statements.

Although forward-looking statements contained in this report are based upon what management of Diversified believes are reasonable assumptions, there can be no assurance that these will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Diversified undertakes no obligation to update forward-looking statements if circumstances or management’s estimates or opinions should change except as required by applicable securities laws.

In addition, our climate risk analysis and net zero strategy are under development and the data underlying our analysis remains subject to evolution over time. As a result, we expect certain disclosures made in this report are likely to be amended, updated or restated in the future as the quality and completeness of our data and methodologies continue to improve.

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