



DIVERSIFIED  
energy

2021

SUSTAINABILITY REPORT

Poised  
to Thrive

Through the Energy  
Transition





# About this report

## REPORTING

Diversified Energy Company PLC (“Diversified”, “DEC” or the “Company”) is pleased to share our 2021 Sustainability Report (the “Report”) that presents our recent investment in and performance on material environmental, social and governance (“ESG”) issues which are important to our company and our stakeholders. This Sustainability Report complements our [2021 Annual Report](#) (“Annual Report”) disclosure and provides further details of our environmental and social performance over the past year.

Our team of employee experts, managers and experienced advisers developed this Report, which the Sustainability & Safety Committee of the Board of Directors (“Board” or “the Directors”) subsequently approved. Except where otherwise noted, the scope of this Report comprises all the operations of the Company through the 12-month period ended 31 December 2021.

We are pleased to report that independent third-party, ISOS Group (“ISOS”), has conducted an assurance of our 2021 greenhouse gas emissions (“GHG”), as reflected in ISOS’ assurance statement in the [Appendix](#) herein.

## MATERIALITY

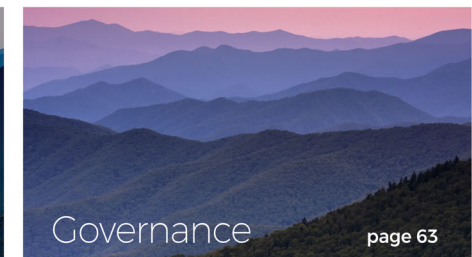
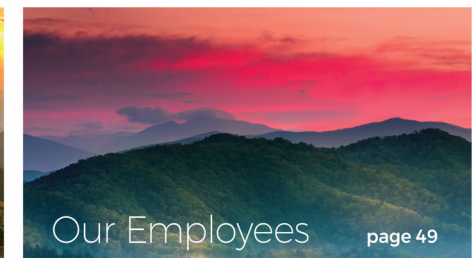
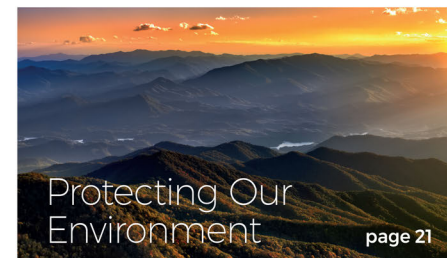
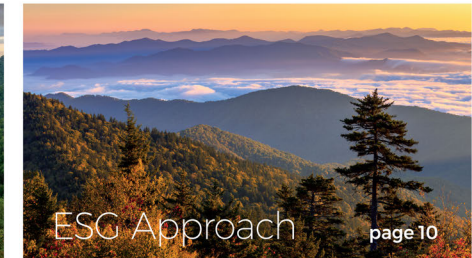
The Report is defined by the topics we believe are the most important to our stakeholders and have the greatest potential to significantly affect our business performance and the communities we serve and support. Many of these topics emerge throughout the year during regular engagements with investors, regulators, business partners, land and mineral owners, the communities in which we operate and other stakeholder groups. During 2021, we reviewed the key issues for the Report and further updated our 2020 stakeholder materiality assessment to help guide this Report’s content.

## FRAMEWORKS

We developed our Report in accordance with the Global Reporting Initiative (“GRI”) Core Standards and the Sustainability Accounting Standards Board (“SASB”), and relied upon the United Nations’ Sustainable Development Goals (“UN SDG”) to inform and shape our approach to managing sustainability activities. Our report includes the recommendations of the Task Force for Climate Related Financial Disclosures (“TCFD”), which is a significant enhancement in TCFD disclosures from our prior year report. Our key findings in response to the recommendations of the TCFD are also summarised in our [2021 Annual Report](#) and covered in full in a separate report entitled [Climate Risk and Resilience Report](#), both of which are available on our [website](#).

We are very pleased with the progress our teams made with our ESG initiatives in 2021, and we thank you for your review of our 2021 Sustainability Report.

We welcome your feedback and invite you to send your comments to: [IR@dgoc.com](mailto:IR@dgoc.com).





# Overview

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# About DEC

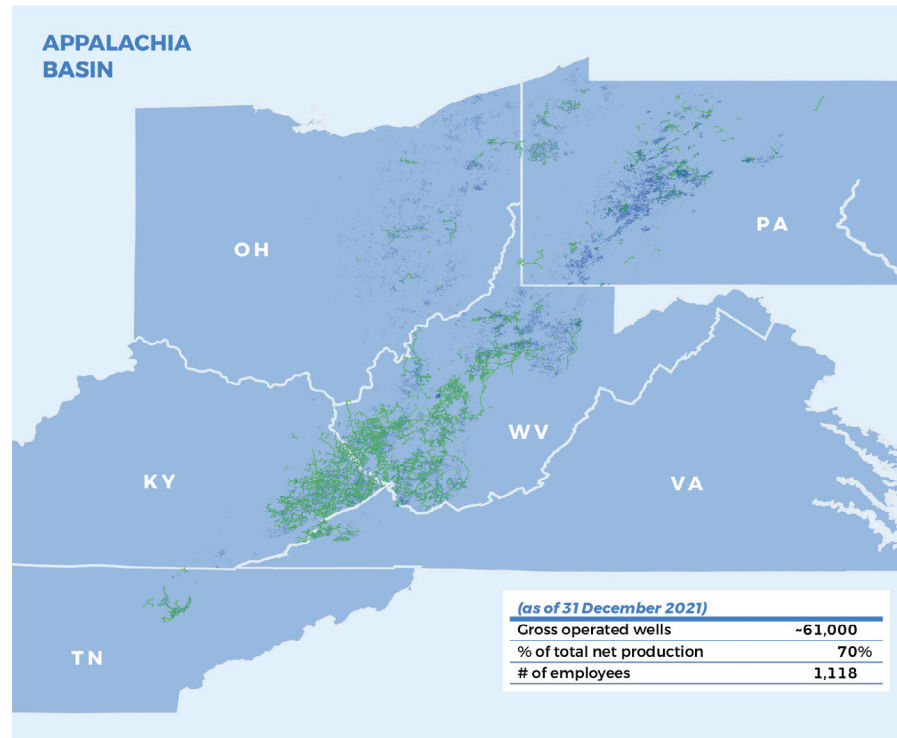
Diversified is an independent owner and operator of primarily natural gas producing wells in multiple onshore regions of the United States (“US”). With environmental stewardship and social responsibility at the core of our strategy and growth, Diversified’s focus since inception is responsible, well-aligned investment and improvement in existing assets while also delivering unparalleled dividends and returns to our stakeholders.

Headquartered in Alabama with operated assets located across nine Appalachian and Central Region states, Diversified produced more than 710 million cubic feet equivalent per day (“MMcfepd”), net, in 2021, or enough production to meet approximately 5.5% of US daily residential natural gas demand.

The largest conventional producer in Appalachia, Diversified is listed on the Main Market of the London Stock Exchange (LSE ticker: DEC), where we are one of the listing’s largest independent energy production companies and a FTSE250 constituent.

## KEY

- UPSTREAM ASSETS
- MIDSTREAM ASSETS
- STATES IN WHICH WE OPERATE



## 2021 FINANCIAL KPIs



**119**  
MBoepd  
NET PRODUCTION



**\$130**  
million  
DIVIDENDS PAID



**774**  
MMBoe  
PDP RESERVES



**\$343**  
million  
ADJUSTED EBITDA, HEDGED



**\$2,530**  
million  
NATURAL GAS AND OIL PROPERTIES, NET



**\$414**  
million  
MIDSTREAM PROPERTIES AND OTHER EQUIPMENT, NET



## Chief executive's statement

When I started this business in 2001 with the purchase of just 35 mature conventional wells in West Virginia, I did so to generate supplemental cash flow for my own family. Twenty years later, my "family" has grown to more than 1,400 hard-working individuals, all dedicated to the same steadfast strategy - to generate cash flow, underpinned by striving to do right by both our stakeholders and the environment. Our daily focus on responsible stewardship of existing assets has enabled our remarkable 20-year growth and allows us to deliver life-sustaining, reliable, affordable and domestically produced energy to our customers while supporting energy security for our nation.

Our differentiated business model, to acquire and optimise existing assets, means that we are poised to thrive in the evolving energy transition and to deploy solutions to industry challenges often overlooked by our peers. Our breadth of experience with and emphasis on responsible stewardship of mature, mid-life assets means that we are perfectly placed to provide reliable, affordable energy to satisfy increasing demands both at home and abroad.

Natural gas is abundant and is increasingly integral to the US energy system. Today, approximately half of homes in the US consume natural gas for their heating requirements and natural gas fuels about one-third of US primary electric power generation. Supported by strong supply fundamentals, natural gas prices remain stable in the US compared with other international markets, essential for supporting long-term US manufacturing and broader economic growth.

We fully believe that natural gas will play a central role in a responsible and reliable energy transition, as the world seeks to decarbonise.

To this end, the US Department of Energy modelled that US gas production will increase by 30% by 2050, to 43.0 trillion cubic feet, while consumption will rise only 15% to 35.4 trillion cubic feet. Via exports, we anticipate this surplus to satisfy increasing international demand of US liquified natural gas ("LNG"). Developing economies will continue to require natural energy resources beyond 2050, which not only underpins long-term demand for responsibly produced US natural gas, but also highlights the longevity of our natural gas business model and answers an important question that we have been asking our stakeholders, "If not Diversified, then who?". We know that our role in the energy transition is not only necessary for the assets we operate, it is a stewardship role that we fully embrace and are committed to achieving excellence in the operation of maturing assets.

In November 2021, we hosted our first ever Capital Markets Day during which we not only provided a deeper dive into our corporate strategy and our expansion into the Central Region, but also shared the significant evolution that Diversified has undergone to mature its approach and to design a comprehensive corporate strategy in which ESG is overtly and broadly considered. Our culture at Diversified supports all aspects of ESG and is demonstrated in our proactive investments in emissions reductions, human capital, risk management, reporting transparency and information technology infrastructure across our operating and corporate functions.

Of utmost significance, our stewardship model and voluntary, daily efforts underpin our zero-tolerance approach to unintended emissions. In 2021, our focused efforts on Project Fresh initiatives led to significant revisions in our reported methane emissions, as demonstrated

in our year over year reductions in methane intensity and detailed within the body of this Report. To further bolster our commitment to reducing emissions, we announced our intent to invest an initial \$15 million in 2022 in additional emission reductions initiatives, including state-of-the-art aerial emission detection, increased asset retirement initiatives, and equipment conversions and replacements. We are increasingly factoring climate considerations into account in our strategic decision-making, including in both our capital allocation and operating expense decisions, and are developing a process to consider a shadow carbon price in our 2022 capital expense considerations.

Our progress to date is a testament to the dedication and hard work from our committed teams, particularly our 'boots on the ground' workforce who make the safety and integrity of our assets a daily priority while also satisfying the energy needs of our local communities, nation and world. I would like to thank our Sustainability & Safety Committee as well as the full Board for their oversight and continued encouragement to align Diversified as a key player in the energy transition puzzle our industry as a whole is currently navigating.

I am immensely proud of our growth journey over the last twenty years and the value that we have generated for all our stakeholders during that time. We have established a solid platform from which to continue responsible growth and stewardship, and I look forward to what the next twenty years and beyond will deliver.



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



"At its core, our business model is a fundamental ESG story. We are a disciplined operator with a proven ability to improve the environmental and operating performance of acquired assets while also investing in our employees and the communities we serve."



# 2021 Sustainability highlights, at a glance

## PATH TO NET ZERO

Announced **Scope 1 methane intensity reduction targets of 30% by 2026 and 50% by 2030** ([page 25](#)) ▶

Accelerated the Company's goal for **net zero Scope 1 and 2 GHG emissions to 2040** (previously 2050) ([page 22](#)) ▶

Significantly expanded proactive emissions detection capabilities with commitment to purchase **600 total handheld detection devices** ([page 16](#)) ▶

Announced partnership with **Bridger Photonics** to implement a multi-year aerial LiDAR programme to enhance and expedite detection of fugitive emissions ([page 28](#)) ▶

Announced **\$15 million planned investment in 2022** to fund the initial projects for emissions reduction goals ([page 28](#)) ▶

Announced partnership with **Montrose Environmental** to formalise Diversified's path to net zero ([page 22](#)) ▶

## EHS IN FOCUS

Obtained an **independent verification of 2021 IPCC-reported Scope 1 and Scope 2 GHG emissions data** ([page 23](#)) ▶

Recognised substantial baseline emissions revisions as a result of a comprehensive **Project Fresh initiative** ([page 25](#)) ▶

Expanded **key field and corporate ESG human capital resources** aimed at improved data gathering & reporting ([page 23](#)) ▶

## SUSTAINABLE OPERATIONS

Expanded **acquisition diligence programme** to include an enhanced GHG emissions screening process ([page 68](#)) ▶

Established a **Business Partners Policy** to help ensure our supply chain and other business partners operate consistent with Diversified values and expectations ([page 54](#)) ▶

Utilised a leading supply chain risk management firm to engage **~500 vendors who recorded a ~23% reduction in their TRIR between 2019-2021** ([page 54](#)) ▶

## OUR EMPLOYEES

Expanded our human resources technology platform to include an **applicant tracking system and company-wide online Performance Management & Goal Setting Platform** ([page 55](#)) ▶

Established an **Employee Relations Policy** defining Diversified's role in prioritising employee well-being while promoting an equal opportunity work environment ([page 55](#)) ▶

Developed an initiative directed at **increasing the awareness of Diversified employment opportunities** in several ethnically diverse locations within our operating footprint ([page 58](#)) ▶



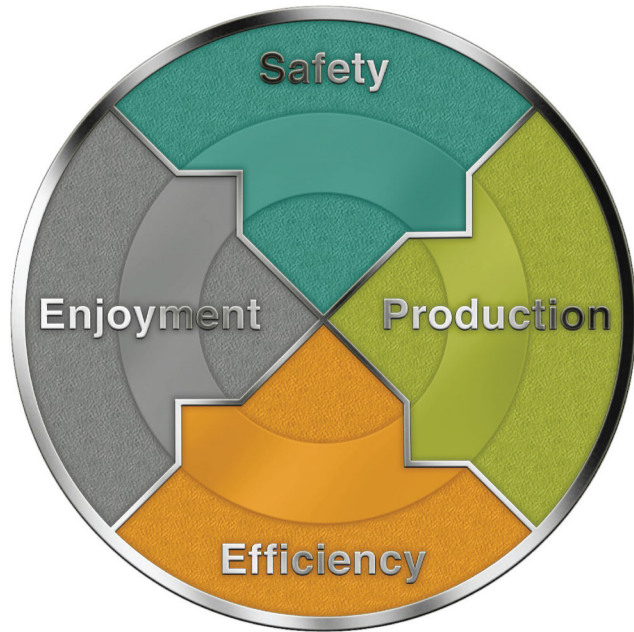


# How we manage our business

## OUR OPERATING GUIDELINES

Our four guiding daily principles are the underlying key to making our 'acquire and operate' business model a proven success. We embrace these guidelines and challenge our employees to make them a priority in their daily work as these principles reflect our foremost commitment to safety as well as our commitment to focused operational results, sustainability and environmental stewardship.

As a long-standing and steadfast aspect of our operations, we have purposefully chosen to keep our original, 'vintage' depiction of our guidelines as a constant reminder that we will continue to adhere to the proven tenets on which we built our company. Every field employee carries this tangible daily reminder on a Challenge Coin - not just as a reminder to do their job well and safely every day, but also of who is counting on them to arrive home safely at the end of the day.



**Safety**  
No Compromises



**Production**  
Every Unit Counts



**Efficiency**  
Every Dollar Counts



**Enjoyment**  
Have fun delivering great results

## OUR SUSTAINABILITY PHILOSOPHY

We fully embrace our role as responsible stewards of the natural resources we manage, the people we employ and the environment in which we operate. We strive to adhere to quality operating standards with a strong focus on the environment, the health and safety of our employees and our local communities.

## OUR ESG COMMITMENT

In line with our company name change and new corporate logo that we announced in November 2021, we introduced our new ESG logo as a constant reminder not only of the expectations we set for ourselves but also to our shareholders that we are listening and taking action. We are committed to identifying, improving and monitoring our ESG practices and impact across all aspects of our company.





# A differentiated model

Our business is unique among US natural gas and oil producers in that we do not actively engage in large-scale, capital-intensive drilling and development programmes which often seek to capture short-term high production and revenue. These traditional development models thereafter seek to divest of mature, low production assets in order to generate more cash for further development while also avoiding the future retirement obligation of those mature wells. Alternatively, our stewardship model focuses on acquiring existing long-life, low terminal decline producing wells, and at times their associated midstream assets, and then efficiently managing the assets to improve or restore production, optimise operations, increase efficiencies and reduce emissions before safely and permanently retiring those assets at the end of their useful lives. Any development in which we do engage is currently limited to occasional contracted well development for other operators or to development in progress at the time of an acquisition which may require programme completion under our ownership. In 2021, we did contract-drill seven wells and elected to complete three wells already underway when we acquired Oklahoma assets from Tapstone Energy Holdings LLC.



## Diversified's low impact upstream model

v.s.



## Alternative large-scale development model

### FOCUS ON STEWARDSHIP

- We acquire low decline, long-life existing production assets
- We optimise production via our Smarter Asset Management Programme ("SAM") to increase efficiencies, improve margins and reduce unintended GHG emissions
- We take a disciplined approach to transportation, seeking synergies and activating initiatives that enhance margin and control of everything we do

### FOCUS ON CASHFLOWS FOR REINVESTMENT

- Acquire leasehold with intent to develop
- High-grade leasehold portfolio to prioritise high return projects
- Create full-scale development plan(s) and drill new wells
- Operate newly drilled wells for a fraction of their total economic lives
- Divest wells for cash to fund additional development and to avoid retirement obligations

## Business Model Attributes

### What makes Diversified's upstream business model unique\*



**Water consumption**  
Negligible

Since we do not actively hydraulically stimulate wells, our water consumption is limited to asset retirement activities and domestic use in our administrative offices.



**Waste production**  
No effluents produced

We do not generate hazardous waste. Wastewater produced during well operation is reused, recycled or injected as per industry standards.



**Flaring**  
None

We do not actively develop new wells which may require flaring, and all existing, producing wells have access to gathering and sales facilities.



**Biodiversity**  
Little to no interference

Original well pad size is governed by the development process, and therefore the previous owner. Well sites are restored to natural conditions following well retirement.

\* excludes occasional contracted well development for other operators or development in progress at time of acquisition

# Benefits of natural gas

Diversified's operations encompass some of our nation's most prolific natural gas formations which have the ability to support energy security for our nation while serving both domestic and global daily energy needs. In fact, the nine states in which the Company operates natural gas assets supplied more than 75% of total US dry natural gas production in 2020. At the same time, the US has among the lowest methane emissions intensity of natural gas and oil producing nations, according to the International Energy Agency's ("IEA") Methane Tracker. Even with the increasing attention on climate change and evolving associated regulatory intervention, no entity has pushed the gas and oil industry harder for environmental stewardship and improvement than the industry itself.

Companies like Diversified are taking steps daily to improve their environmental footprint, particularly as it relates to methane emissions, through innovation, accurate detection and measurement, collaboration and public policy engagement. Diversified and the energy industry recognise not only the numerous benefits of natural gas but also that every molecule captured rather than unintentionally emitted can be processed and sold to both serve the needs of customers and satisfy stakeholder expectations.

All the while, we recognise that natural gas and oil derived products continue to play vital roles in supporting transportation, medical and pharmaceutical, utilities, agricultural, food, clothing, heavy metals, communications and technology industries. Further, natural gas and oil are being used to create "green" materials such as wind power blades, solar panels and light-weight cars while the methane in natural gas is being used to make hydrogen power. So, even while the industry implements new expectations for improving its environmental footprint, the world continues to look to natural gas to support its energy and life-sustaining needs.



## Natural gas is reliable

Extreme weather events have drawn attention to the inherent risks that impact energy security. Natural gas, as an easy-to-store, lower-carbon option, stands out as an optimal candidate to provide an uninterrupted, flexible energy supply during these events. While recent regulatory decisions in certain states to eliminate natural gas from energy supplies have resulted in rolling blackouts, a return to less clean-burning coal to combat extreme winter weather, or over-reliance on technologies not yet ready to robustly support mass energy needs, reliable natural gas continues to be readily available.



## Natural gas is clean

Natural gas is the cleanest-burning hydrocarbon, producing approximately half the carbon dioxide ("CO<sub>2</sub>") and just one-tenth of the air pollutants of coal when burned to generate an equivalent amount of electricity. As natural gas continued to supply more than 35% of the energy required to generate electricity in 2021, CO<sub>2</sub> emissions from the electric power sector remain below the five-year average. Natural gas makes important clean contributions to the transportation sector as well, including the use of LNG as a lower-emissions alternative to diesel and heavy fuel oil in transport.



## Natural gas is efficient

Estimates from the EIA's Annual Energy Outlook 2022 indicate economic and population growth drives longer-term trends in electricity consumption, although the growth is somewhat offset by efficiency improvements. Natural gas has a greater than 90% efficiency rate from wellhead to burnertip, while coal-generated electricity delivers less than half of natural gas' efficiency. Natural gas is easily stored, whether underground or in liquid form. Further, pipelines are not only the safest way to transport gas and oil but also represent an expansive infrastructure on which the industry spends millions of dollars in annual maintenance to ensure the integrity and efficiency of the systems.



## Natural gas is abundant

The abundance of US natural gas resources met 2021 national demand of ~83 billion cubic feet per day (Bcf/d) and still supported global energy needs through exports. The American Gas Association's Potential Gas Committee's latest assessment of the nation's estimated natural gas resource base affirms that year end 2020 technically recoverable resources total 3,368 trillion cubic feet, or enough to meet US energy needs for more than 100 years assuming US natural gas consumption remains at current levels. The Energy Information Administration's ("EIA's") March 2022 Short Term Energy Outlook suggests that US consumption of natural gas will average 84.6 Bcf/d in 2022, up 2% from 2021 due to rising demand in the industrial, residential and commercial. Further, global gas demand was expected to rise by 3.6% in 2021 before easing to an average growth rate of 1.7% over the following three years, according to the IEA's Q3 2021 Gas Market Report. By 2024, global demand is forecast to be up 7% from 2019's pre-pandemic levels.



## Natural gas is affordable

Affordability goes hand in hand with the abundance of US natural gas. Abundant natural gas not only reduces consumers' monthly utility bills but also their total monthly spending when considering the lower cost of consumer goods as a function of manufacturing and transportation sectors that rely upon abundant, affordable and reliable natural gas.

The Build Back Better Act is a \$1.75 trillion package that proposes monumental investments in building a clean future. The clean energy tax credits in Biden's economic plan incentivise clean electricity, electric vehicles, advanced manufacturing, and will spur rapid clean energy deployment, making clean electricity more ubiquitous and more affordable in the near term. Natural gas produces clean electricity, so with the planned growth of electricity as a more reliable energy source, the natural gas industry is positioned to safely and efficiently provide decades of energy supply for the increased electricity demand.





# Our Approach to ESG

## A letter from our VP-ESG & sustainability

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## Meeting stakeholder expectations

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# A letter from our VP-ESG & sustainability

As Vice President of ESG & Sustainability, I am pleased to provide you with a summary of our sustainability and socio-economic efforts during 2021. The Company created this dedicated ESG role to ensure that we continue to meet stakeholders' expectations in developing and enacting comprehensive ESG strategies and in providing robust, transparent disclosures of the same. I hope this Report provides you a fulsome summary of our most recent accomplishments and clear line of sight to our future expectations.

Aligned with our values and priorities and delivered through responsible stewardship and efficient operations, sustainability has always been an integral part of Diversified's DNA. Just as our company has grown through acquisitions during the year so, too, have the desire and commitment of our now more than 1,400 employees to continue driving and delivering meaningful, positive ESG impacts not only for our stakeholders but society at large.

## DESIGNING A CREDIBLE PATHWAY TO NET ZERO

We made solid progress on our 2021 emissions goals primarily through our internally developed Project Fresh initiative which included, in part, bringing to completion our in-depth work to comprehensively inventory our emissions producing assets across our enlarged 10-state footprint. Our asset inventory work and the related data governance process for reporting emissions allowed us to materially reduce the use of theoretical factors in our emissions reporting and instead allowed the use of more accurate actual emissions, which was instrumental in reducing our total 2021 reported emissions. As previously noted, we also engaged the services of ISOS Group to independently verify our reported emissions as evidenced by their assurance letter herein.

As part of Project Fresh, we also identified a number of projects to analyse with an asset specific Marginal Abatement Cost Curve ("MACC") we are developing for our carbon

reduction pathway. We have engaged the expertise of Montrose Environmental ("Montrose"), a leading independent global environmental services consultancy, to work with us in 2022 and over the next few years to develop a strategic and suitable path to meet our net zero goals.

Using Project Fresh as a stepping stone, and as previously announced in November 2021, we recently expanded our inventory of handheld emissions detection equipment which is enhancing our daily efforts to identify, address and reduce unintended fugitive emissions across our entire footprint, and we are equally continuing to progress other stated 2022 emissions reductions initiatives. Collectively, these initiatives will continue to decrease actual emissions in the coming year and well-position us to achieve our commitment of net zero Scope 1 and Scope 2 GHG emissions by 2040.

## SAFE AND SUSTAINABLE OPERATIONS

Our commitment to safe and sustainable operations has been the driver of our daily actions for as long as Diversified has owned assets. This commitment to asset integrity is manifested in our internally developed and well-proven SAM programme which is focused on optimising production and increasing efficiencies and naturally includes a zero-tolerance approach to unintended natural gas emissions.

We approach our zero-tolerance policy for fugitive emissions from three facets. First, our field personnel are trained to detect and repair emissions when found using audio, visual and olfactory ("AVO") inspection. Next, our expanded inventory of more than 600 handheld emissions detectors will further enhance the already positive results of our SAM programme by identifying unintended releases from our operating infrastructure not readily detectable through AVO. Finally, we've entered a multi-year, multi-million dollar partnership with Bridger Photonics ("Bridger") to utilise their

state-of-the art aerial methane emissions location, detection, and quantification services primarily across our midstream footprint to supplement our own in-house capabilities.

## OUR EMPLOYEES

Our greatest asset is undeniably our employees. In 2021, Diversified conducted its first ever Employee Engagement Survey to better inform the Company on potential areas of improvement that would further strengthen our employees' daily experiences. I am pleased to report that we had an overall 82% response rate which we believe is a tremendous response as an inaugural survey which included nearly 1,250 employees from nine states. While all but one of the surveyed topic areas exceeded external benchmarks, with the one area below the benchmark by a single point, we used the survey results to create a cross-functional team that will develop actionable plans for addressing all areas of employee feedback and implementing applicable changes.

As a means of developing the next generation of potential Diversified employees, we continued our scholarship programme for students attending several of our local universities and further welcomed six university students across multiple functional areas as participants in an inaugural Summer Internship Programme. The programme aims to prepare the students for a corporate work experience upon university graduation, and more specifically to provide them with the opportunity to gain valuable insights into our own business and industry. The overwhelming positive feedback from our interns supports our desire to continue, and even expand, the programme in the years ahead.

## NEXT STEPS

As promised in 2020, we are pleased to include in our 2021 reporting an expanded set of disclosures related to the recommendations of the TCFD. Beyond a detailed discussion of the Company's risks and opportunities



*"Aligned with our values and priorities and delivered through responsible stewardship and efficient operations, sustainability has always been an integral part of Diversified's DNA."*

associated with a transition to a lower-carbon economy, our robust climate scenario analysis revealed that our portfolio remains resilient even under the most aggressive net zero emissions scenario. We are certainly encouraged by these findings and will use the results of the complete analysis to inform our path forward in the energy transition.

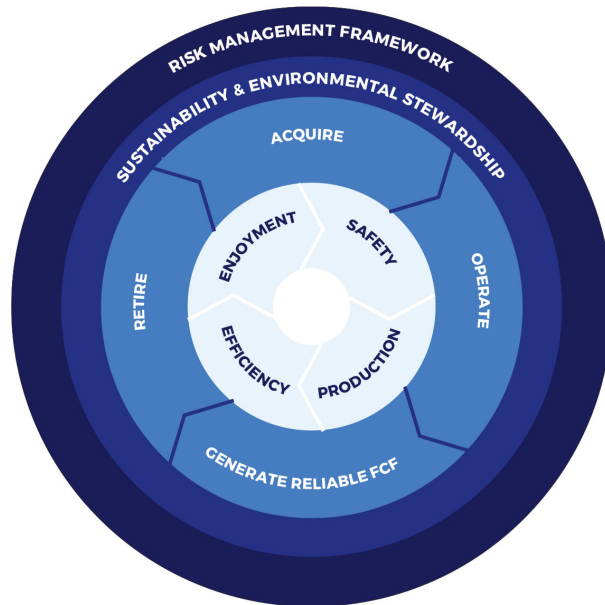
As we continue to navigate the ever changing corporate expectations for energy providers, we do so confidently, knowing that companies like Diversified will play critically important roles in the ongoing energy transition. We are excited to take the next step in advancing our commitment to improving our environmental performance and driving real, long-term value for the environment, our current stakeholders and future generations.

*Teresa B. Odom*

**TERESA B. ODOM**  
Vice President-ESG & Sustainability



# Sustainability in our strategy



## Acquire

### Our Strategy Through an ESG Lens

We apply extensive environmental, social, land and legal due diligence when acquiring natural gas and oil assets and, as applicable, seek to retain personnel from the seller given their hands-on knowledge of and familiarity with the assets.

### 2021 Activity

As part of Diversified's Central Region growth, the Company:

- Considered standalone and combined emissions profiles of the acquired assets
- Identified opportunities within the Central Region to reduce emissions intensity
- Welcomed ~300 new members to the Diversified family
- Considered risks and capital requirements of remedial operational and emissions reduction activities as well as future plugging liabilities



## Retire

### Our Strategy Through an ESG Lens

Through the carefully planned and state-monitored actions of our well-defined, safe and systematic well retirement programme, we permanently retire end of life wells and eliminate any potential associated emissions.

### 2021 Activity

During the year, the Company:

- Safely retired 136 wells, exceeding the regulatory requirement of 80 wells
- Formed an internal West Virginia asset retirement team
- Commenced formation of additional internal asset retirement teams in Pennsylvania and West Virginia
- Completed a successful pilot of modified asset retirement procedures



## Operate

### Our Strategy Through an ESG Lens

Through our SAM programme, we focus on optimising the productivity of both our conventional and unconventional wells and our midstream assets while simultaneously improving their safety, reducing their carbon footprint and proactively working to lower unit operating costs of our portfolio.

### 2021 Activity

During the year, the Company:

- Produced over 710 million cubic feet equivalent per day, net, of natural gas
- Returned 362 consent order wells to production in lieu of retiring
- Completed >6,000 pipeline integrity assessments and enhancements
- Removed 18 compressors, or 10,625 horsepower and 53,356 carbon dioxide equivalent ("CO<sub>2</sub>e") reported emissions from our upstream and midstream operations



## Generate Reliable Free Cash Flow

### Our Strategy Through an ESG Lens

We have a proven track record in establishing low-cost financing solutions and effective hedging strategies that allow us to responsibly operate and generate reliable cash flow that is used, in part, to fund ongoing ESG and sustainability initiatives.

### 2021 Activity

During the year, the Company:

- Paid \$103 million in wages and benefits
- Paid \$49 million in federal, state and local taxes
- Funded \$130 million in dividends
- Funded \$67 million in debt reduction
- Funded \$3 million in asset retirement activities



# The issues that matter most

We periodically conduct a stakeholder materiality assessment to gain a better understanding of both internal and external views on the ESG topics that matter most to our business and corporate strategy. We last conducted this full assessment in 2020 and continue to direct our sustainability and stewardship efforts to those issues identified and summarised in our 2020 reporting.

The 2021 views that are outlined below are based on the feedback of our internal stakeholders of their own understanding of our progress on these issues as well as from their consistent engagement with external stakeholders throughout the course of this year. Specific changes in materiality are outlined in the table below, where the arrows represent directional changes in significance to the relevant stakeholder group. These various ESG topics and issues are referenced throughout this Report, though they may not have dedicated sections, and/or in the Company's [Annual Report](#).

Cluster	Issue	Movement		Commentary
		Changes in Internal Relevance	Changes in External Relevance	
HEALTH AND SAFETY	1 Accident management and prevention	▶	▶	Safety remains a top priority in our daily operations as we place great emphasis on prevention and post-accident learning and improvement to minimise future incidents.
	2 Employee safety	▲	▶	As we actively grew in 2021 we invested considerable focus on enlarging our corporate-wide safety culture. Although our total safety performance did not meet our expectations, we continue to learn from incidents. Our leading indicators, such as "Good Catch" (or, near miss reporting) are increasing in quantity and quality.
	3 Driver safety	▲	▲	Driving safety performance improved in 2021 and we attained our safe driving performance goals, as we invested heavily in driver training initiatives and incentives.
	4 Process safety	▶	▶	We continued to operate without incident at our three gas processing facilities where process safety management programmes are in place.
CLIMATE CHANGE	5 Emissions control and reduction	▲	▲	2021 was a year of significant progress for our emissions management and reduction activities. We set methane intensity reduction goals as well as advanced our target for net zero to 2040. We have committed to investing \$15 million on emission reduction activities, equipment and resources in 2022. Throughout this Report, we detail numerous examples of how we are working towards reducing our emissions profile.
	6 Energy consumption optimisation	▲	▲	During 2021, our efforts to retire or eliminate excess natural gas-fired compression were offset by our entry into the Central Region where compression is prevalent and our SAM efforts to reduce compression have not yet been applied.
	7 Statement on climate change and climate management	▲	▲	As reflected within this Report, we significantly expanded our disclosures relative to the recommendations of the TCFD, established a <a href="#">Climate Change Policy</a> statement, and increasingly include climate considerations in our operating and capital decision-making.
ENVIRONMENTAL MANAGEMENT	8 Incident management and emergency response	▶	▶	In 2021, we continued to experience a minimal amount of spills relative to total volumes handled and incurred no emergency events related to the environment.
	9 Protection of local environment	▶	▶	We proactively and frequently engaged state biologists and other resource offices to ensure protection of biodiversity during our Bradley Pipeline expansion project.
	10 Safe and efficient asset retirement	▲	▲	We continue to maintain open and active dialogue with our states' legislative and regulatory bodies to collaborate on best practices for retirement and closure activities within our operations and the industry. During 2021, we safely and permanently retired 136 wells, exceeding by some 70% our collective state requirements.



Cluster	Issue	Movement		Commentary
		Changes in Internal Relevance	Changes in External Relevance	
RESOURCE MANAGEMENT	11 Water management	▶	▶	We do not actively drill, therefore our water consumption is most often limited to domestic use and well retirement activities. We make every effort to reduce, reuse and recycle produced water.
	12 Waste management	▶	▶	With a business model focused on acquiring and operating existing wells, not actively drilling new wells, our largest waste component is produced water from those wells, which we seek first to recycle else to safely inject into underground disposal wells as per industry standard.
SOCIO-ECONOMIC VALUE CREATION	13 Business model resilience	▶	▶	Our expanded TCFD work during 2021 confirmed our portfolio resilience to even extreme carbon-constrained scenarios as we continue to deliver much needed and demanded energy to our customers.
	14 Access to funding	▶	▶	We continue to seek and secure innovative methods of business financings, including naturally deleveraging securitisations that deliver long-term value creation even in periods where energy financings are difficult to access.
	15 Tax payments to governments	▲	▶	Despite the scope of our operations increasing into Louisiana, Texas and Oklahoma in 2021, and therefore potentially different state and local tax rates and/or reporting requirements, there were no new risks in relation to tax payments to governments.
	16 Local community engagement	▲	▶	We increased our focus on community outreach throughout 2021 with expanded total contributions to municipal and public services, non-profit and charitable organisations and educational systems.
	17 Landowner engagement	▲	▲	With the expansion of our operations over the course of 2021, the number of landowners we engaged with increased by 30% compared to 2020.
OUR EMPLOYEES	18 Effective grievance mechanisms	▶	▶	Diversified is committed to providing an open feedback culture in which employees are encouraged to voice any suggestions or concerns around their working environment. There were no changes to these efforts throughout 2021.
	19 Clearly stated expectations of ethical behaviour	▶	▶	Our <a href="#">Company Values</a> form the basis of our expectations regarding ethical behaviour. Our <a href="#">Anti-Bribery and Corruption Policy</a> adheres to the relevant laws and regulations.
	20 Whistle-blower programme	▶	▶	The Company's <a href="#">Whistleblowing Policy</a> provides guidance as to how individuals can raise concerns and additionally, we have a compliance hotline operated by a third party and available 24 hours a day.
	21 Workplace culture	▶	▶	Our culture is supported by our <a href="#">Company Values</a> as stated in our <a href="#">Corporate Responsibility Policy</a> . In 2021, we carried out a first-ever employee engagement survey as a proactive step to further facilitate an open feedback culture.
	22 Diversity and equal opportunity	▶	▶	In 2021, we continued to strengthen diversity and inclusion by embedding it into our key human resources processes, including applicant tracking and recruitment and staff education.
	23 Employee training, education, performance reviews and development	▲	▶	Personal and professional development remain key employee growth focus areas for Diversified. In 2021, we introduced an additional training module and a corporate-wide performance management and tracking system.
	24 Promote human rights and healthy labour practices	▶	▶	In 2021, we expanded our <a href="#">Human Rights Policy</a> to more comprehensively outline our own commitment to fundamental human rights as well as our expectation of our business partners to the same as reflected in our new <a href="#">Business Partners Policy</a> .

Cluster	Issue	Movement		Commentary
		Changes in Internal Relevance	Changes in External Relevance	
SUPPLIERS AND PARTNERS	25 <b>Joint venture and working interest partner engagement</b>	▲	▲	In 2021, we successfully completed three material joint venture arrangements with Oaktree Capital Management which enables us to grow our Central Region footprint, build scale and drive operational synergies.
	26 <b>Advocacy and industry leadership</b>	▲	▶	Following our expansion into the Central Region, we proactively joined the Louisiana Oil & Gas Association and had a member of the Diversified executive team appointed to the Executive Committee of The Petroleum Alliance of Oklahoma.
	27 <b>Procurement management</b>	▲	▶	We established a <a href="#">Business Partners Policy</a> with respect to our partners' corporate and human rights expectations and appointed a Procurement Manager to lead our efforts to the same to ensure best practices and engagement.
RISK AND COMPLIANCE	28 <b>ESG management</b>	▲	▲	With ESG remaining a top priority for both internal and external stakeholders, Diversified appointed a VP of ESG & Sustainability to shepherd and report on the Company's efforts and engaged in numerous operational initiatives aimed at reducing climate-related risks.
	29 <b>Risk identification, assessments, communication and discipline</b>	▶	▶	Diversified actively reviews and maintains its Enterprise Risk Management controls process, including the 2021 acknowledgement of climate change as a Principal Strategic Risk.
	30 <b>Compliance with state and federal laws and regulations and associated fines</b>	▶	▶	The Company remains compliant with all state and federal laws and regulations, even with Diversified's expansion into a new operating region.
	31 <b>Cybersecurity and data protection protocols</b>	▶	▶	A key priority for both the Company and its stakeholders, Diversified employs a cloud-first technology strategy that eliminates the physical risk exposure of this aspect of our business.




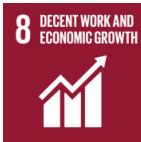












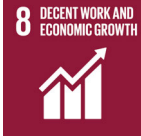


# Our ESG strategy

Our approach to ESG management encompasses consideration of our environmental and social impact as well as our responsibility to conducting business in accordance with the highest standards of governance. Our commitment to sound ESG business practices is underpinned by our [Company Values](#), which guide our daily actions, annual plans, investments, relationships and business strategies.

In addition to our guiding values for ESG management, we also utilise the UN SDGs, which calls on individuals, corporations and governments to work together and toward the ultimate, unified goal of creating a better and more sustainable future for all citizens globally. At Diversified, we challenge ourselves to consider these topics and more when we execute our business model, corporate strategy, daily operations and risk management practices. We believe our business model supports a material contribution to SDG 7-Affordable and Clean Energy, SDG 8-Decent Work and Economic Growth and SDG 9-Industry, Innovation and Infrastructure, and we've identified other SDGs to which our business model aligns yet also provides added opportunity for Diversified to make continuous improvement and contribution. For a more thorough review of the SDGs that are relevant to our business and to which we can contribute, please refer to our [website](#).

The following table outlines the key areas of focus in our approach to ESG management and neatly maps our alignment to the topics identified through our materiality assessment as most relevant to our stakeholders. Further discussion of our commitment to these areas, our most recent results and forward-looking objectives can be found throughout this Report and within our [Annual Report](#).

	Strategic Focus	Commitments	2021 Performance	2022 Objectives	UN SDG
HEALTH AND SAFETY	To keep our employees and local communities safe	We seek to create a zero-harm working environment for our employees and other stakeholders that encounter our operations.	<ul style="list-style-type: none"> <li>- Developed an automated incident tracking tool that monitors lagging and predictive metrics and provides real time access to incident events and trends.</li> <li>- Continued to emphasise our situational awareness programme, Be Where Your Boots Are.</li> <li>- Provided regular safety programmes via various communication channels including podcasts, newsletters and video series.</li> <li>- Utilised safety rewards programme to encourage and recognise safe driving habits.</li> </ul>	<ul style="list-style-type: none"> <li>- Achieve zero preventable incidences in both personal and driver safety</li> <li>- Increase quantity of leading safety indicators</li> <li>- Increase safety training contact hours</li> <li>- Implement targeted safety programmes</li> </ul>	 
CLIMATE CHANGE	To incorporate climate change considerations into strategic decision-making	We recognise the importance of addressing climate change and are committed to reducing the impact of our operations by factoring climate considerations into all business decisions, including acquisitions and divestitures and investments in our processes, equipment and capabilities.	<ul style="list-style-type: none"> <li>- Set Scope 1 methane intensity reduction goals (30% by 2026 and 50% by 2030 vs 2020 revised baseline).</li> <li>- Advanced target for net zero Scope 1 and Scope 2 GHG by 2040.</li> <li>- Approved <a href="#">Climate Change Policy</a>.</li> <li>- Developed emissions screening tool for M&amp;A activity.</li> <li>- Completed Central Region acquisitions that positively impacted consolidated methane intensity.</li> <li>- Pursued proactive, voluntary methane emissions detection and reductions to meet or exceed regulatory requirements.</li> <li>- Purchased 600 total handheld emission detection devices.</li> <li>- Expanded TCFD reporting framework disclosures.</li> </ul>	<ul style="list-style-type: none"> <li>- Continue to implement our stated emission reduction goals and plans with targeted projects</li> <li>- Continue to develop MACC analysis tool to identify projects for advancement from pilot scale to full scale</li> <li>- Pursue responsibly sourced gas accreditation</li> </ul>	  

	Strategic Focus	Commitments	2021 Performance	2022 Objectives	UN SDG	
ENVIRONMENTAL MANAGEMENT	To protect the environment and enable the responsible stewardship of natural resources	Strict environmental and resource stewardship is central to Diversified's operating practices and corporate objectives.	<ul style="list-style-type: none"> <li>- Delivered our stewardship promise through our SAM initiatives.</li> <li>- Expanded Environmental, Health &amp; Safety ("EHS") Policy to incorporate commitment to biodiversity.</li> <li>- Proactively engaged environmental and biodiversity experts during construction of Bradley Pipeline.</li> <li>- Established internal West Virginia asset retirement team.</li> </ul>	<ul style="list-style-type: none"> <li>- Expand asset retirement capabilities in Pennsylvania, West Virginia and Ohio and further explore additional opportunities to benefit Diversified as well as states and fellow operators.</li> <li>- Target annual plugging of at least 200 wells per year, or 2.5x current state agreements, by 2023.</li> <li>- Expand SAM initiatives in Central Region assets.</li> </ul>	 	
RESOURCE MANAGEMENT						 
SOCIO-ECONOMIC VALUE CREATION	To be a responsible corporate citizen, generating social and economic value for all of our stakeholders	We are committed to contributing to the social and economic development of the states where we operate. We aim to create shared value and to develop strong partnerships and meaningful stakeholder engagement.	<ul style="list-style-type: none"> <li>- Paid competitive salaries, nearly double the regional average.</li> <li>- Conducted inaugural employee experience survey, achieving an 82% response rate.</li> <li>- Continued two-year Personal Development Programme ("PDP") designed to develop personal and professional skills while driving collaborative corporate and community projects.</li> <li>- Hosted six university seniors as part of our cross-functional Summer Internship Programme.</li> <li>- Paid \$49 million in federal, state and local taxes.</li> </ul>	<ul style="list-style-type: none"> <li>- Invest up to \$2 million for community outreach &amp; support programmes.</li> <li>- Complete PDP programme and assess future applications.</li> <li>- Expand Summer Internship Programme.</li> <li>- Fund scholarships for university students.</li> <li>- Develop framework for tracking employee community volunteers efforts.</li> </ul>	 	
OUR EMPLOYEES						 
RISK AND COMPLIANCE						 
SUPPLIER AND PARTNERS						



# Meeting stakeholder expectations

In compliance with sections 172 ('Section 172') and 414CZA of the UK Companies Act, the Board of Directors of the Company makes the following statement in relation to the year ended 31 December 2021.

Our stakeholders are the many individuals and organisations that are affected by our operations and with whom we seek to proactively and positively engage on a regular basis. We strive to maintain productive, mutually beneficial relationships with each stakeholder group by treating all stakeholders with fairness and respect and by providing timely and effective responses and information. The following table provides a summary of stakeholder engagements from 2021. For more information please refer to our [2021 Annual Report](#).

As the owner and operator of low-risk, low-cost, long-life assets, we naturally make decisions that consider the long-term success of the Company and value creation for our stakeholders. Engaging our stakeholders informs our decision-making, including consideration of our long-term strategic objectives and the activities that support these aims, such as merger and acquisition diligence and the management of climate risk.

Stakeholders	Key Areas of Focus	Action and Engagement
<p><b>EMPLOYEES</b></p> <p>We know our employees are our greatest asset and therefore essential to the Company's success and growth. We recognise the need for a skilled and committed workforce, with a diverse range of experience and perspectives, and we value that diversity and the contribution it affords.</p>	<ul style="list-style-type: none"> <li>- Incident management and emergency response</li> <li>- Process, personal and driver safety</li> <li>- Diversity and equal opportunity policies</li> <li>- Employee training, education, performance reviews and development</li> <li>- Workplace culture</li> </ul>	<p>We conducted our first Employee Experience Survey generating an 82% response rate and providing valuable feedback on opportunities to strengthen future employee engagement and initiatives.</p> <p>As part of our PDP leadership programme, the Board's Non-Executive Director Employee Representative, Ms. Sandra Stash, continued to host cross functional corporate and operational employees and reported to the Board the team's comments on business strategy, corporate culture and remuneration policies. The PDP group shared with management its 2022 recommendations on community outreach initiatives.</p> <p>In 2021, we began using an applicant tracking system to measure the diversity of employment applicants. During the year, 9% of our total applicants were female while 14% of total hires were female.</p>
<p><b>COMMUNITIES</b></p> <p>We actively seek to support sustainable socio-economic development in the communities in which we live and work and aim to minimise any potential negative impacts from our operations.</p> <p>From personal and socio-economic investment to strategic academic and educational support, Diversified's employees engage and serve their local communities through effective partnerships that make a real difference.</p>	<ul style="list-style-type: none"> <li>- Incident management and emergency response</li> <li>- Effective grievance mechanisms</li> <li>- Protection of the local environment</li> <li>- Socio-economic investment</li> <li>- Local hiring</li> </ul>	<p>As part of our community outreach efforts, we provided approximately \$1 million in financial support to numerous organisations, including children's hospitals and welfare services, local food banks and school lunch programmes, educational programmes and municipal services. We proudly supported the US Marine Corps' annual Toys for Tots toy drive across our entire operating footprint through our volunteered time, more than 1,600 donated toys and additional financial resources. We also matched employee contributions to support relief efforts in Kentucky following a damaging tornado to communities within our operating footprint.</p> <p>We not only onboarded approximately 300 new employees through our Central Region acquisitions, but we stood up our first internal plugging team to further strengthen our commitment to asset retirement and therefore our commitment to environmental stewardship.</p>

Stakeholders	Key Areas of Focus	Action and Engagement
<p><b>LAND AND MINERAL OWNERS</b></p> <p>We seek to develop and maintain trusted relationships with our land and mineral owners with the recognition that these relationships are key to our business philosophy and ability to achieve our operational goals.</p>	<ul style="list-style-type: none"> <li>- Royalty payments</li> <li>- Incident management and emergency response</li> <li>- Effective grievance mechanisms</li> <li>- Protection of the local environment</li> </ul>	<p>With the expansion of our operations over the course of 2021, the number of landowners we engaged with increased by 30% compared to 2020. During the year, our employees responded to more than 4,600 enquiries from our land and mineral owners and recorded ~380 personal visits with landowners. We also distributed approximately \$136 million in royalty payments during 2021.</p>
<p><b>EQUITY AND DEBT INVESTORS</b></p> <p>We actively engage with our capital market partners, financial institutions and rating agencies to support a full understanding of our business and progress against our strategic priorities.</p>	<ul style="list-style-type: none"> <li>- Emissions control and reduction</li> <li>- Climate risk and energy transition</li> <li>- Incident management and emergency response</li> <li>- Risk identification, assessments, communication and discipline</li> <li>- Corporate Governance</li> <li>- Financial stability</li> </ul>	<p>The Company regularly provides financial, operational and ESG performance updates to its equity and debt investors. These updates may be in the form of investor relations presentations, RNS announcements, website updates, or direct calls and meetings, inclusive of the CEO, CFO, COO, VP-ESG &amp; Sustainability and/or Board Chairman, as applicable. The Annual General Meeting also provides an opportunity for all shareholders to engage with the Board and Executive Management.</p> <p>The Company's increasing participation in energy conferences, industry events and roadshows has provided added opportunities for discussions with current and potential credit facility lenders and asset-backed securitisation investors particularly interested in Diversified's ESG strategies, activities and results.</p> <p>This year, the Company also held its inaugural Capital Markets Day providing a detailed assessment of the Company's strategic plans and ESG efforts.</p>
<p><b>GOVERNMENTS AND REGULATORS</b></p> <p>We seek to develop and maintain positive relationships and regular dialogue with various stakeholder groups within our federal, state and local governments.</p>	<ul style="list-style-type: none"> <li>- Compliance with state and federal laws and regulations</li> <li>- Tax payment to governments</li> <li>- Safe and efficient asset retirement</li> <li>- Risk identification, assessment, communication and discipline</li> <li>- Protection of the local environment</li> </ul>	<p>Executive and operational management engage with federal, state and local regulators to address legislative, regulatory and operational matters important to our business and our industry.</p> <p>We proactively engage with state regulatory agencies throughout the year to keep them apprised of our well retirement activities and to provide objective and measurable progress indicators. This active engagement was evident during the retirement of 136 wells in 2021.</p> <p>With risk identification and protection of the local environment in mind, ahead of our Bradley Pipeline project, we engaged all applicable federal and state regulatory agencies to ensure transparent dialogue, and we completed all required environmental assessments before commencing the project.</p>



Stakeholders	Key Areas of Focus	Action and Engagement
<p><b>SUPPLIERS AND CUSTOMERS</b></p> <p>Our production is essential to supporting modern life. We work hard to deliver responsibly produced natural gas, natural gas liquids and oil that satisfy regulatory requirements and meet the energy demands of our local communities and customers.</p> <p>We strive to develop strong relationships with our suppliers that are built on trust, transparency and quality products and services.</p>	<ul style="list-style-type: none"> <li>- Incident management and emergency response</li> <li>- Process safety</li> <li>- Procurement management</li> <li>- Access to funding</li> </ul>	<p>We produced and delivered 119 MBoepd during the year with no recorded process or pipeline safety events. Our pipeline public awareness programme provides ongoing information and education to those who interact with our assets or employees.</p> <p>We use local suppliers and vendors in each of the states in which we conduct our operations. We engage the expertise and capability of a leading supply chain risk management firm to continuously screen and monitor contractor safety performance and compliance through stringent operating guidelines.</p> <p>With a network of approximately 500 suppliers, this real-time monitoring helps to ensure our suppliers are providing Diversified with the necessary product and service quality for us to meet the expectations of our stakeholders and supports ongoing agreements with those suppliers who satisfy our safety thresholds.</p>
<p><b>JOINT OPERATING PARTNERS</b></p> <p>As operator, we work on behalf of our industry partners to safely and efficiently manage the assets and deliver our products.</p>	<ul style="list-style-type: none"> <li>- Access to funding</li> <li>- Risk identification, assessment, communication and discipline</li> <li>- Personal and process safety</li> <li>- Accident management and prevention</li> </ul>	<p>We fulfil our responsibility as operator by responsibly managing the well, ensuring payment of related expenses, and promptly distributing the revenues and royalties from the wells' commodity sales.</p>
<p><b>INDUSTRY ASSOCIATIONS</b></p> <p>Recognising the benefit of collective and collaborative efforts, we are actively involved in leadership and other roles in industry associations within the states where we operate.</p>	<ul style="list-style-type: none"> <li>- Incident management and emergency response</li> <li>- Protection of the local environment</li> <li>- Risk identification, assessment, communication and discipline</li> <li>- Business model resilience</li> <li>- Advocacy and industry leadership</li> <li>- Accident management and prevention</li> <li>- Employee safety</li> <li>- Driver safety</li> <li>- Landowner engagement</li> </ul>	<p>Through our active participation and the sharing of operating best practices, technical knowledge and legislation updates, we believe that these associations add value to our business, support our industry at large and protect the interests of our stakeholders. During the year, a member of the Diversified executive team was admitted to the Executive Committee of The Petroleum Alliance of Oklahoma.</p> <p>Our leadership's participation in industry associations includes participation in associations in the states of West Virginia, Virginia, Kentucky, Pennsylvania, Ohio, Oklahoma and Louisiana. We are especially proud of employees' involvement and leadership roles in organisations like the Women's Energy Network of West Virginia which seeks to empower women across the energy value chain.</p>

# Protecting Our Environment

## Designing a credible pathway to net zero

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## GHG emissions and air quality

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## Managing our footprint

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## Task force for climate-related financial disclosures

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# Designing a credible pathway to net zero

Our commitment to lowering our total air emissions is defined in our corporate [Climate Change Policy](#), and this commitment begins with our business model. Our Scope 1 and Scope 2 GHG emissions are primarily the result of operating thousands of mature wells and several hundred compressor facilities located throughout our broadening geographic base. While the CO<sub>2</sub>e emission generated at a single well pad or compressor station each may contribute a trivial amount to Diversified's total GHG emission inventory, it is the aggregate of those wells and facilities that matters. Our emissions reduction plan requires a holistic, long-term approach where all of the details are vital to contributing to the overall reductions. Many activities which are successful in reducing our GHG emissions also beneficially contribute to the reduction of the associated air emissions such as nitrogen oxide, carbon monoxide and VOCs.

The emissions included in this Report are reported under the acceptable standards of a modified Intergovernmental Panel on Climate Change ("IPCC") report format for UK investors. All emissions estimates are calculated using published US Environmental Protection Agency ("EPA") emission factors for all categories, excluding the IPCC-permitted use of best engineering estimates which the Company has applied for pneumatic devices.

Importantly, we engaged an independent third-party expert, ISOS Group, to provide Type 2 moderate assurance in accordance with AA1000 Assurance Standard (v3) on the accuracy and completeness of our 2021 reported Scope 1 and Scope 2 GHG emissions data. ISOS's quantitative and qualitative review and verification included in-depth data testing and interviews with both executive and site-specific company personnel as well as external company consultants used in the compilation of the emissions data.

In our [2020 Sustainability Report](#), we announced our intention to achieve net zero Scope 1 and Scope 2 GHG emissions by 2050. Since that time, we have been diligently working to identify the most appropriate path toward that ambition given our acquisition-focused business model and operational approach to emissions reductions.

We are pleased to announce that our emissions reduction efforts during 2021 and the focused commitment of our Board and our teams have allowed us to advance our net zero ambition to year end 2040. To ensure that our ambitions and strategic plans fully align, we engaged Montrose, a global consultancy, as Program Manager to:

- Review our GHG baseline emissions calculations;
- Prioritise and manage emissions reductions projects;
- Evaluate existing and emerging emissions reduction technologies for best fit to Diversified's goals; and
- Formalise our 2040 net zero plan.

Through the leadership and oversight of our Sustainability & Safety Committee, we are confident that our plans and actions will be focused on business practices that benefit the environment and our stakeholders. In this context, we have also ensured our EHS policies address our commitment to meet or exceed all EHS laws and regulations, and reporting of the same, as specific to every state in which we operate.

## OUR APPROACH TO GHG EMISSIONS

### M&A screening

Understanding the emissions status of target assets and, if purchased, the impact on Diversified's consolidated portfolio of assets along with potential opportunities to reduce emissions post-closing.

### Investments

Proactively investing in people, processes and equipment to drive innovative and relevant emissions reductions.



### Reporting

Exceeding disclosure requirements to provide meaningful data to foster informed decision-making.

### Regulations

Meeting or exceeding regulatory requirements while engaging with industry associations to support natural gas' role in the energy transition.

## 2021 initiatives

Asset integrity is a keen focus for Diversified and our commitment to safety, environmental stewardship and the economic potential of our natural resources. Our asset integrity focus, supported by both our first daily priority of 'Safety-No Compromises' and our Company Value of 'Respecting Environmental Stewardship', includes identifying, repairing and eliminating fugitive emissions - actions which have always been a part of our SAM programme. In the spirit of continuous improvement and transparency, we remain committed to providing additional information on our climate journey including updates on our baseline emissions work and our longer-term GHG emissions reduction plans as first noted in our [2020 Sustainability Report](#).

### BASELINE ACTIVITIES

Using our 2020 GHG emissions as our guideposts, and driven to improve the carbon footprint of our portfolio, we placed significant reduction attention and action in 2021 on pneumatics and fugitive emissions through our comprehensive Project Fresh initiative, an internal process designed to enhance our baseline emissions data through improved pneumatic device inventory and related actuations activity data as well as improved emissions monitoring through utilisation of data warehouse applications. Further, this project also enabled us to identify additional future emissions reductions opportunities in both our upstream and midstream processes.

Importantly, the comprehensive inventory efforts of the initiative allowed us to increase the use of actual measurements in our GHG emissions calculations and therefore reduce the use of outdated, standardised theoretical factors. As such, our IPCC-reported emissions for the vast majority of our pneumatics can now utilise actual measurements where applicable, creating a significantly lower reported emissions result



for these pneumatics versus the US EPA's factor of 13.5 standard cubic feet (scf) per hour. In contrast, negatively inflating certain IPCC-reported emission line items are IPCC guidelines which require the use a methane global warming potential of 28 versus the EPA's equivalent factor of 25 and include vehicle fuel use which is not required to be reported to the EPA.

### Investing in internal expertise

Strong governance and collaborative participation in this project have been key to its success. Under the oversight of our Chief Operating Officer, Brad Gray, and the functional leadership of our Vice President of EHS, Paul Espenan, the project included several cross-functional teams - including both upstream and midstream Field Operations, Information Technology and Finance - all sharing best practices and seeking additional ways to improve processes aimed at reducing absolute emissions.

In recognition of increasingly important and rapidly changing ESG expectations of our stakeholders, we expanded our ESG resources in 2021 by appointing a Vice President of ESG & Sustainability while also increasing our internal expertise within the emissions-focused EHS team. Specifically,



we added critical leak detection and repair ("LDAR") and data analysts who will support our future data gathering and analytics capacity. In total, we now have 26 dedicated and passionate EHS employees with a total annual resource investment of \$3 million and growing.

### Collaborating with external experts

Given the size and scale of our operations, we recognise the importance of working with experts and other well-informed partners to ensure we are defining a credible and meaningful pathway to net zero. The work of our experts includes assurance, net zero strategies and plans, air emissions verification, and expanded reporting under the recommendations of the TCFD framework. When we collaborate with industry experts and groups such as Montrose, The Environmental Partnership and independent producer forums, it allows our groups to share industry best practices, including emission reduction strategies, and helps ensure that our work is relevant and on track. We are especially pleased to include in this Report the results of our GHG emissions verification by ISOS and their related assurance letter which outlines in part their use of the AA1000AS standard to which our disclosures have been tested.





## BY LAND AND BY AIR - MAKING LEAKS RARE

We have a high bias for action to fix any unintended natural gas emissions, and we do so on a regular basis as our well tenders conduct an average of 100,000+ site visits each month, during which they incorporate AVO inspections at every well site or facility and engage in SAM initiatives to repair and eliminate such emissions. During 2021, we took significant proactive steps to expand our capabilities to detect these emissions by increasing our handheld and remote methane leak detection (“RMLD”) capabilities. The highly advanced capabilities of the RMLD devices allow us to rapidly identify the exact location of methane leaks at levels as low as one part per million (“PPM”) and at a distance of up to 100 feet. Our well tenders make every effort to repair identified leaks during the emissions inspection or as quickly as possible thereafter depending on the type and location of the identified leak.



### Handheld technology - upstream

In 2021, we committed to the purchase of 500 additional GT44 leak detection devices that permit proactive detection for well pads and have the capability of detecting emissions as minute as one PPM, well below the EPA’s leak definition of 500 PPM. Much like our differentiated business model, this proactive stance to place these emissions detection devices into the hands of every well tender makes Diversified unique among operators in the US. The addition of these devices to our arsenal of emissions detection resources helps ensure that we are consistently and aggressively detecting, and more importantly eliminating, natural gas emissions.

### Handheld technology - midstream

We have 356 facilities that are governed by OOOOa (“Quad Oa”) EPA rules where we continue to use these same or similar detection technologies to proactively identify and eliminate unintended emissions of volatile organic compounds (“VOCs”) and methane. Equipment such as valves, pumps and connectors can be a source of VOC emissions, and we control these emissions through an LDAR programme and by modifying and upgrading the equipment when necessary. We carry out LDAR surveys at regular intervals on our applicable production pads and compressor stations in order to detect methane leaks from the mechanical operations of the facilities. We utilise monitoring equipment as well as AVO inspections to search for any unexpected emissions of natural gas.

### Aerial technology - midstream

In early 2021, Diversified collaborated with Bridger Photonics to conduct two aerial emissions surveillance flights to test the accuracy and effectiveness of this fugitive emission detection application within our Appalachian portfolio. During the field trial, Diversified confirmed that Bridger’s advanced Light Detection and Ranging (“LiDAR”) technology detected emissions well below the EPA-defined leak definition of 500 PPM and further confirmed this technology as highly suitable for emissions detection scans of our midstream assets. Diversified has extended its engagement with Bridger in a multi-year contract to survey the Company’s midstream assets.

### INNOVATIVE EMISSIONS REDUCTION

In 2021, our operations team identified an opportunity to reduce the number of times that certain wells vented to the atmosphere by converting the fluids unloading process in each well from a 2-valve system to a single valve design. In doing so, we reduced the vented emissions on each well by a factor of at least four times. This inexpensive and innovative change by our well tenders at 220 of our well sites resulted in an actual emissions reduction of 18,150 MT CO<sub>2</sub>e, and we continue to evaluate other wells for expanded application.

### COMPRESSION ELIMINATION

Our size and scale along with our team’s experience and knowledge of the assets have allowed us to identify and execute many opportunities to increase production and improve expense management while simultaneously reducing emissions. During 2021, we continued to successfully consolidate our compression assets in the Appalachian Basin and through that effort eliminated 10,625 horsepower of compression and reduced annual emissions by 53,356 metric tonnes of CO<sub>2</sub>e. Collectively, we have now generated \$2 million of direct expense reductions, demonstrating that we can efficiently and effectively run our business while reducing emissions.

# GHG emissions and air quality

## OUR COMMITMENT TO PRECISE GHG EMISSIONS REPORTING

### 2019

Inaugural Sustainability Report incorporating conservative CO<sub>2</sub>e emissions calculations

### 2020

Emissions Reduction Plan focused in part on pneumatic devices and leak detection & repair

### 2021

Project Fresh focused on emissions producing equipment inventory and use of actual measurements

**2019** Our inaugural 2019 Sustainability Report contained the first set of reported GHG emissions information in which we purposefully sought to NOT “understate the potential CO<sub>2</sub> equivalent (“CO<sub>2</sub>e”) emissions produced by our operations.” As outlined in the report, we “chose to utilise conservative estimates in our initial reported calculations” with a commitment to investing in operational and technology platforms that would allow us the opportunity to “improve the precision of our emissions calculations” in future reporting.

**2020** Our drive for improved GHG emissions data precision continued, and we embarked on a significant initiative to reduce methane and carbon emissions. We developed and made significant progress on our internally developed Emissions Reduction Plan, which focused on emissions education, pneumatic devices, leak detection and repair, and innovation and best practices.

In addition to initiating and advancing the Emissions Reduction Plan, we improved the accuracy of our emissions sources related to separators and pneumatic devices. While we made investments and progress towards overall emissions accuracy, driven by our [Company Values](#) of integrity and excellence, we intentionally chose to again be conservative in our emissions reporting estimates in order to not understate potential CO<sub>2</sub>e emissions.

**2021** While we made significant progress in improving equipment inventories following numerous acquisitions, we initiated our internally developed Project Fresh as a measurement-based approach to further refine the precision of our reporting.

The primary objective of Project Fresh was to measure emissions from our producing infrastructure in order to more accurately calculate our actual GHG emissions levels. This measurement-based work highlighted the negative implications of using prescribed, theoretical emissions factors in our calculations as compared to using the actual measurements from the true operations of our assets.

As we anticipated from the Project Fresh work, our 2021 Appalachia emissions were significantly lower when we applied actual measurements as permitted under IPCC European reporting standards versus the application of the US EPA’s dated, theoretical factor methodology. We are pleased with the Project Fresh results we achieved in our emissions calculations and are confident that our improved emissions calculations more accurately reflect our GHG emissions as compared to the intentionally conservative prior years’ reporting.

When considering the impact on our 2021 IPCC-reported emissions, we believe it is appropriate to apply these updated calculations to our 2020 IPCC emissions and therefore to revise our previous IPCC-reported 2020 Appalachia GHG emissions. This revision of our 2020 emissions provides an appropriate comparison of the improvements we achieved in 2021. As such, we are presenting within this Sustainability Report revised 2020 Appalachia emissions figures for comparison to 2021 and, importantly, will base our stated Scope 1 methane intensity reduction targets of 30% by 2026 and 50% by 2030 on our revised 2020 methane intensity.



## 2020 UPDATED EMISSIONS CALCULATIONS

As reflected in our [2020 Sustainability Report](#), our Scope 1 methane emissions intensity factor was 4.2 metric tonnes CO<sub>2</sub>e per million cubic feet equivalent (MT CO<sub>2</sub>e/MMcfe). As noted above, we are achieving more precise reporting for our pneumatic devices by incorporating improved inventory counts and actual actuation counts instead utilising theoretical, calculated emissions factors. Through Project Fresh, we also implemented the use of direct measurement devices on a higher percentage of our compression fleet which allowed us to obtain and utilise significantly more accurate compressor engine fuel usage. This improved engine fuel measurement along with our continued success in eliminating excess capacity compression allowed us to reduce our reported CO<sub>2</sub> emissions in this category in Appalachia by approximately 40%.

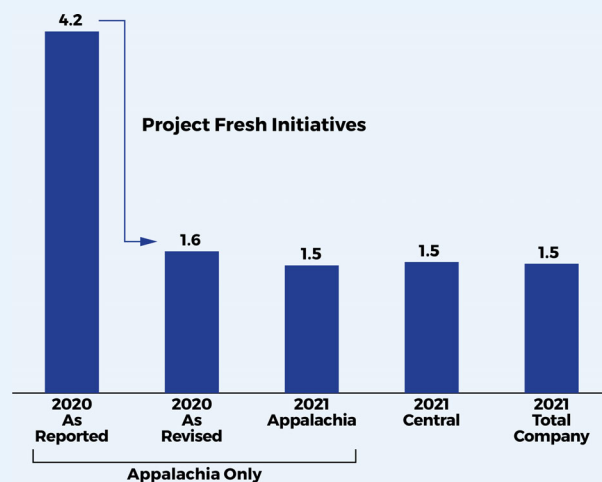
After applying these collective calculation improvements to our previously reported 2020 Appalachia emissions, our methane intensity was revised from 4.2 MT CO<sub>2</sub>e/MMcfe to 1.6 MT CO<sub>2</sub>e/MMcfe, or approximately 60% lower with a corresponding revision in absolute Scope 1 methane emissions (see Figure 1 below). Further, absolute total Scope 1 and Scope 2 GHG emissions declined nearly 50% from 1,883 thousand MT CO<sub>2</sub>e to approximately 958 thousand MT CO<sub>2</sub>e (see Figure 2 below).

## 2021 RESULTS

During 2021, our Scope 1 methane intensity fell, in part, from methane emission elimination projects, improved equipment actuation data, and the retirement or divestiture of certain wells. As a result, on a like-for-like basis when considering only our Appalachia assets, our 2020 revised Scope 1 methane intensity of 1.6 MT CO<sub>2</sub>e/MMcfe fell further in 2021 to 1.5 MT CO<sub>2</sub>e/MMcfe, or approximately 6%. Additionally, absolute total Scope 1 and Scope 2 GHG emissions also declined another 7% to approximately 887 thousand MT CO<sub>2</sub>e.

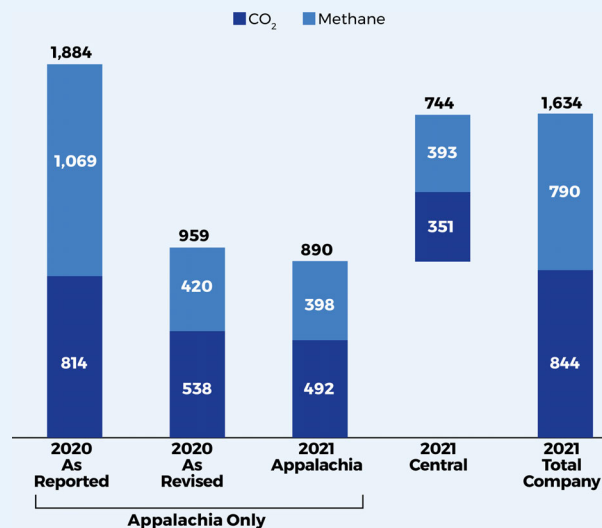
**FIGURE 1**  
**SCOPE 1 METHANE INTENSITY**

(MT CO<sub>2</sub>e/MMcfe)



**FIGURE 2**  
**SCOPE 1 AND SCOPE 2 GHG EMISSIONS**

(thousand MT CO<sub>2</sub>e)



Note: N<sub>2</sub>O is an immaterial component of total emissions and as such not charted above though included in the totals reflected above the bars. Therefore, totals may not sum due to rounding and/or the N<sub>2</sub>O content.

Prior to the 2021 purchase of four Central Region asset packages, and as part of our M&A screening process, we reviewed the emissions footprint of those Central assets and expected them to be accretive to (that is, to be lower than) our 2020 reported 4.2 methane intensity. Having completed our year end analysis and emissions calculations of the Central acquisitions, their methane intensity at year end 2021 is also 1.5 MT CO<sub>2</sub>e/MMcfe, and thus in line with our existing Appalachia assets.

While consolidated operations for combined Appalachia and Central produces a larger absolute Scope 1 and Scope 2 GHG emissions total of 1,634 thousand MT CO<sub>2</sub>e, a consolidated Scope 1 methane intensity of 1.5 in 2021 is an approximate 6% lower than our revised 2020 methane intensity of 1.6. As we move into 2022, we fully expect to apply a similar Project Fresh emphasis to our Central Region assets as well as continued SAM initiatives to drive additional absolute emissions reductions.

Importantly, and as required in emissions reporting as operator of record on 31 December, Diversified reports emissions from its acquisitions for the entire calendar year, without regard to the date of purchase or takeover of operational control for the respective transactions. Likewise, and for emissions intensity calculations then, Diversified uses gross production from the acquisition assets for the full calendar year for consistency in periods represented.

Greenhouse Gas Emissions <sup>(a)</sup>	Unit	2021	Revised 2020 <sup>(b)</sup>	2019
<b>Total Scope 1 and Scope 2</b>	thousand MT CO <sub>2</sub> e	1,634	959	2,614
<b>Scope 1 Emissions</b>	thousand MT CO <sub>2</sub> e	1,631	958	2,614
Carbon Dioxide	thousand MT CO <sub>2</sub> e	841	538	446
Methane <sup>(c)</sup>	thousand MT CO <sub>2</sub> e	790	420	2,166
Nitrous Oxide	thousand MT CO <sub>2</sub> e	1	1	1
% Methane	%	48%	44%	83%
<b>Scope 2 Emissions<sup>(c)</sup></b>	thousand MT CO <sub>2</sub> e	3	1	N/A
<b>Scope 1 and Scope 2 GHG Emissions Intensity</b>	MT CO <sub>2</sub> e/MMcfe	3.1	3.8	11.8
<b>Scope 1 Methane Emissions Intensity</b>	MT CO <sub>2</sub> e/MMcfe	1.5	1.6	9.8
<b>Scope 1 Methane Emissions Intensity - NGS<sup>(d)</sup></b>	%	0.28	0.29	2.17
<b>Scope 1 Emissions Attributable to<sup>(e)</sup></b>				
Flared Hydrocarbons	thousand MT CO <sub>2</sub> e	0	0	6
Other Combustion	thousand MT CO <sub>2</sub> e	870	537	456
Process Emissions	thousand MT CO <sub>2</sub> e	65	83	205
Other Vented Emissions	thousand MT CO <sub>2</sub> e	295	54	1,398
Fugitive Emissions	thousand MT CO <sub>2</sub> e	402	283	550

Note: totals may not sum due to rounding

- (a) Emissions are reported under a modified Intergovernmental Panel on Climate Change report format for EU investors.
- (b) Emissions data for 2020 has been revised to incorporate the impacts of 2021 Project Fresh initiatives and to improve year-over-year comparability; data for 2019 has not been revised from its originally published figures.
- (c) Assumes global warming potential (GWP) of 28 for methane.
- (d) Assumes the Natural Gas Sustainability Initiative (NGSI) protocol and calculates methane intensity using methane emissions from Production assets only (therefore, excluding Gathering & Boosting facilities).
- (e) Represents SASB reporting classifications.

Disclaimer: GHG emissions results were calculated per IPCC reporting guidance, which permits best engineering estimates for certain emissions metrics and which may vary from the prescriptive measures applied under US EPA reporting standards. The information and data contained in these calculations were accurate, to the best of our knowledge, at the time they were generated. If new data or corrections to existing data are discovered, the Company may resubmit updated data as permitted and in accordance with industry standards and expectations. Such resubmissions will be posted to our website and may take place without notice.





Our Scope 2 emissions remain an immaterial portion of our total emissions. Akin to our improved data collection efforts in 2021 with regard to our pneumatic inventory, the year-over-year increase in Scope 2 emissions and energy consumption is largely attributable to improved data related to prior year acquisitions as well as the inclusion of additional Scope 2 emissions from our 2021 Central Region acquisitions. During 2021, we consumed 6,866,564 kilowatt hours of energy, with 7% of our total energy sourced from renewables. As we move forward with additional internal projects to convert natural gas compression to electric compression, we can expect to see our total kilowatt hours of consumption and Scope 2 emissions continue to increase with an offsetting decrease to Scope 1 emissions.

## AIR QUALITY

Our adherence to state and federal air quality standards is a critical component of our operations, which are vital to getting our natural gas to market to serve our customers and bring value to our investors. As a result of our direct measurement initiative and the corresponding reduction in fuel gas use, NOx and VOC emissions were reduced in 2021. However, the addition of compressor engines as part of our Central Region acquisitions increased the CO and PM criteria pollutants as compared to the prior period. These criteria pollutants were not assessed for the 2019 reporting period.

Our target and deadline for reductions in these air quality factors are in-line with our daily and expanded GHG and methane emissions ambitions.

Air Quality <sup>(a)</sup>	Unit	2021	Revised 2020 <sup>(b)</sup>	2019
Nitrogen Oxide (NOx, excluding N <sub>2</sub> O)	tonnes	4,435	5,809	N/A
Carbon Monoxide (CO)	tonnes	3,840	3,451	N/A
Sulfur Oxide (SOx)	tonnes	–	–	N/A
Volatile Organic Compounds (VOC)	tonnes	437	796	N/A
Particulate Matter (PM Total)	tonnes	24	15	N/A

<sup>(a)</sup> Emissions are reported under a modified Intergovernmental Panel on Climate Change report format for EU investors.

<sup>(b)</sup> As with 2020 revised emissions data, 2020 air quality data has been revised for comparability purposes to incorporate the impacts of 2021 Project Fresh initiatives.

More Information on our GHG emissions can be found within the Performance Data Table included in the [Appendix](#) of this Report and as posted on our [website](#).

# 2022 commitments

Armed with the results of our independently verified 2021 IPCC-reported emissions, and as a result of our teams' collaborative and comprehensive efforts to identify emissions abatement opportunities, we enter 2022 focused primarily on achieving our stated short- and medium-term goals of 30% and 50% reductions in Scope 1 methane intensity by 2026 and 2030, respectively, while simultaneously working toward long-term reductions in CO<sub>2</sub> and a net zero Scope 1 and Scope 2 GHG emissions position by 2040. We will accomplish these goals, in part, by expanding our SAM initiatives into the Central Region.

As part of these commitments, we recognise the importance of incorporating climate-related risks and opportunities into our strategic and financial planning, including in both operating and capital budgets and activities. To further aid in the accomplishment of our carbon goals, as well as directly related to acquisition and divestiture due diligence work, we plan to develop and utilise a shadow carbon price in our future investment decision processes.

At our inaugural Capital Markets Day in November 2021, we announced our intention to invest \$15 million in 2022 to fund the initial projects of our emissions reduction goals as our work with Montrose to finalise our path to net zero continues. Importantly, our well-established strategic and opportunistic hedging practices provide ongoing protection of our cash flows, therefore help secure the funding for these 2022 capital commitments and those that will follow every year thereafter in pursuit of our ambitions.

## STRATEGIC PARTNERSHIP

Based on the successful field trial of aerial emissions detection with Bridger, and as part of our \$15 million annual initial funding commitment, we are committed to expanding our aerial emissions scanning activities with investments of \$3 million per year for the next three years. In doing so, we will have new and expanded emissions technology resources dedicated to both our upstream and midstream assets. Initially, we will focus our aerial surveillance efforts on the Company's Appalachian operations though we expect to ultimately expand the programme to also cover our assets in the Central Region.

Our investments in additional handheld emissions detection resources and these aerial detection scans collectively support our commitment to perform comprehensive fugitive emissions assessments at all Appalachia wells by mid-2023. These investments are an extension of our proven SAM programme that is entirely focused on operational excellence, stewardship of existing assets and enhanced asset integrity. We continue to evaluate additional emission reduction investment opportunities, and we are committed to documenting and publicly disclosing the results of our detection and repair activities, which is designed to meet or exceed state and federal regulatory requirements.



## 2022 EMISSIONS REDUCTIONS INITIATIVES

**\$3 million**

AIR COMPRESSION FOR PNEUMATIC DEVICES

**\$3 million**

AERIAL LIDAR SURVEILLANCE

**\$3 million**

EXPANDED ASSET RETIREMENT

**\$3 million**

COMPRESSION CONVERSION

**\$1.5 million**

FUGITIVE EMISSION DETECTION

**\$1 million**

ENVIRONMENTAL CONSULTING

**\$0.5 million**

TREE PLANTING/ BIODIVERSITY

# Managing our footprint



“We remain acutely focused on maintaining high environmental management standards, underpinned by our commitment to minimising our environmental impact. Central to this commitment is the emphasis that we place on proactive, voluntary emissions reductions while our those assets are still productive and our approach to asset retirement at the end of assets’ lives, as evidenced by our expanded internal human and technological capabilities in both of these areas during 2021.”

– PAUL ESPENAN, VICE PRESIDENT, EHS

We are committed to protecting the environment through a responsible operations EHS management system made up of three levels; policies, programme documents and field operating procedures. We focus on reducing risks, maintaining compliance and seeking best practices and continuous improvement in all our EHS and operational processes.

By intentional design, our differentiated model allows us to maintain an operations programme that benefits the environment in numerous ways. For instance, because we do not actively participate in large scale development programmes, we do not typically (1) engage in deforestation or habitat and biodiversity disturbance during pad development; (2) use significant amounts of fresh water for hydraulic stimulation; (3) generate significant waste other than typical amounts of produced water which we seek first to reduce or recycle; or (4) materially flare natural gas as our existing wells are connected to nearby gas markets actively seeking to purchase our production.

Through our long-standing SAM programme, we have an active EHS group that daily seeks to increase asset efficiency and integrity, including using multiple methods of emissions detection to locate and promptly repair any identified issues. Further, we proactively established long-term asset retirement agreements with the primary Appalachia states in which we operate and make this a priority for our operations as evidenced by our asset retirement programme serving as a key performance indicator (“KPI”) of our business.

We set for ourselves stringent environmental standards that align to or exceed regulatory requirements. We use external standards and guidelines and proven industry practices to drive our own practices and processes. Within our operations, we are committed to:

- ✓ Reducing GHG emissions
- ✓ Using energy more efficiently
- ✓ Eliminating unnecessary water consumption
- ✓ Reducing waste
- ✓ Preventing spills of hazardous materials
- ✓ Reducing unintended releases of natural gas
- ✓ Safeguarding biodiversity



## SMARTER ASSET MANAGEMENT

We built Diversified to focus on the efficient production and operation of our wells and midstream assets. Through our 'acquire and operate' business model, we acquire reliable, long-life, producing wells that often have not reached their full potential under their former owners. By focusing on our four daily guiding operational principles and actively managing our assets with best practice, innovation and investment, we create significant value for all our stakeholders by efficiently managing the resource our industry has already developed under an alternative, exclusive 'drill and development' business model.

Repairing and eliminating unintended natural gas emissions has always been a part of our SAM programme. Our well tenders conduct some 100,000+ well site visits each month so the opportunities are numerous for us to engage in value-additive SAM initiatives, including scanning for and repairing unintended emissions.

While the upstream and midstream assets we manage play significant roles in differing parts of the natural gas value chain, our daily SAM efforts across our portfolio have always aimed to improve asset safety & integrity and to increase operational efficiency. In doing so, we have intentionally and continuously taken actions directed at reducing unintended natural gas emissions. From Diversified's perspective, captured emissions: (1) eliminate methane discharges, (2) reduce atmospheric impacts, (3) increase production flowing to the sales meter, (4) increase production tax revenues for states and royalties for landowners, (5) provide affordable, reliable energy to meet the energy demands of our customers, and (6) generate reliable cash flow for our investors.

Our expansion into the Central Region in 2021 increased the opportunity set we have in our SAM portfolio. Similar to projects in the Appalachian Basin, we have already taken advantage of opportunities in the Central Region to optimise wellhead compression, optimise contractor expense to improve productivity and profitability, and partner with third-party midstream operators to lower line pressure to further increase productivity.

We see Smarter Asset Management as simply good business: wise stewardship of existing assets and highly aligned with our goals to have a positive environmental and social impact. We recognise that no single improvement to an upstream well or midstream pipeline is too small to matter because small daily improvements across our entire portfolio can lead to significant cumulative gains and added value for our company, our stakeholders and the environment. We are committed to providing quarterly progress updates of these initiatives as part of our SAM emissions detection programme.

For more information on Smarter Asset Management, please refer to our [website](#).

### 2021 ACCOMPLISHMENTS



**26**  
NATURAL  
GAS PIPELINE  
UPGRADED (MILES)



**174**  
WORKOVERS  
COMPLETED



**18**  
COMPRESSORS  
ELIMINATED  
(# OF UNITS)



**10,625**  
COMPRESSORS  
ELIMINATED  
(HORSEPOWER)



**362**  
CONSENT ORDER WELLS  
RETURNED TO PRODUCTION



**176**  
TANKS REMOVED  
OR REPLACED



## SAFE AND SYSTEMATIC WELL RETIREMENT

With safety and environmental stewardship as top priorities, we designed our Safe and Systematic Well Retirement programme to permanently retire wells that have reached the end of their economic lives. The retirement of our predominantly shallow, onshore wells and their small land footprints is far less complex and costly compared to offshore wells with large production platforms and brings with it low environmental and safety risks.

Our current commitment is unmatched - we retire more wells in Appalachia than any other operator. During 2021, we safely and permanently retired 136 wells, exceeding by some 70% our collective state requirements to retire 80 wells in our primary Appalachia states of operation for which we have 10-year (Kentucky, Ohio) and 15-year (Pennsylvania, West Virginia) asset retirement agreements. This well retirement achievement also represented the largest number of wells the Company has retired in a single calendar year, driven largely by the addition of Diversified's first internal plugging team in West Virginia. Our West Virginia team retired 33 wells, exceeding total retirements by our third-party contractors and demonstrating the Company's ability to safely and permanently retire wells at a quicker pace as compared to third-party contract teams and at lower total plugging costs.

The states in which we operate support and value our financial stability and commitment to responsible and safe operations. These cooperative state agreements, underpinned by bonding arrangements in excess of \$13 million, provide the Company with visibility to expected retirement activities to which it earmarks annual funds and further affords the landowners and states active involvement in planning and approving our retirement processes.

### Responsible stewards

Diversified's well retirement programme reflects our solid commitment to a healthy environment, the community and its citizens, and state regulatory authorities. Under the accountability of the Chief Operating Officer and the functional responsibility of the Retirement Operations team, the Company works closely and cooperatively with the landowners, communities and state regulatory agencies to meet or exceed all expectations when retiring wells and restoring the well sites. We are committed to restoring to its natural condition the land on which the former well existed, thereby maximising the future usefulness and benefit of the acreage.

Our retirement process involves carefully planned steps, completed by our experienced team partnered at times with appropriate experts and reviewed by state regulators who ultimately approve the work. We continue to maintain open and active dialogue with our states' legislative and regulatory bodies to collaborate on best practices for retirement and closure activities within the natural gas and oil industry.

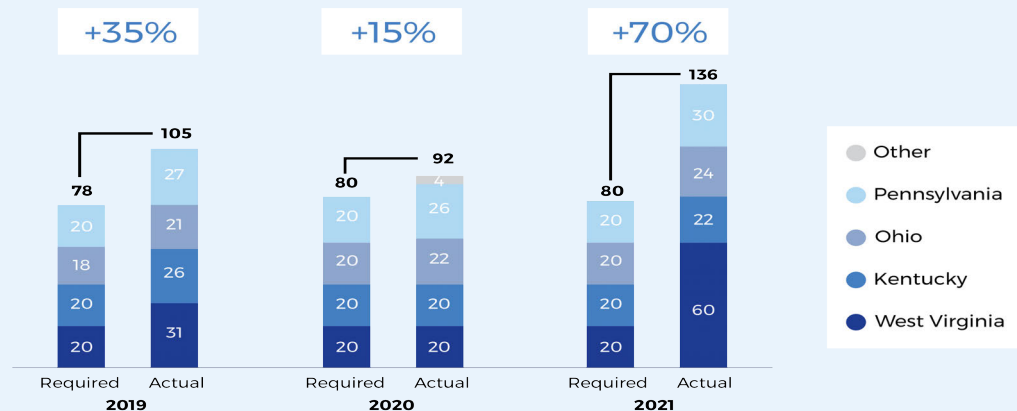
### Strengthening commitments into 2022

Building on the 2021 success of our own central West Virginia retirement team and strengthening our commitment to responsibly retire wells, in 2022 we will be expanding our internal plugging capacity as we seek to stand up two additional Diversified teams, one each in northern West Virginia and southern Pennsylvania. These teams are in addition to our recently announced acquisition of Next LVL Energy, a privately-held Pennsylvanian company with whom we have previously contracted for plugging some of the Company's wells. In this acquisition, Diversified recognised not only the common commitment between our two companies to safety, efficiency, reliability and teamwork but also our own increased ability to control costs of well retirement activities through expanded vertical integration.

Diversified now expects to expand its plugging capabilities to a total of six in-house teams by the end of the second quarter of 2022, well-positioning the Company to meet its stated commitment to retire at least 200 wells per year, or 2.5x current state agreements, by 2023. We will continue to examine other options to not only further increase our own capacity but also to support the plugging activities of our fellow operators as well as the states in which we operate who will be looking for experienced plugging teams to plug their orphaned wells as part of the recently announced US infrastructure bill. As one of the most active well retirement companies in the US, we believe that states partnering with our experience will allow those states to use their allotted funds more efficiently and therefore be able to retire a greater number of orphaned wells.

For more information on our Safe and Systematic Well Retirement Program, please refer to our [website](#).

### WELL RETIREMENT: CONSISTENTLY EXCEEDING REGULATORY REQUIREMENTS



## WATER/WASTE MANAGEMENT

We consider water management a vital aspect of our operations, and frankly an extension of our 'good stewardship' philosophy. As such, we are committed to limiting our use of fresh water to that needed for our daily operations and have adopted responsible management methods to safeguard one of the planet's most precious resources.

Diversified's operating footprint is located within states that qualify primarily as low water stress regions, and in a few limited cases, medium water stress regions, as defined by the World Resources Institute's Aqueduct Water Risk Atlas. We have not incurred any instances of actual water use limitations in the areas in which we operate.

Aside from completing three wells as part of a small 2021 development programme that was already underway at the time we acquired the Central assets, as well as the completion of seven contract-operated wells during the year, Diversified does not actively develop new wells. Therefore, we do not typically withdraw or consume fresh water for any significant drilling or hydraulic stimulation activities, which greatly reduces a material environmental concern experienced by many of our peers who regularly develop.

Our water usage is generally limited to that consumed in our administrative offices and in our well and asset retirement operations. On average, we consume approximately 150 barrels, or 6,300 gallons, of fresh water per retired well to create cement plugs, as per industry standards, in order to safely and permanently retire the wells at the end of their economic lives.

We produce wastewater as part of the natural production process of natural gas and oil wells and manage that produced water in adherence to applicable state regulations. With the 2021 addition of assets in the Central Region, we significantly increased the volumes of produced wastewater we handle, increasing from less than seven thousand barrels of water per day (MBwpd) in 2020 to 59 MBwpd. This increased produced water volume, which is the primary waste in our operations, is directly related to the geologic nature and profile of the unconventional wells in the Central Region as compared to our more mature, conventional asset base across Appalachia.

As of 31 December 2021, we piped 68% of all produced water, including 75% of the Central Region's produced water, thereby eliminating emissions that would have resulted from trucking the produced water to disposal or other facilities.

We make every effort to recycle or sell our produced water in order to eliminate the purchaser's reliance on fresh water to meet their water needs. Where practicable, we supply our produced water to nearby development companies that are drilling and stimulating their new wells.

In doing so, our recycled water reduces the developers' use of fresh water and leaves it available instead for nearby consumer and agricultural uses. In all other instances, where geographically feasible and as part of a safe and long-standing practice in the US natural gas and oil industry, we inject our produced wastewater into disposal wells designed to receive such water.

Category	Unit	2021	2020	2019
<b>Operating regions with high or extremely high water scarcity</b>	%	0	0	0
<b>Water consumption by type:</b>	MBbls	3,019	1,705	51
Municipal water supply	MBbls	54	42	35
Fresh surface water (lakes, rivers, etc)	MBbls	2,965	1,663	16
Fresh groundwater	MBbls	–	–	–
<b>Water consumption by activity:</b>	MBbls	3,019	1,705	51
Domestic use <sup>(a)</sup>	MBbls	54	42	35
Hydraulic stimulation	MBbls	2,944	1,649	–
Well / asset retirement	MBbls	21	14	16
<b>Total water consumed intensity<sup>(b)</sup></b>		0.035	0.040	0.001
<b>Disposition of produced wastewater</b>	MBbls	21,655	2,385	1,770
Injected into approved disposal wells	MBbls	21,054	808	442
Recycled/reused	MBbls	538	333	97
Disposed/sold	MBbls	63	1,244	1,231
<b>Handling of produced wastewater</b>				
Produced water - trucked	%	32	N/A	N/A
Produced water - piped	%	68	N/A	N/A

<sup>(a)</sup> Assumes domestic use of 6.15 gallons per day per employee, as per energy.gov domestic use guidelines, for employees as at year end 31 December for 261 total business days during the period.

<sup>(b)</sup> Total water consumed (MBbl) divided by total annual gross production of natural gas, oil and natural gas liquids (MBoe).

## PROTECTING OUR NATURAL RESOURCES

In June 2021, a team of employees in our Birmingham office volunteered their time cleaning trash from a portion of the Cahaba River, the primary drinking water source for the Birmingham metropolitan service area which serves about one-fifth of Alabama's citizens. The free-flowing river is also one of the most biodiverse waterways in the world as home to more fish species per mile than any other river its size in North America, including 69 rare and imperiled species. A true gem in our own backyard and worthy of protecting!





“In 2021, we experienced a noticeable increase in the volume of reportable spills, principally due to an increase in water handling and existing corrosion in certain of our newly acquired Central Region assets. Throughout 2022, we will be further tightening our efforts to eliminate produced water spills as we look to attain our annual target of zero spills.”

– BOBBY CAYTON, SENIOR VICE PRESIDENT, UPSTREAM OPERATIONS

**SPILL PREVENTION & MANAGEMENT**

Diversified’s exposure to significant environmental incidents from spills of liquid products is minimal given our current production profile of 91% natural gas. Nonetheless, we actively seek to prevent uncontrolled releases of produced crude oil and production water through proper design, appropriate controls and trained personnel.

We take a rigorous approach to managing the potential impacts of a spill of production fluids, which may include natural gas liquids, oil or produced water. Approximately 8% of our total production is natural gas liquids, which are piped and processed at facilities managed by third parties. For the remaining 1% of our production that is subject to oil storage and regulation, we implement practices and processes that are in compliance with the state and federal regulations.

All applicable oil sites are inspected at least on a quarterly basis, as per regulations, though we typically engage in more frequent inspections as part of our wells tenders’ regular site visits. We encourage our well tenders to submit any concerns or potential issues as part of their standard inspection reports, and we discuss these concerns during monthly safety meetings so that we can address them before an incident actually occurs.

Diversified developed its own dashboard application in 2021 to track its spill and near-miss

incidences on these sites in order to develop best practice procedures for preventing potential incidences. In the event of any spill, our senior operations and EHS leadership teams review results with a specific emphasis on root causes and change improvements to mitigate future incidents.

Maintaining the integrity and safety of our facilities is a critical element of managing spill performance. We conduct annual Spill Prevention, Control and Countermeasure (“SPCC”) training and review sessions with our senior management and operational personnel. These sessions are designed to review and update our plans, including addressing potential regulatory changes or changes in our asset portfolio from current year acquisition and/or divestiture activities.

As previously noted, the addition of assets in the Central Region in 2021 significantly increased the volumes of produced water we process. Partly as a result of this increased water handling and corrosion on certain pipeline infrastructure within the Central Region, we did incur an increased volume of reportable water spills during 2021 as compared to the prior year though our total spill intensity rate remains extremely low. As with all spills, our EHS management and senior leadership investigate each incident to identify root causes and then enhance process safety procedures and training as corrective actions to reduce the number of water spills in the future and in line with our zero spill annual goal.



Category	Unit	2021	2020	2019
Total number of reportable spills	#	34	24	31
Oil	#	14	13	24
Produced water	#	20	11	7
Total volume of reportable spills	Bbl	2,564	103	67
Oil	Bbl	304	47	41
Produced water	Bbl	2,260	56	26
Total produced liquids volumes (oil & water)	MBbl	24,627	2,934	2,306
Spill Intensity Rate <sup>(a)</sup>	per MBbl	0.10	0.04	0.03

<sup>(a)</sup> Calculated as total volume of reportable spills for oil and water divided by total gross produced liquids volumes for oil and water.

## BIODIVERSITY AND PROTECTED AREAS

We lease or own a substantial acreage position of more than 8.5 million acres across the Appalachian Basin and Central Region where our assets are situated among remote and urbanised locations on private, state and federal lands. We recognise the intrinsic value of nature and the importance of protecting and conserving the biodiversity and ecosystems within this acreage while also promoting a sustainable business model aimed at providing energy to support society's daily energy needs. We are committed to being a responsible steward of the leasehold and assets we maintain and to conducting our operations in a sustainable manner by minimising our impact and enhancing, where possible, the biodiversity and ecosystems within our footprint.

We routinely engage with the appropriate biodiversity and water management experts within the various municipal, state and federal environmental protection and natural resources departments in our operating area as we strive to work collaboratively with our neighbours and regulators in each of our states. We respect legally designated protected areas, such as national parks and nature reserves, where strict nature conservation is the management objective, and we do not operate in designated World Heritage sites.

Our primary business model is to acquire existing assets where our operation of those assets does not involve significant new development or environmental disturbance. Just as we aim to ensure the optimal production of the wells, we also seek to ensure the area surrounding those well sites is consistently maintained where the biodiversity can thrive. Further, when our wells are no longer productive, we seek to permanently retire the wells and to restore the well sites to their natural condition, proactively engaging with state regulatory agencies and landowners to ensure their satisfaction with our rehabilitation efforts.

From time to time, as part of our synergistic midstream operations, we may extend or build a natural gas gathering or transmission pipeline within our operating footprint. One such example in 2021 was our build out of an approximate 8-mile pipeline in West Virginia to connect our existing Bradley compressor station to a new, preferred sales point. In a deliberate effort to minimise potential environmental disturbances, the pipeline's route used primarily existing access roads, abandoned or active rights of way and areas of previously cleared land. As part of our pre-project diligence, we determined that our pipeline route would involve 12 stream crossings and one temporary wetland and

potentially interact with the habitats of two federally endangered, protected species in the region - the Indiana Bat and Guyandotte River Crayfish.

Abiding by our commitment to avoid or minimise any negative impact on biodiversity throughout the process, we actively engaged all applicable federal and state regulatory agencies, biodiversity experts and surrounding stakeholder groups to ensure open and transparent dialogue and completed all required environmental assessments before commencing the project. Diversified chose an 'avoidance' construction technique at two separate federally listed stream crossings to protect the Guyandotte River Crayfish. Specifically, Diversified requested and received permission to horizontal directional drill beneath one stream that would minimise potential impacts to a delineated freshwater wetland and whose location was within a buffer area for the species. We utilised a company-designed, engineered span for the second stream.

Diversified chose 'avoidance, minimisation and conservation' measures to protect the endangered Indiana Bat as well as the Northern Long Eared Bat from potential impacts. Approved project plans permitted the work to be completed during the seasonal window when the species were not expected to occupy their roosting and foraging habitat. Further permission was granted to fell the minimum number of trees necessary to build the pipeline, and plans are currently underway to replant an equal number of new trees in nearby state or federal wooded lands. Diversified also engaged the services of a specialised grass seeding company to execute enhanced sediment and erosion controls to protect nearby waters while establishing specified seeding. Finally, Diversified hired seasoned consulting companies with experienced staffs of scientists and inspectors to ensure compliance throughout the project with respect to local biodiversity.

While it is the primary responsibility of the EHS department management, under the oversight of the Chief Operations Officer, to oversee operating matters which could have the greatest potential impact to biodiversity, everyone who works for and with Diversified is encouraged to demonstrate responsible behaviours in the management of biodiversity values. It is, therefore, the shared responsibility of all employees at Diversified to conform with our biodiversity commitments and to assist the Company in their implementation. Likewise, we encourage any business partners working with the Company to make the protection and preservation of biodiversity a priority.

To promote a proactive, positive impact on biodiversity, we seek to:

- Ensure compliance with all relevant legislations and statutory codes of practice.
- Align biodiversity initiatives with our business model so that the identification, assessment and management of biodiversity values are considered in our decision-making processes and management systems throughout the lifecycle of sites.
- Utilise a best practice biodiversity risk mitigation process as necessary.
- Protect endangered species and promote the sustainable use of natural resources important to biological diversity.
- Engage in site rehabilitation, as applicable, upon asset retirement.
- Establish constructive relationships and working networks with federal, state and local stakeholders.
- Contribute to industry best practices in the field of biodiversity conservation.



We are proud of our corporate approach to protecting and preserving the wildlife in our operating areas. The pictures shown above were taken by our own Field Foreman and wildlife photographer, Matt Kapinus, and provide a glimpse of the wildlife that flourishes on and near our well sites in Pennsylvania and Ohio.

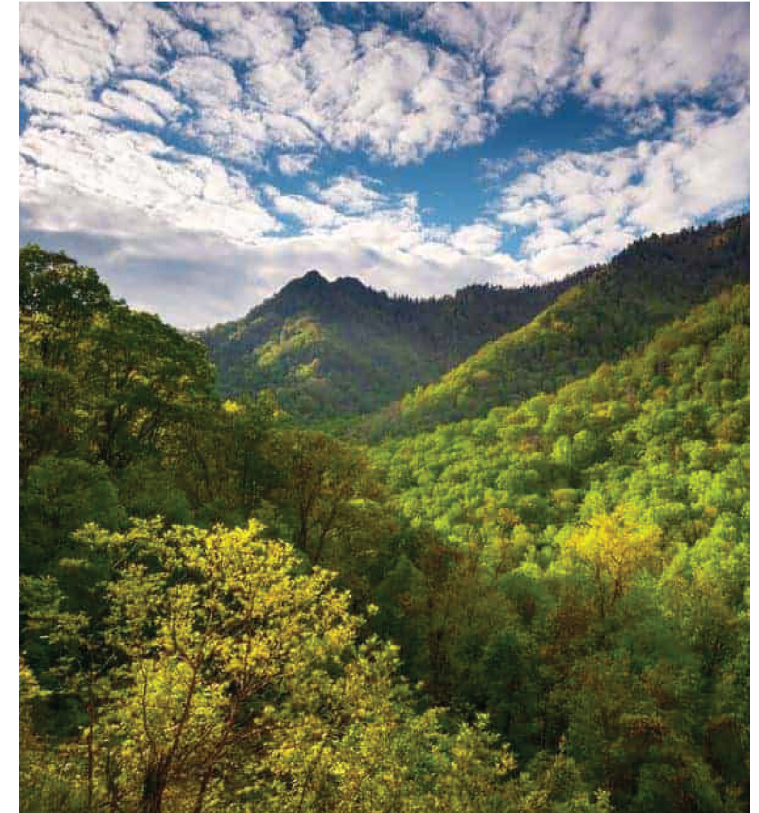


# Task force for climate-related financial disclosures



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

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

– BRAD GRAY, COO

projects and our 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 CO<sub>2</sub>e/ MMcfe)<sup>1</sup> reduction goals of 30% by 2026 and 50% by 2030 versus a revised 2020 baseline<sup>2</sup>;
- 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.

<sup>1</sup> Methane emissions intensity as measured in metric tonnes (“MT”) of carbon dioxide equivalent (“CO<sub>2</sub>e”) per million cubic feet of gas equivalent (“MMcfe”)

<sup>2</sup> Refer to a brief discussion of revised 2020 baseline emissions in our [2021 Annual Report](#) with an expanded discussion herein this 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	<b>Natural gas &amp; oil price outlook</b>	Reduced demand and price outlook for natural gas & oil has the potential to impact portfolio value	Medium - Long	<ul style="list-style-type: none"> <li>- Our portfolio is heavily weighted towards natural gas which is expected to fare better than oil in a carbon constrained future.</li> <li>- Low-cost production provides considerable resilience to lower prices (see Portfolio Resilience section below).</li> </ul>
		<b>Cost of capital</b>	Increased pressure on investors/lenders to reduce exposure to natural gas and oil assets may impact access to capital and increase cost of capital for the sector	Medium - Long	<ul style="list-style-type: none"> <li>- Hedging strategy provides significant protection for cash flows in the short - medium term.</li> <li>- Levels of fixed-rate debt and amortising payments provide significant protection in the short - medium term.</li> <li>- Short investment cycle for the business allows rapid response to changing market conditions.</li> </ul>
	Policy	<b>Cost of carbon</b>	While a direct carbon tax is unlikely in the states where we operate, it is possible that some form of cost could be applied to carbon emissions (including methane) either directly or indirectly	Medium - Long	<ul style="list-style-type: none"> <li>- Implementation of carbon measurement and reduction programmes as well as active LDAR programmes.</li> <li>- Strategy of evaluating acquisition targets which ultimately result in a lowering of portfolio carbon intensity.</li> <li>- Continued focus on cost-efficient operations and SAM initiatives.</li> <li>- Use of shadow carbon price in relation to future acquisition programme and other capital allocation decisions.</li> <li>- Work to create offsets through plugging wells and carbon capture use and storage projects.</li> </ul>
		<b>Well retirement policy</b>	Although well retirement commitments with each of the Appalachia states have been agreed for the medium term, accelerated retirement programmes could be required in the future	Medium - Long	<ul style="list-style-type: none"> <li>- Active participation with regulators regarding natural gas sector well retirement policy.</li> <li>- Existing strategy to retire wells ahead of policy commitments.</li> <li>- 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).</li> </ul>

\* 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	<b>Methane loss reduction</b> 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"> <li>- Enhanced emissions detection using LIDAR equipment and hand held detection devices.</li> <li>- Continuous investment through the SAM programme into repairing and eliminating unintended emissions.</li> </ul>	<ul style="list-style-type: none"> <li>- Demonstrated innovative actions to reduce emissions including retrofitting/elimination of existing equipment.</li> <li>- Accelerated well retirement programme.</li> <li>- Currently evaluating responsibly sourced natural gas certifications, including OGMP 2.0.</li> </ul>
		<b>Low carbon energy costs</b> Reduction in costs associated with low carbon energy technologies drives lower demand for gas and oil	Medium - Long	<ul style="list-style-type: none"> <li>- 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).</li> </ul>	
	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"> <li>- Transparency of emissions and climate risk reporting.</li> <li>- Definition and delivery on climate-related targets.</li> <li>- Ongoing engagement with shareholders, employees, regulators and other key stakeholders.</li> </ul>	
	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"> <li>- We are formalising plans to achieve net zero Scope 1 and 2 GHG emissions by 2040.</li> <li>- Transparent reporting and communication of emissions and climate risks.</li> </ul>	<ul style="list-style-type: none"> <li>- Actively involved with state regulators with a demonstrated and ongoing commitment to meet our obligations.</li> <li>- Strong community support in our operating areas.</li> </ul>
Physical Risk		Extreme weather events like drought, flooding and storm frequency could impact operations and infrastructure	Medium - Long	<ul style="list-style-type: none"> <li>- Business continuity and crisis management plans in place.</li> <li>- All assets are located onshore in the US away from coastal influences and wildfire risk.</li> <li>- Minimal requirement for water consumption in current operations.</li> </ul>	<ul style="list-style-type: none"> <li>- Physically dispersed asset footprint that mitigates any large-scale disruption to production from events such as tornadoes.</li> <li>- Appropriate levels of insurance to mitigate losses.</li> </ul>

\* 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
Opportunities	Market		
	Potential for the generation of carbon offsets related to early retirement of wells	Medium - Long	<ul style="list-style-type: none"> <li>- 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.</li> <li>- 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.</li> </ul>
Technology	Offsetting of Scope 1 & 2 emissions through Carbon Capture, Utilisation and Storage ("CCUS")	Medium - Long	<ul style="list-style-type: none"> <li>- 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.</li> <li>- We currently own gas storage fields, wells and midstream infrastructure which could be used for CCUS.</li> </ul>
	Growth of blue hydrogen market and opportunities for gas resource holders	Long	<ul style="list-style-type: none"> <li>- 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.</li> </ul>
	Utilisation of lower carbon emitting vehicles for production operations	Medium - Long	<ul style="list-style-type: none"> <li>- 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.</li> <li>- 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.</li> </ul>
	Cost reductions associated with emissions and monitoring equipment	Short - Long	<ul style="list-style-type: none"> <li>- 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.</li> <li>- 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.</li> <li>- We are developing a robust marginal abatement cost curve project list which is being advanced through partnership with consultants and technology providers.</li> </ul>

\* 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, ~\$1.33Mcf<sup>3</sup> 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

<sup>3</sup> 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 CO<sub>2</sub> 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.

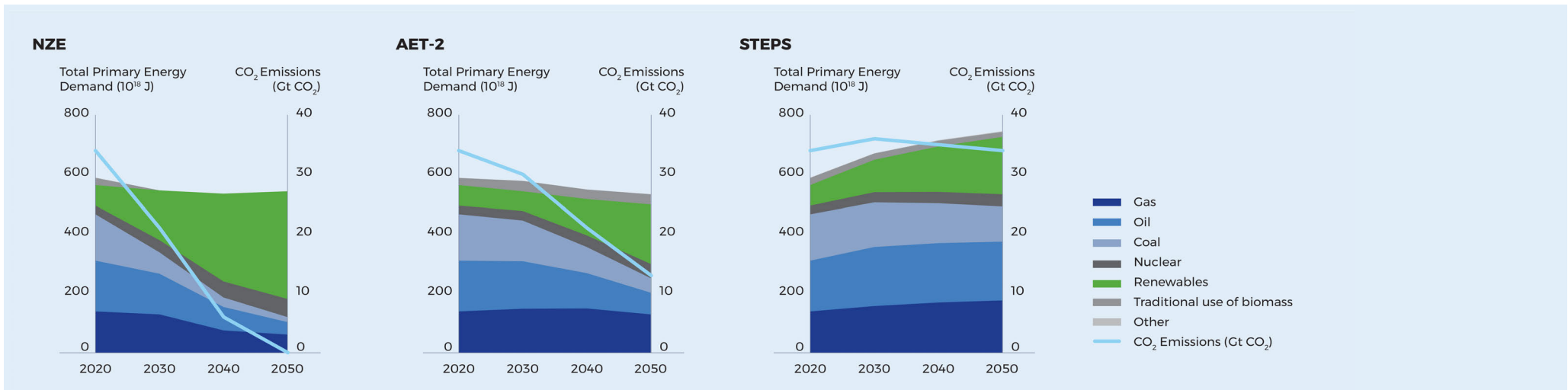
The **NZE scenario** is the IEA’s latest and most aggressive scenario showing a potential pathway for the global energy sector to achieve net zero CO₂ emissions by 2050, with advanced economies reaching net zero emissions in advance of others. The scenario is consistent with limiting the global temperature 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.



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

<sup>5</sup> Based on IEA data from the IEA (2021) World Energy Outlook (“WEO”), [www.iea.org/weo](http://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 forecasts<sup>6</sup>, 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 CO<sub>2</sub> 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 CO<sub>2</sub>e/MMcfe<sup>7</sup>, we would therefore target methane intensities of 1.1 MT CO<sub>2</sub>e/MMcfe by 2026 and 0.8 MT CO<sub>2</sub>e/MMcfe by 2030. In addition, Diversified has set a target to achieve net zero (Scope 1 and 2) for both methane and CO<sub>2</sub><sup>8</sup> by 2040.

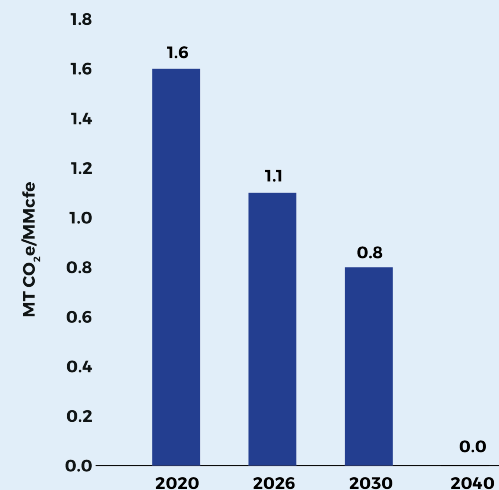
The revised CO<sub>2</sub> emissions intensity for 2020 was 2.1 MT CO<sub>2</sub>/MMcfe. While no interim targets have been set for CO<sub>2</sub> emissions specifically, plans are already being implemented to reduce CO<sub>2</sub> emissions intensity in key areas such as field and pipeline gas compression. 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 CO<sub>2</sub> emissions intensity in Appalachia by 13% and, in combination with the acquisitions in the Central Region, the overall company CO<sub>2</sub> intensity fell from 2.1 CO<sub>2</sub>/MMcfe in 2020 to 1.6 MT CO<sub>2</sub>/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 CO<sub>2</sub>.

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 CO<sub>2</sub> emissions from combustion (compressors, etc.) in our operations. While current and future mitigation activities are also aimed at reducing our CO<sub>2</sub> emissions intensity by 2030 and beyond, it is likely that there would be an additional, as yet undefined, cost associated with CO<sub>2</sub> emissions prior to achieving net zero (Scope 1 and 2) for both methane and CO<sub>2</sub> 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

<sup>6</sup> 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

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

<sup>8</sup> The net zero target also includes N<sub>2</sub>O 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.

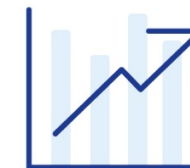
The initial investment of \$15 million we have announced for emission reduction and environmental stewardship projects in 2022 will include: engaging a third-party consultant to help formalise our net zero plan; installing air compression capability for pneumatic devices; implementing an aerial surveillance 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 <sup>(a)</sup>	Unit	2021	2020 <sup>(b)</sup>
<b>Total Scope 1 and Scope 2 CO<sub>2</sub>e<sup>(c)</sup></b>	thousand MT CO <sub>2</sub> e	1,634	959
<b>Scope 1 Emissions:</b>	thousand MT CO <sub>2</sub> e	1,631	958
Carbon Dioxide	thousand MT CO <sub>2</sub> e	841	538
Methane <sup>(c)</sup>	thousand MT CO <sub>2</sub> e	790	420
Nitrous Oxide	thousand MT CO <sub>2</sub> e	1	1
<b>Scope 2 Emissions</b>	thousand MT CO <sub>2</sub> e	3	1
<b>Scope 1 and Scope 2 GHG Emissions Intensity</b>	MT CO <sub>2</sub> e/MMcfe	3.1	3.8
<b>Scope 1 Methane Emissions Intensity</b>	MT CO <sub>2</sub> e/MMcfe	1.5	1.6
<b>Methane Emissions Intensity (NGSI)<sup>(d)</sup></b>	%	0.28	0.29
<b>Scope 1 Emissions Attributable to:<sup>(c)</sup></b>			
Flared Hydrocarbons	thousand MT CO <sub>2</sub> e	–	–
Other Combustion	thousand MT CO <sub>2</sub> e	870	537
Process Emissions	thousand MT CO <sub>2</sub> e	65	83
Other Vented Emissions	thousand MT CO <sub>2</sub> e	295	54
Fugitive Emissions	thousand MT CO <sub>2</sub> e	402	283

Air Quality <sup>(a)</sup>	Unit	2021	2020 <sup>(b)</sup>
Nitrogen oxide (NO <sub>x</sub> , excluding N <sub>2</sub> O)	tonnes	4,435	5,809
Carbon monoxide (CO)	tonnes	3,840	3,451
Sulfur oxide (SO <sub>x</sub> )	tonnes	–	–
Volatile organic compounds (VOC)	tonnes	437	796
Particulate matter (PM Total)	tonnes	24	15

<sup>(a)</sup> Emissions are reported under a modified Intergovernmental Panel on Climate Change ("IPCC") report format for EU investors.

<sup>(b)</sup> 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 herein this Report. These revisions improve our year-over-year comparability and limit windfall gains in this critical area.

<sup>(c)</sup> Uses a global warming potential of 28 for methane.

<sup>(d)</sup> 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 SCOPE 1  
 METHANE INTENSITY BY 2026



**50%**  
 REDUCTION IN SCOPE 1  
 METHANE INTENSITY BY 2030



**NET ZERO (SCOPE 1 AND SCOPE 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.





# Our Employees Make All the Difference

## Health & Safety

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## Human resources governance, policies and management system

[Page 55 >](#)





# Health & Safety

Just as we make the safety of our employees a top priority, as evidenced in our primary daily operating guideline, Safety - No Compromises, we also believe that good business includes improving the safety and integrity of assets we have acquired. Therefore, EHS management remains a top priority as we place significant emphasis on the health and safety of our employees while also demonstrating our commitment to environmental stewardship in the communities in which we live and operate.

Our EHS team is responsible for overseeing all occupational, process and community related health and safety matters as well as environmental considerations including emissions, water and biodiversity management. Our Head of EHS sits on the Company's senior management team and reports directly to the COO. EHS performance is monitored daily, with reports to management often compiled and distributed on a weekly or monthly basis. The Sustainability & Safety Committee also regularly review EHS performance and receives operating updates generally at each of its scheduled committee meetings. More information on the Committee's responsibilities and accountabilities can be found on page 65 of this report.

Our Board and employees have a shared commitment to be good and trusted stewards of the environment, to ensure that our operations meet or exceed all environmental standards and to achieve health and safety excellence. Signed by our CEO, our [Environmental, Health and Safety Policy](#) is guided by the principles of corporate accountability and leadership, risk preparedness, collaboration and transparency. As noted in our new [Business Partners Policy](#), we expect a similar commitment to safety and environmental stewardship from our suppliers and business partners with whom we conduct business.

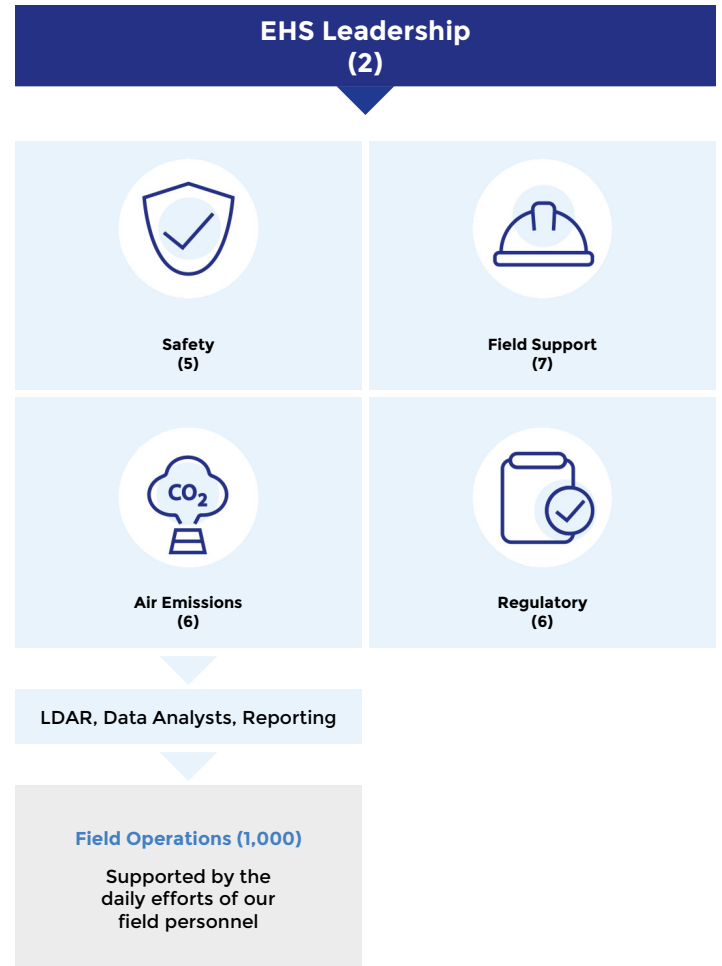
As previously noted, in 2021 we expanded our ESG resources by increasing our internal expertise within our EHS team. Specifically, we added critical LDAR and data analysts that will improve our capacity and data gathering going forward. Our EHS team currently includes 26 dedicated EHS employees with a total annual resource investment in excess of \$3 million and growing.



## ENVIRONMENTAL, HEALTH AND SAFETY POLICY

The foundation for our EHS policy is our [Company Values](#) and is closely aligned to our four daily Operating Guidelines. Our fundamental commitment to safety and the protection of our employees also applies to our contractors, the public and the environment. This policy guides all our activities and will not be compromised in any business endeavour.

## INVESTING IN EMISSIONS-FOCUSED EHS TALENT (26 employees)







## SAFETY AND PREPAREDNESS

We have an experienced and professional workforce; however, we will never allow complacency to have an impact on our safe business practices. During the year we introduced an internally-developed Incident Management System which includes a tracking tool that will help guide us on our targeted path of zero incidents. Among other features, this system tracks to completion all corrective action following an incident.

We continue to place safety at the forefront of every operating practice, whether in the field or in the office. Our EHS team reports directly to the COO and supports company-wide safety and environmental stewardship efforts. This team ensures access to relevant training as both preventive and responsive measures as well as compliance with federal and state safety and environmental standards and regulations.

Our safety culture has intentionally evolved from one of increased education to that of improving accountability. Along that journey we are making sure we are doing everything within our power to help our teams to work safely by also instilling in them responsibility for their actions to themselves and to their teammates. It is our goal that this consistent training and widespread accountability will foster a corporate culture that keeps safety at the forefront of every decision and action.

### Personal safety

A key element to our safety commitment is ensuring we provide protective equipment to all employees to safely and successfully fulfil their daily responsibilities. This safety equipment includes fire-retardant clothing for cold, warm and wet weather conditions, hard hats, eye protection, hearing protection and steel-reinforced footwear. Depending on job requirements, we also issue field employees task-specific safety equipment such as natural gas detection devices. We require all field employees to complete safety and risk mitigation training and continuing education, and they are further trained in first aid and CPR. Field employees are provided monthly training on a variety of safety topics. Weekly operations leadership sessions begin with meaningful conversations about safety leadership and other safety topics. A combination of in-person, computer-based and small group training is provided.

We strive to maintain a zero-harm working environment and remain steadfast in our commitment to always improving safety performance inclusive of every employee, job function and location throughout our footprint. While we are proud that we incurred no safety incidents in Tennessee or Virginia during 2021, nor did we incur any serious injury or health incidents, our Total Recordable Incident Rate ("TRIR") did increase to 1.55, above our 2020 rate of 1.35 and above our 2021 target of 1.33. The higher 2021 TRIR was impacted by a higher frequency of minor incidents during the year.

We recognise that our company and employee base is continuing to grow, yet our commitment to employee safety will not falter. As with any kind of company incident, our senior operations and EHS leadership teams review results with a specific emphasis on root causes and change improvements to mitigate future incidents. These mitigation efforts are shared with all employees, whether new from acquisitions or long-term Diversified employees, to help direct improved company-wide performance in the future. As such, during 2021, we further enhanced our safety communications and instruction. We began full utilisation of our incident reporting applications, which allow rapid response to safety trends. We witnessed a marked improvement in Good Catch near miss reporting, an important leading indicator.

During 2021, every field employee attended a safety crossroads training that focuses on the psychology of working safely, how to avoid distractions and the risks of an auto-pilot mindset which can all be causes of incidents.

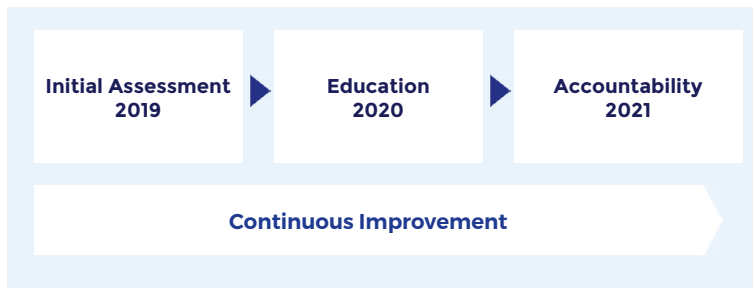
We also continued to expand our situational awareness programme 'Be Where Your Boots Are' which emphasises acute mental focus on the task at hand, work cessation when distracted, and strong pre-hazard identification and communication. We believe these training programmes will positively impact our safety record in future periods.

Additionally, we utilise a variety of media and online communication platforms such as video series, newsletters and podcasts to present numerous safety programmes which are available to all employees on our internal intranet. Of particular interest and receiving great feedback from our employees, the podcasts now number more than 30 episodes and frequently feature speakers from various functions around the Company in an effort to remind all employees in any job function of our number one daily priority - safety.

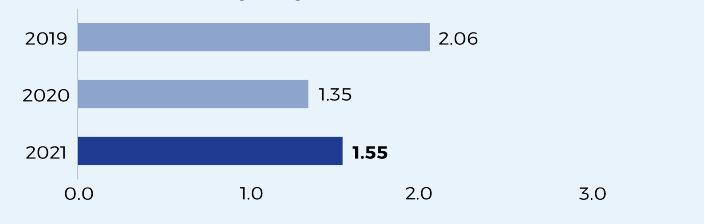
**Definition:** Total Recordable Incident Rate (TRIR) is defined as the number of work-related injuries per 100 full-time employees during a one-year period. The goal of our occupational health and safety programme is to foster a safe and healthy environment for employees and other stakeholders that encounter our operations.

**Relevance:** Health and safety is a top priority for Diversified and underscores our operating performance, as evidenced by our daily operational goals promoting "Safety First". We seek to create a zero-harm working environment.

### EVOLUTION OF DIVERSIFIED'S SAFETY CULTURE



### PERSONAL SAFETY (TRIR)



### Process safety

We have an unwavering commitment to helping protect our people, the community and the environment by seeking to prevent and manage the potential risks inherent to our operations.

Process safety, as measured by asset integrity, is the ability of our physical assets to perform their required function effectively while safeguarding human life and the environment. Process safety starts at the early design phase of building facilities and continues throughout their life cycle, making sure they are operated safely, well maintained and inspected regularly to identify and eliminate any potential process safety hazards. For Diversified, since we do not generally build new facilities but rather acquire existing facilities, process safety encompasses the ongoing investment of financial and human capital focused on the prevention and mitigation of unplanned releases which may create environmental impacts.

Certain Diversified midstream facilities are regulated as Occupational Health and Safety ("OSHA") defined Process Safety Management facilities and therefore subject to well-defined safety processes. To ensure we minimise the number of process safety incidents across all our facilities, we continue to provide our personnel with the best possible training, follow rigorous and disciplined operating procedures and provide a supportive environment for the reporting of any incidents which may occur.

We are proud of our ongoing safety record and are pleased to report that we once again recorded no process safety incidents for our operations during 2021.

### Pipeline safety

Diversified operates gathering, transmission, and natural gas storage facilities subject to both federal and state pipeline safety codes. Our operations and maintenance plans are the defining guidelines utilised to functionally categorise our assets for regulatory purposes and to define required maintenance and related work frequencies. These plans include elements of asset design, material specifications, construction requirements, operation and ongoing facility inspection and repair criteria. We design our operations and maintenance procedures to meet or exceed required maintenance guidelines, as reflected in our successful agency compliance audits (charted below).

Our pipelines are classified for regulatory purposes based on their geographic location and proximity to other structures or population densities, with specific emphasis on areas of higher consequence of potential failure, for example in areas of higher population densities. Our transmission integrity management procedures identify relevant operational actions to ensure we meet required, and even enhanced, safety measures.

Diversified provides employee training and defines evaluation criteria for our workforce through our operator qualification programme. The programme provides guidelines to assess and evaluate the individual knowledge, skill and abilities of employees who perform safety sensitive work tasks on our regulated assets. We have a strict control room management system which provides additional code-related and company-defined actions to ensure enhanced safety measures pertaining to assets which are monitored and remotely controlled by our Gas Control Team. Additionally, the programme

provides guidance for managing personnel training and controller fatigue.

Our public awareness programme provides ongoing information and education to several stakeholder groups who may interact with our operations employees or assets during routine operations or in the event of emergency situations. Those groups include the general public, first responders, public officials and excavators.

Diversified engages routinely with state auditors and typically annually with Pipeline and Hazardous Materials Safety Administration ("PHSMA") federal regulators to evaluate both the programmatic and performance components of our pipeline safety programme.

### Driver safety

With more than 1,000 employees on the road each day, road safety awareness and safe driving are of paramount importance to us - not just for our own employees but also for those with whom we share the road. Given the geographic expansiveness of our producing-well portfolio and midstream infrastructure throughout our Appalachian and Central operating areas, we utilise a large mobile fleet of vehicles to access our assets. As such, our well tenders and other field employees can spend a significant portion of their day driving in their vehicles.

We continually strive to gain efficiencies in service routes, employee time and vehicle use by maximising the geographic coverage efficiency of our production employees' areas of responsibility, which results in less miles driven and lower vehicle emissions. As a company that does not compromise on safety, our vehicles are an

important and necessary asset for effective operations and represent a significant investment for us. Our goal is ZERO preventable motor vehicle accidents ("MVA").

Our preventable MVA rate (or, preventable motor vehicle accident rate per million miles driven) saw a material improvement in 2021 at 0.72 accidents per million miles driven. We are exceptionally proud of this accomplishment given the 18.1 million miles logged by our employees during the course of the year. The improvement in the MVA rate is, in part, attributed to the dedicated training modules the Company put in place and the mandatory driver safety training requirements for drivers involved in any safety incident.

As part of the Company's efforts to encourage safe-driving habits, we created the Safe Passages recognition programme to incentivise and reward employees that achieve an accident-free driving record during the year. We are proud to report that 98% of eligible employees received the Safe Passages award for calendar year 2021.

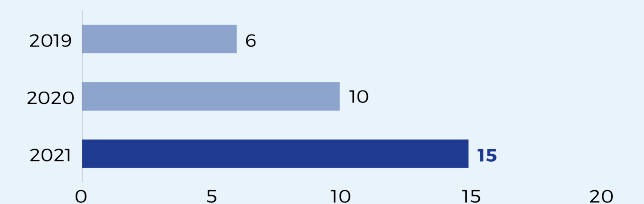
**Definition:** The preventable Motor Vehicle Accident (MVA) rate reflects the rate of preventable accidents that occurred during the year per million miles driven by our field personnel and is useful for tracking and comparing vehicle safety performance over time. Our goal is zero preventable vehicle incidents.

**Relevance:** Road safety awareness and safe driving are of paramount importance to us. Given our expansive asset portfolio across the Appalachian Basin and Central Region, our well tenders and other field employees can spend a significant portion of their day driving.

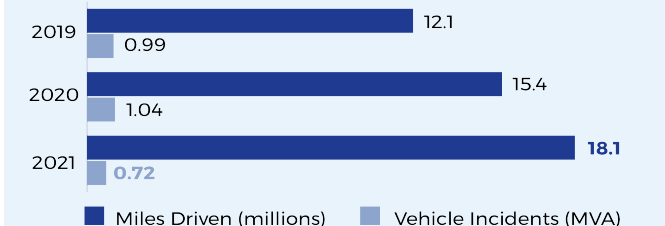
### PROCESS SAFETY EVENTS



### PIPELINE SAFETY COMPLIANCE AUDITS



### DRIVER SAFETY (MVA)





“As the Company has grown, we have worked diligently to continue positioning Diversified in a minimised risk environment. We recognise that formalised, proper planning for potential unfortunate situations or incidents is our best defense. We have a dynamic, executable strategy that will serve our company well should an unfortunate event occur.”

– JAY TRIMM, DIRECTOR, RISK MANAGEMENT

### Emergency preparedness

Due to our stringent processes and procedures, we are prepared to quickly and effectively respond to an array of emergency events including operational incidents, natural disasters and pandemics. Our emergency response plans identify these possible scenarios. Our employees are trained to identify and to respond accordingly to incidents based on their size, severity and origination. Central to this training, we conduct worst-case scenario assessments to identify the measures we need to take to respond to potential incidents.

We have a formal Crisis Management Plan (“CMP”) that consists of company-wide guidelines on how to prepare for and respond to emergencies. Our CMP is reviewed twice annually by our senior leadership, and we conduct training events to test the effectiveness of our plans. We recognise that continuous improvement as well as clearly defined roles, responsibilities and resources are essential elements of our preparedness and response plans, and we actively incorporate both simulated and actual lessons learned into our preparedness and future processes. We also have a formal Business Continuity Plan (“BCP”) for our critical business functions to ensure the safety of our employees and other stakeholders impacted by a natural disaster causing a business disruption.

### Crisis Management Plan

The CMP establishes a 12-member, cross-functional team of executives and senior leadership who are responsible for plan maintenance and relevance in identifying potential crises, preparing planned responses to crises, responding to unanticipated events and investigating after recovery for lessons learned and updates to the plan as warranted. These team members, representing all critical areas of operations and management, are charged with leading the overall response to any crisis that may occur. Each member is responsible for ensuring communication of the plan to their respective areas of responsibility and distributing crisis communication guidelines to their personnel.

As a crisis may be regionally concentrated, the team will mobilise local response teams to address a crisis as necessary. Further, the CMP is available on a shared corporate drive accessible by all employees with summarised response protocols for quick reference. Additionally, the CMP includes crisis communication protocols for the designated team spokesperson(s) to communicate necessary information with both internal and external stakeholders.

The CMP team has identified several categories of potential risks and developed responses and communication plans

for each, including but not limited to environmental, personal safety, legal and regulatory, data security, and operational disruptions.

### Business Continuity Plan

The BCP designates a team responsible for plan maintenance and response protocols in the event of a disruption of critical business functions. The team members represent each critical business function, including but not limited to information technology, gas control, risk management, legal, investor relations and finance/accounting, and are each responsible for developing and maintaining a function-specific plan that promptly restores their respective critical business functions in the event of a disruption. The BCP focuses on critical business support areas that could be disrupted by a localised catastrophic event. Operational continuity risk is naturally mitigated by the geographic diversity of operations.

Both our CMP and our BCP are important parts of our corporate risk management strategies. Further, our overall risk management process, which is overseen by our Board of Directors, is important to the success of the Company, and we are committed to our stakeholders to execute our risk management processes with thoroughness and excellence.





## WORKING WITH RESPONSIBLE SUPPLIERS

In line with our own commitment to safe, sustainable and ethical business practices, we also set very high expectations of our partners and the suppliers with whom we engage. We expect our suppliers and partners to adhere to the exacting standards set by our corporate policies, programme documents and operating procedures, that collectively comprise our EHS management system.

During the year, we established a new [Business Partners Policy](#) to help ensure our supply chain and other business partners operate consistent with our values and understand the standards we expect. Our aim is to establish mutually beneficial relationships, and we encourage our Business Partners to set similar expectations with their own external partners. Diversified reserves the right to conduct audits, whether using Diversified or third-party personnel, to assure compliance with our expectations. Additionally, we reserve the right to alter or terminate any professional relationship should any business partner violate, fail to correct, or have a pattern of violating these expectations.

To enable more robust management of our supplier network, which comprised over 500 contractors during 2021, we utilise a leading supply chain risk management firm, Veriforce, to prescreen for contractors with high safety performance records. If accepted into Diversified's contractor network, Veriforce also aids in continuous monitoring of the contractors' performance while working with the Company so that we may remediate any safety performance issues that fall below our expected contractor performance thresholds.

Veriforce also monitors the contractors' ongoing compliance with state and federal operating standards, including compliance with OSHA regulation, modern slavery and human rights, discrimination and other relevant and applicable labour laws in the US. Additionally, we are currently working with Veriforce to raise the standards of ESG compliance by integrating ESG capabilities into our existing screening processes.

Veriforce provides a combination of evaluation, audit, verification and management reporting services and provides Diversified an annual assessments of performance across our supplier base. Our '2021 Year in Review' analysis from Veriforce indicated a 23% reduction in our suppliers' TRIR between 2019 and 2021. Additionally, across five separate health and safety benchmark metrics, including TRIR; Days Away, Restricted Work, Job Transfer ("DART"); Lost Time Case Rate; Severity Ratio; and Fatality Rate, Diversified ranked in the top quartile of performance for four of five safety metrics and came in at the top of the second quartile for the fifth metric.



### BUSINESS PARTNERS POLICY

Just as we hold ourselves accountable to the standards we set out in our [Company Values](#) and associated corporate policy statements, so too do we expect our Business Partners to remain informed of our standards and to share our commitment to their adherence in their business activities with the Company.



# Human resources governance, policies and management system

## MAKING OUR EMPLOYEES A PRIORITY



We continued to grow our asset base through successful acquisitions in 2021 and, in doing so, we welcomed hundreds of new employees into the Diversified family. Standardisation and harmonisation have remained key priorities company-wide throughout the integration of these acquisitions, and this year we reconciled the differing, pre-existing Human Resources policies into singular overarching policies.

Just as we have succeeded in using technology to bridge the financial and operations reporting gap between the field and the Boardroom, in 2021 we successfully increased the application of technology across our Human Resources functions. During the year, we put in place two significant technology applications - an applicant tracking system to measure the diversity of applicants for employment and an online Performance Management & Goal Setting Platform applicable to all positions across the Company.

Acknowledging that our employees are our greatest asset, Diversified established an [Employee Relations Policy](#) in 2021 that defines the Company's role in prioritising the safety, health and well-being of its employees while promoting a work environment that supports equal opportunity, demonstrates respect and fairness, and fosters innovative thinking and professional development. The Company's commitments within this policy statement align closely with our established [Company Values](#) that all employees share.

## COMPANY VALUES

As a company, we will conduct our business and deliver value to our stakeholders based upon ethical standards and beliefs that:

- Value the dignity and worth of all individuals
- Act with personal and business integrity
- Commit to excellence in our performance
- Respect environmental stewardship as we make business decisions
- Exhibit courage of convictions, challenge the status quo and strive to create value
- Seek opportunities for continuous learning and improvement
- Serve and support our teams and communities with passion and enthusiasm



## EMPLOYEE RELATIONS POLICY

The Company recognises that our success is due in large part to our quality employees, who have deep familiarity and experience with our assets. In order to protect and enhance our [Company Values](#) and to ensure positive, productive and equitable interactions with our employees, Diversified has adopted a new Employee Relations Policy.

## COVID UPDATE

While the globe continued to deal with variants of Covid during 2021, Diversified employees remained resilient and steadfast in their daily actions - safely and consistently delivering our products to satisfy the energy needs of our neighbours and communities. Largely as a function of our Covid protocols, employee commitment to safely produce energy for their communities, employee collaboration to ensure all tasks were accomplished, and operations that are naturally outdoors and bolstered by remote-friendly technologies, the Company did not sustain a material impact on our operations or business during the year.



## EMPLOYEE WELL-BEING

We continue to invest in our staff, offering competitive salaries and access to excellent health and welfare benefits for employees and their dependents, with certain benefits provided at zero cost to the employee and competitive rates for family coverage. Diversified also offers an Employee Assistance Programme, a company-paid programme for all employees and their families that provides access to certain free counselling sessions.

We not only seek to compensate our staff fairly during employment, we also highly encourage their planning for their retirement through an auto-enrollment 401(k) savings plan for which the Company provides a 7% match of employee dollars contributed into the plan. During 2021, the Company contributed nearly \$0.82 for every \$1 the employees contributed, reflecting a high participation rate by employees and our company's strong commitment to our employees' well-being both today and in the future.



### WALK THE APPALACHIAN TRAIL

To encourage employee health and fitness during the year, the Company promoted a corporate-wide 'Walk the Appalachian' exercise challenge during several months in 2021. Meandering through 14 different eastern US states for nearly 2,200 miles from Georgia to Maine, the Appalachian Trail ("AT") is the longest hiking-only footpath in the world and the largest and longest running-volunteer conservation project in the world. What makes this trail even more unique is that it is nestled near a significant portion of our legacy Appalachian gas and oil assets.

Designed for employees of all ages and fitness levels, the exercise challenge encouraged employees to 'get moving by virtually hiking' the AT - that is, walking or running in their respective communities at a pace, place, frequency and time of day that suited their individual exercise ability and style. To create a spirit of encouragement, camaraderie and even a little friendly competition, the Company provided an app that employees could use on their mobile devices to track their own distance and location along the trail as well as their co-workers' progress.

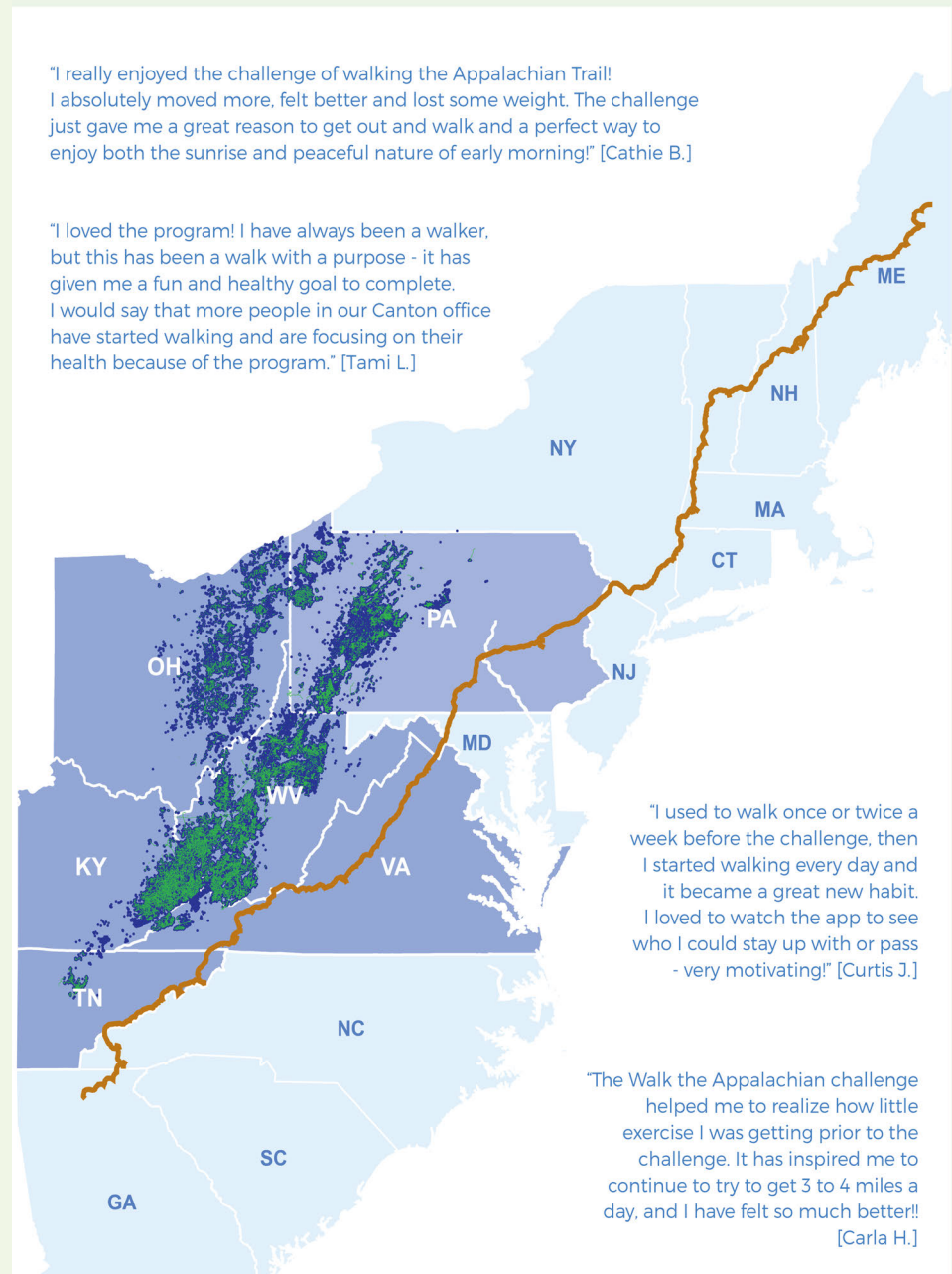
We were very pleased to have more than 500 employees log approximately 183,000 miles during the challenge. From an operations perspective, we have said many times that 'small gains add up to big wins,' and we believe the same can be true for personal health as incremental changes in our daily habits can result in significant positive health improvements.

"I really enjoyed the challenge of walking the Appalachian Trail! I absolutely moved more, felt better and lost some weight. The challenge just gave me a great reason to get out and walk and a perfect way to enjoy both the sunrise and peaceful nature of early morning!" [Cathie B.]

"I loved the program! I have always been a walker, but this has been a walk with a purpose - it has given me a fun and healthy goal to complete. I would say that more people in our Canton office have started walking and are focusing on their health because of the program." [Tami L.]

"I used to walk once or twice a week before the challenge, then I started walking every day and it became a great new habit. I loved to watch the app to see who I could stay up with or pass - very motivating!" [Curtis J.]

"The Walk the Appalachian challenge helped me to realize how little exercise I was getting prior to the challenge. It has inspired me to continue to try to get 3 to 4 miles a day, and I have felt so much better!" [Carla H.]





### EMPLOYEE EXPERIENCE

We have a dynamic culture at Diversified. There is a genuine, top-down interest in employee well-being across the organisation, and the leadership team is committed to meeting employees in the field or the office to better understand their concerns and priorities. Our employees take pride in the work that they do - feeling ownership of and responsibility for the assets as well as understanding the impact their work has on the business - and our leadership team recognises and rewards this work ethic.

We remain committed to supporting and engaging with our workforce to ensure all employees feel valued and motivated in the work they do. To make sure we are listening to our employees we support an "open-door" communication policy at all levels in the Company. We believe this policy helps to foster a unity of purpose, promote idea sharing and transparency, and improve productivity.

In addition, should any individuals prefer, we provide employees with access to a third-party reporting and compliance hotline that facilitates the anonymous reporting of perceived illegal, unethical or improper conduct.

#### Employee experience survey

In late 2021, we conducted our first Employee Experience Survey in order to establish a foundation from which to further strengthen our employee experience (see chart below). We are pleased to report that we had a response rate of 82% and scored above the external benchmarks in all areas except one, where we fell just one point short of the benchmark. We have formally reviewed the insights of this survey with independent consultants and the executive team and have created a cross-functional team to develop actionable plans to address identified topics and areas of consideration in 2022.

<p><b>ENGAGEMENT</b></p>	<p><b>77</b> External Benchmark: 71</p>	<p>+6 pts</p>	<p><b>Direct measure of employee engagement,</b> derived from questions like: "I am proud to work for this company."</p>
<p><b>JOB</b></p>	<p><b>72</b> External Benchmark: 70</p>	<p>+2 pts</p>	<p>Reflects employees' perceptions about their <b>day to day job.</b></p>
<p><b>MANAGER</b></p>	<p><b>82</b> External Benchmark: 65</p>	<p>+17 pts</p>	<p>Reflects employees' perceptions about their <b>direct manager.</b></p>
<p><b>PEOPLE</b></p>	<p><b>82</b> External Benchmark: 69</p>	<p>+13 pts</p>	<p>Reflects employees' perceptions about the <b>people they work with.</b></p>
<p><b>ORGANISATION</b></p>	<p><b>59</b> External Benchmark: 60</p>	<p>-1 pt</p>	<p>Reflects employees' perceptions about their <b>overall work experiences at Diversified.</b></p>



## DIVERSITY, EQUITY AND INCLUSION

The first statement within our Company Values is to “value the dignity and worth of all individuals,” and we actively engage this concept within the Diversified family by fostering an environment of acceptance and inclusion, where all employees are valued without discrimination. We work hard to create a work environment that encourages every one of our employees to achieve their fullest potential.

We are an Equal Opportunity Employer that does not discriminate on the basis of actual or perceived race, colour, religion, alienage or national origin, ancestry, citizenship status, age, disability, gender, marital status, pregnancy, veteran status, sexual orientation, gender identity, genetic information or any other characteristic protected by applicable law. Our management team is committed to this policy with respect to recruitment, hiring, placement, promotion, transfer, training, compensation, benefits, employee activities and general treatment during employment.

We continue to grow rapidly through successful acquisitions and, in doing so, we welcomed hundreds of new employees into the Diversified family in 2021. The vast majority of our employee base consists of Production employees which includes our upstream and midstream field personnel. All other employee positions, including back office, administrative and executive positions, comprise the Production Support roles.

The percentage of females that made up our entire employee base at 31 December 2021 increased slightly over the prior year, to approximately 11% and is largely attributable to the increase in females serving in Production roles. Recent sector studies that indicate women make up approximately 15% of the technical and field roles in the natural gas and oil industry. At Diversified, though we have limited technical roles, which are often gender diverse across the industry, the nature of our acquire and operate business model does not require a significant volume of technical roles. Nonetheless, we do still actively seek to generate a diverse candidate pool from which we can identify and hire the most qualified individuals, regardless of gender, to the benefit of the Company and our stakeholders.

At 31 December 2021, Production employees comprised approximately 3% female and 97% male while our Production Support employees represented approximately 39% female and 61% male.

As part of a coordinated diversity and engagement strategy within our recruitment processes, we have engaged a number of external agencies across specific geographic areas of focus within our operating footprint in support of driving diversity within the Diversified family. During 2021, the number of minorities that made up our employee base increased to 2.7% from 0.6%.

In 2021, we successfully increased the application of technology across our Human Resources functions with the roll out of two important systems. First, we began using an applicant tracking system to measure the diversity of employment applicants. This tracking system is important for our company as, prior to this system, diversity attributes were self-reported through our employment application process so we were unable to analyse diversity metrics if they were not reported by the applicants.

Additionally, we put in place a company-wide online Performance Management & Goal Setting Platform which permits all employees and their supervisors to establish annual workplace achievement goals and then to track employee performance against such goals. This system provides a clear set of expectations for the employees and a means of establishing merit-based compensation from the Company.

## TALENT ACQUISITION

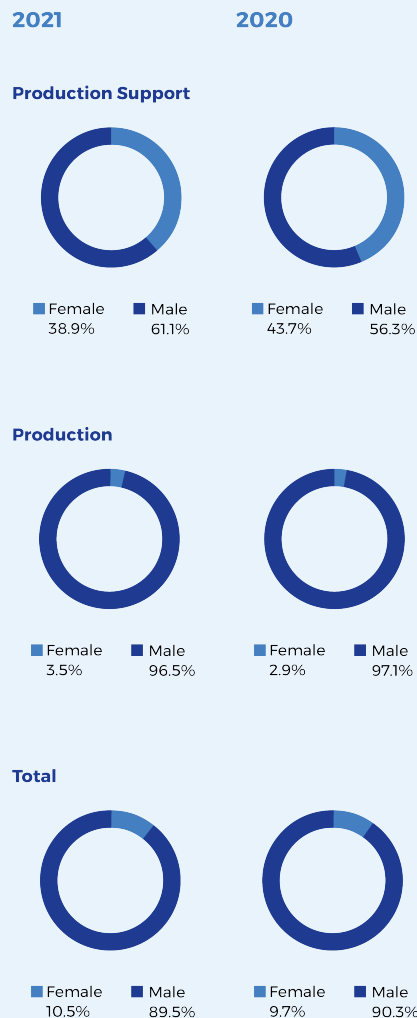
In 2021, we also continued to strengthen diversity and inclusion by embedding it into our key human resources processes, such as recruitment. Acknowledging the need for a more diverse workforce, we are working to ensure that the Company is attractive to all ethnicities, gender groups and economic backgrounds. Our aim is that our workforce reflect the communities in which we operate; to accomplish this, we seek first to hire local people for local jobs.

We recognise that data plays an important role in understanding the recruitment, retention and promotion of our talent. As such, we have enhanced our tools and practices to track and report on diversity metrics, including our new applicant tracking system. To aid in developing workplace diversity, equity and inclusion (“DEI”) recruitment and retention initiatives, our internal talent acquisition coordinator also became certified during the year in DEI through Cornell University and the University of South Florida. In 2022, we also look to recruit a talent acquisition manager.

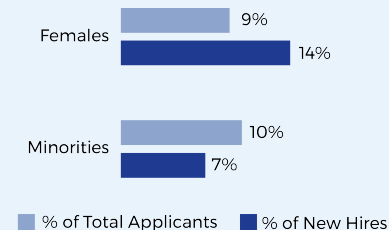
### An inclusive recruiting strategy

The industry faces an ongoing challenge to recruit and promote qualified and experienced women in technical roles. In 2021, 9% of our total applicants were female while 14% of total hires were female.

Similarly, ethnic minorities (representing African-American, Hispanic/Latin, Asian and Native American ethnicities) comprised 10% of our applicants and 7% of total hires. In addition to the previously noted specific geographic diversity recruitment initiative, we recognise that our ongoing scholarship and vocational initiatives with various local universities also provide Diversified an avenue to showcase the Company to diverse future potential applicants.



## 2021 DIVERSITY IN HIRING





### ANTI-BRIBERY & CORRUPTION POLICY

We acknowledge that our commitment to right and ethical practices extends beyond our company to those individuals and companies with which we interact in the due course of business. As such, we have implemented our Anti-Bribery & Corruption Policy to help address bribery and corruption risk as a part of our overall risk management strategy.



### WHISTLEBLOWING POLICY

The Company's Whistleblowing Policy aims to provide guidance as to how individuals may raise their concerns and to ensure that they may do so confidently and confidentially. We recognise that speaking up is not always easy so we also provide access to a compliance hotline hosted by an independent, third-party vendor.



### HUMAN RIGHTS POLICY

Respect for human rights is fundamentally embedded in our culture and drives the way we manage our business, treat our employees and engage with our stakeholders. We recognise our commitments and responsibility to ensure that human rights are upheld in every aspect of our business operations.



### MODERN SLAVERY POLICY

We recognise that modern slavery is a significant global human rights issue and has many forms including forced or child labour, domestic servitude and workplace abuse. We are committed to respecting internationally recognised human rights and ensuring that our business is no way involved in these forced or involuntary labour practices.

## TRAINING AND DEVELOPMENT

We believe in the importance of growing the skills of our employees, as highlighted below in the discussion of our ongoing Professional Development Programme ("PDP"). In addition to the professional development of our employees, we also encourage and fully support personal development. The Company provides an educational assistance programme available to all employees that provides tuition reimbursement from Diversified for continuing education through an accredited programme that offers growth in an area either related to the employee's current position or that may lead to promotional opportunities for the employee.

As previously discussed, compliance with workplace safety regulations is imperative for our operations. Therefore, additional specific training is provided to all field employees on a monthly basis and is closely monitored to achieve adherence to internal expectations and external requirements. Our employee and contractor training programmes cover accident prevention, protective equipment, safe operating practices, and chemical material precaution and workplace hazards. We follow US OSHA standards and regulations, offering new-hire training and regular courses for employees and contractors. In 2021, we introduced an additional module for new hires and for any employee involved in a preventable vehicle incident.

## PDP PROGRAMME

The PDP is a two-year programme designed to develop personal professional skills while driving collaborative corporate and community projects. The group directly engaged with the Board's Non-Executive Employee Representative and various Diversified officers. The programme ensures that workforce views and concerns are considered by the Directors, particularly when making decisions that will affect the workforce, and provides a feedback mechanism to inform the workforce of actions Management and the Board take to address concerns.

Throughout 2021, the major focus of the PDP was to create consistent and informative internal communications. As a result, and as a first step in improving company communications which scored marginally below external benchmarks in our inaugural employee experience survey, the PDP team created and now routinely distributes the DEC Connection employee newsletter. Additionally, the PDP team developed a plan to strengthen community relations in support of our stated 2021 ESG goal to 'Broaden Community Outreach and Support'.

## ETHICAL BUSINESS PRACTICES

Our Company Values clearly set out, in part, that "We will conduct our business and deliver value to our stakeholders based upon ethical standards and beliefs which act with personal and business integrity, commit to excellence in performance, and exhibit courage of convictions." These values form the foundation upon which our company was started and the standards to which we are all expected to adhere. Our commitment to responsible and ethical behaviour drives our zero-tolerance approach to bribery and corruption as codified in our [Anti-Bribery and Corruption Policy](#). This policy adheres to all relevant laws and regulations, including compliance with the UK Bribery Act 2010, and falls under the direct oversight of our General Counsel. Our approach applies across all parts of our business, including our supply chain, and regular training is provided, as necessary, to all employees who engage with our external stakeholders.

If issues are perceived or identified relating to illegal, unethical or improper conduct by any individual affiliated with the Company, the Company's formally adopted [Whistleblowing Policy](#) aims to provide guidance as to how individuals may raise their concerns and to ensure

that they may do so confidently and confidentially. Our compliance hotline is available 24 hours per day, 7 days per week and hosted by an independent, third-party vendor. Any reports to the compliance hotline are routed directly by the vendor to our General Counsel and the Chair of the Audit and Risk Committee. During 2021, two incidents were reported through our hotline, both of which were fully investigated and found to be without merit.

As a responsible employer, we seek to uphold and protect the human rights of all our employees and contractors, as outlined in our recently strengthened [Human Rights Policy](#) and our new [Business Partners Policy](#). We have a zero-tolerance approach to human rights abuse and modern slavery and seek to operate in accordance with all applicable US human rights rules and labour laws.

In order to maintain the highest levels of compliance and safety, we have a policy of drug testing throughout the workforce. Drug testing is carried out pre-employment, post-accident and randomly for both US Department of Transportation drivers and those employees who are classified as high safety and security under PHMSA.



# Making a Difference in Our Communities

## **Broadening community outreach & support**

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## **Industry associations**

[Page 62 >](#)

## **Land and mineral owner engagement**

[Page 62 >](#)



# Broadening community outreach & support

We believe that supporting our communities beyond meeting their energy needs is simply the right thing to do. Our community investments are designed to make long-lasting, positive impacts on the communities where we operate and live. We want both our actions and economic contributions to make a difference, starting with employing local people to do local work. Our employees care about the communities and environment in which they work and that passion shows in how they approach and accomplish their work every day. That passion also shows in their volunteerism and support of local initiatives within the communities where they reside.

As stated in our [Corporate Responsibility Policy](#), Diversified is committed to integrating its business needs with the needs of the communities in which we conduct that business. One key area of focus for the Company in 2021 has been giving back - proudly serving and supporting those in need. And it shows in our community support throughout the year, including contributions to children and adult health and wellness, education, children's shelter and clothing, municipal services, youth sports and athletics, community food banks, arts, and much more. One benefactor of Diversified's contributions during 2021 was West Virginia University's Athletics department to promote physical health and team building, to support student athletes who could not otherwise financially participate in university athletics, and where a portion of contributed dollars were specifically earmarked for women's athletics.

Our PDP team also focused on community service this year, developing company-wide programmes to enhance our community outreach. As part of their initiatives, beginning in 2022, we have committed to invest up to \$2.0 million per year for a variety of community outreach and support programmes.



## \$1 million given in 2021

- Children's Health & Wellness
- Adult Health & Wellness
- Municipal Services
- Community Events
- Primary Education
- Secondary Education
- Food Banks
- Arts & Religion

### INVESTING IN FUTURE LEADERS

In 2021, we welcomed six students representing five different universities to our first Summer Internship Programme. The programme offers interested students the opportunity to gain key professional work experience while at Diversified as well as develop a valuable, cross-functional insight into our business, culture and industry. The programme was well-received by both participants and the Company, therefore driving our commitment to increasing the number of participants in this programme in 2022.



## INDUSTRY ASSOCIATION LEADERSHIP ROLES

**President**  
Gas & Oil Association of West Virginia

**President**  
Kentucky Oil & Gas Association

**Board of Directors**  
Ohio Oil & Gas Association

**Board of Directors**  
Virginia Oil and Gas Association

**Board of Directors**  
Pennsylvania Independent Oil & Gas Association

**Board of Directors**  
Marcellus Shale Coalition

**Executive Committee**  
Petroleum Alliance of Oklahoma

## INDUSTRY AWARDS AND PARTICIPATION



**Seth Long and Josh Cochran**  
Individual Partnership Award



**Rocky Stilwell**  
Leadership Award



**Lisa Raffle**  
Program Director, WEN-WV

## INDUSTRY ASSOCIATIONS

At Diversified, we believe in the value of engaging with and participating in natural gas and oil industry associations, not only to drive forward initiatives that support the sector as a whole but also as a tool to benefit our own business and to protect the best interests of our stakeholders. Through active engagement in these organisations, as well as active participation in public policy debate, we remain informed of and participate in shaping operating best practice, technical knowledge and legislative updates. Our employee's participation in these industry associations often includes serving in leadership roles and includes participation in associations in the states of West Virginia, Virginia, Kentucky, Pennsylvania, Ohio and Louisiana.

During 2021, three Diversified employees were recognised by the Virginia Department of Mines, Minerals and Energy Gas & Oil Industry Awards in recognition of their

contributions to industry efforts above and beyond their roles at Diversified. Rocky Stilwell received the Leadership Award for his commitment to environmental stewardship not only for Diversified but in his community and for the industry as a whole. Seth Long and Josh Cochran received the Individual Partnership Award for their collaborative and diligent work to disburse unknown or unlocatable royalty funds held in escrow to the US Department of Treasury. We share our appreciation for these employees' efforts for the Company and the industry.

We are especially proud of employees' involvement and leadership roles in organisations like the Women's Energy Network of West Virginia ("WEN-WV") which seeks to empower women across the energy value chain by fostering career and leadership development and providing networking opportunities for women who work in the energy industries. Our EHS Manager, Lisa Raffle, serves at the Program

Director for the Board of Directors of WEN-WV and is a true advocate not only for encouraging women to join the industry but coming alongside them thereafter to provide leadership and professional guidance to advance their industry careers.

## LAND AND MINERAL OWNER ENGAGEMENT

One of our key stakeholder groups is our land and mineral owners - a group that is unique to the US operating environment. Due to the material importance of their assets to our business, it is crucial that we work closely and effectively with these owners and therefore we have built strong partnerships with these stakeholders, rooted in our commitment to be a transparent and trusted partner.

In 2021, we increased our engagements with land and mineral owners by 30%, responding to approximately 4,600 enquiries and

directly engaging owners during some 380 field visits during the year. These enquiries relate to a variety of issues, including royalties, leases, ownership conveyance, and direct house natural gas.

With our 2021 expansion into the Central Region, Diversified now operates a minimal number of wells located in close proximity to or on Native American land in Oklahoma. As of 31 December 2021, these wells make up less than 1% of Diversified's total net reserves for Oklahoma and less than 0.05% of Diversified's total net reserves for the Company. As applicable, we engage directly with the tribal offices, regional offices of the Bureau of Indian Affairs ("BIA"), who manages the affairs of these wells for the tribal groups who own the surface rights to these well locations, or the field offices of the Bureau of Land Management who have operational oversight of the BIA.



# Governance and Oversight

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sustainability  
& safety committee**

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## Letter from the chair of the sustainability & safety committee

“Given the scope and scale of our US operations, we are uniquely situated to make a difference in our communities, states, the US and even globally as we continue to help meet both US and global energy needs while we navigate the evolving energy transition.”

“2021 was a pivotal year for Diversified in our ESG journey and specifically in our thinking on climate. As a part of our role as stewards of long-term corporate performance, the Board has a critical part to play in ensuring we are aware of, and able to navigate, a constantly and quickly evolving risk landscape.

As a part of this oversight role, the Board has worked closely with management to ensure that ESG factors that have the potential to affect corporate strategy are considered, managed, and measured. This year, we have fully embraced the strategic framework of the TCFD, resulting in more robust reporting from the Company and structure and transparency for our stakeholders.

In 2021, we have provided ample support to identify and assess our risks in relation to climate change. We are now focusing on managing those risks both operationally and strategically. I am delighted that we have established an annual climate funding commitment to address operational climate issues with an initial investment of \$15 million in 2022. I am further encouraged by our progressing efforts to achieve net zero, especially with the Company's previous commitment to advance by a decade our net zero ambition from 2050 to 2040. The Company recognises and fully appreciates the significance of our climate and emissions reduction actions, as evidenced by the Remuneration Committee's decision to include the targeted results of such actions in both short-term and long-term incentive compensation plans for our Executive Directors.

Given the scope and scale of our US operations, we are uniquely situated to make a difference in our communities, states, the US and even globally as we continue to help meet both US and global energy needs while we, along with the entire gas and oil industry, navigate the evolving energy transition. We have demonstrated, and will continue to do so, that we have the ability to operate our wells cost-effectively while reducing methane emissions and with the financial acumen and capability until we responsibly retire them.



**SANDY STASH**

**Chair, Sustainability & Safety Committee**



For a more complete description of each Board committee and its respective responsibilities, please refer to the Company's [2021 Annual Report](#) or our [website](#).

# The sustainability and safety committee's report

## COMMITTEE COMPOSITION



**SANDRA M. STASH (CHAIR)**  
Independent Non-Executive Director



**MELANIE A. LITTLE**  
Independent Non-Executive Director



**DAVID E. JOHNSON**  
Non-Executive Director, Independent upon Appointment



**BRADLEY G. GRAY**  
Executive Vice President and Chief Operating Officer

Presented as included within the Company's [2021 Annual Report](#). Note that all below references to "the Group" are equivalent to "the Company" as used throughout this Report.

## KEY OBJECTIVE

The Sustainability and Safety Committee acts on behalf of the Board and the shareholders to oversee the practices and performance of the Group with respect to health and safety, business ethics, business conduct and responsibility, social affairs, the environment (including climate change) and broader sustainability issues. As part of the Group's overall ESG actions, the committee oversees the Group's climate scenario analysis planning and performance against goals and ensures adherence to the recommended TCFD disclosures for use by investors, lenders, insurers and other stakeholders.

## OVERVIEW

The committee assesses the Group's overall sustainability performance and provides input into the [Annual Report](#) and disclosures on sustainability. It also advises the Remuneration Committee on metrics relating to sustainable development, GHG and other emissions, regulatory compliance, diversity, equity and inclusion, community engagement and other social goals, as well as health and safety that apply to executive remuneration.

The committee endorses the Group's ESG and Safety plans and reviews execution of the plan and audit outcomes.

In addition, the committee reviews and considers external stakeholder perspectives in relation to the Group's business, and reviews how the Group addresses issues of public and stakeholder concern that could affect its reputation and licence to operate.

The overall accountability for sustainability and safety is with the Chief Operating Officer and the Senior Leadership Team, including the Vice President of ESG & Sustainability and the Senior Vice President of Human Resources, who are assisted by the EHS team.

## KEY MATTERS DISCUSSED BY THE COMMITTEE

### Main accomplishments over the course of 2021

- Established and reviewed the Group's sustainability and safety strategies and assessed Group performance;
- Engaged with the leadership of the Group and approved of the Group's GHG emission intensity reduction targets and accelerated commitment to achieve net zero Scope 1 and 2 GHG emissions by 2040, a decade earlier than the Group's previously stated commitment;
- Reviewed the structural changes made to the leadership of the Group, including the appointment of a new Vice President of ESG and Sustainability;
- Commenced a review programme to align executive management remuneration with key EHS and ESG performance indicators and metrics, including factoring GHG reductions into long-term incentives, that will be communicated to the Remuneration Committee;
- Engaged with a consortium of advisers, comprising a leading global environmental consultancy and other strategic advisers, and embarked upon a programme to implement the recommendations set forth by the TCFD; and
- Reviewed the Group's sustainability and ESG related communications, including the composition and approval of the Group's [2020 Sustainability Report](#) and preparation for issuance of a 2021 Sustainability Report.

## COMMITTEE ACTIVITIES BY FOCUS AREA

During 2021, the committee met regularly to review and discuss a range of prioritised topics. These topics included (i) the safe and responsible operation of the Group's upstream and midstream assets; (ii) environmental protection and conservation activities; (iii) the Group's approach to diversity, equity and inclusion; and (iv) the Group's approach to managing climate risk. The committee also focussed on the following:

### Process safety

- The Vice President of EHS presented an overview of the Group's process safety approach and identification of high-risk facility performance, as well as comparable performance analysis against industry peers.

### Corporate scorecard metrics analysis

- The committee reviewed the quantitative and qualitative drivers impacting the Group's personnel safety, emissions and asset retirement metrics that support performance analysis.

### ESG rating agency engagement

- The committee reviewed the Group's various third party ESG rating scores, including analysis of the process and review of scorecards to determine targeted areas of improvement.

### Climate risk

- The committee engaged the support of industry and internationally significant consultants to help the Group advance its scenario analysis and TCFD disclosures for use in 2021 year-end reporting in order to continue to meet the recommendations set by the TCFD. The committee oversaw the Group's engagement of emission inventory and scenario analysis and remains actively engaged in setting targets in accordance with the recommendations. The committee has considered the relevance of material climate-related matters, including the risks of climate change and transition risks associated, when preparing this Annual Report. Further information can be found in the [TCFD](#) and [Climate and ESG Risks](#) sections within this Annual Report.

### Acquisition due diligence

- Adding emphasis to its oversight of the Group's investment activities, the committee requested an emissions screening tool to aid in its assessment that acquisitions and other capital investments have on its consolidated emissions profile. The committee engaged with management during the planning and implementation of this emissions screening tool.



- Management implemented the requested screening tool and used its recent acquisitions from Indigo, Blackbeard, Tanos and Tapstone to calibrate its output for the Committee's use. Prospectively, the Group will complete these assessments for the Committee's review to fully inform their oversight. The Committee will then share its findings with the Full Board as part of their holistic review of an acquisition or capital investment's alignment with the Group's strategy.

### High potential incidents

- A review of two employee injuries that included contextual and root cause analysis and lessons learned.

### Diversity, equity and inclusion

- The Senior Vice President of Human Resources presented analysis of the Group's employee demographic and other key people management statistics to formulate plans to support the Group's diversity, equity and inclusion aspiration.

### Areas of focus for 2022 and beyond

- Support the Group in meeting increasing ESG oversight, reporting and disclosure expectations of the Group's stakeholders, including short, medium and long-term metrics and objectives tied to executive compensation for reducing GHG emissions (including formalising a roadmap to be net zero Scope 1 and 2 GHG emissions by 2040);
- Support management with effective oversight and advice as the Group executes and reports on the recommendations of the TCFD;
- Provide advice and guidance on potential further EHS enhancements and reporting metrics; and
- Support the Group in its diversity, equity and inclusion aspirations.

### Committee effectiveness

- The committee performed a critical analysis internal review and evaluation on itself, as part of its annual self-review process. No significant areas of concern were raised.

## MEMBERSHIP

The formation of a Sustainability and Safety Committee is not a recommendation under the current UK Corporate Governance Code. The Group and the Board, however, consider such a committee to be an imperative given the operational footprint of the business and the evolving operational, regulatory, social and investment markets within which the Group operates.

The committee is comprised of the Non-Executive Chairman, who was independent upon appointment, two Non-Executive Independent Directors and one Executive director: Sandra M. Stash, the Sustainability and Safety Committee Chairperson, Melanie A. Little, David E. Johnson and Bradley G. Gray, the Group's Chief Operating Officer. Benjamin Sullivan, Executive Vice President, General Counsel and Corporate Secretary acts as Secretary to the committee.

The committee has extensive and relevant experience in EHS and social matters through their other business activities. For example, Ms. Stash formerly served as Executive Vice President for Tullow Oil until her retirement and Ms. Little currently serves as Senior Vice President, Operations and Environmental, Health, Safety and Security at Magellan Midstream Partners, L.P.

There were no changes to the composition of the committee during the year.

## MEETINGS AND ATTENDANCE

The Sustainability and Safety Committee met six times during 2021 and one time in 2022. The committee also regularly meets in private executive session without management present to ensure that points of common concern are identified and that priorities for future attention by the committee are agreed upon. The Chairperson of the committee keeps in close contact with the General Counsel, the

Vice President of ESG and Sustainability, the Vice President of EHS and the EHS team and external consultants between meetings of the committee.

The table below details the members of the Senior Leadership Team who were invited to attend meetings as appropriate during the calendar year. In addition, Buchanan attended the meetings by invitation as advisor to the Group.

- Benjamin Sullivan (Executive Vice President, General Counsel, and Corporate Secretary)
- Paul Espenan (Vice President of Environmental, Health and Safety)
- Teresa Odom (Vice President of ESG and Sustainability)
- Mark Kirkendall (Senior Vice President of Human Resources)
- Chris Judd (Head of Environmental, Social and Governance, Buchanan)

## RESPONSIBILITIES AND TERMS OF REFERENCE

The committee's main duties are:

- Overseeing the development and implementation by management of policies, compliance systems, and monitoring processes to ensure compliance by the Group with applicable legislation, rules and regulations.
- Establishing with management long-term climate, environmental and social sustainability, EHS goals and evaluates the Group's progress against those goals.
- Considering and advising management of emerging environmental and social sustainability issues, such as the TCFD, that may affect the business, performance or reputation of the Group and makes recommendations, as appropriate, on how management can address such issues.

- Advising management on implementing, maintaining and improving environmental and social sustainability, EHS strategies, implementation of which creates value consistent with long-term preservation and enhancement of shareholder value.
- Monitoring the Group's risk management processes related to environmental and social sustainability, EHS with particular attention to managing and minimising environmental risks and impacts.
- Reviewing handling of incident reports, results of investigations into material events, findings from environmental and social sustainability, EHS audits and the action plans proposed pursuant to those findings.

The committee has formal terms of reference which can be viewed on the Group's website.



**SANDRA M. STASH**  
Chair of the Sustainability and Safety Committee  
22 March 2022

# Governance framework

**BOARD OF DIRECTORS**  
 Defines business strategy, assesses risks and monitors performance

**REMUNERATION COMMITTEE**

Responsible for the Group's remuneration policy, and for setting pay levels and bonuses for senior management in line with individual performance. Ensures safety and ESG KPIs are included in remuneration packages.

**SUSTAINABILITY AND SAFETY COMMITTEE**

Monitors the Group's social, ethical, environmental and safety performance, and oversees all sustainable development issues on behalf of the Board.

**NOMINATION COMMITTEE**

Ensures a balance of skills, knowledge, independence, experience and diversity on the Board and its committees.

**AUDIT AND RISK COMMITTEE**

Supports the Board in monitoring the integrity of the Group's financial statements and reviews the effectiveness of the Group's system of internal controls and risk management systems.

**CEO**  
 Takes ultimate responsibility for delivering on the Company's strategy, financial and operating performance.  
 Climate Change

**CHIEF OPERATING OFFICER**

**Description of Role**  
 Coordinates operating activities and sustainability initiatives to ensure transparency and long-term value for DEC's stakeholders.

**Area of Responsibility**

Operations  
 EHS  
 ESG

**Risk Management Guidelines**

Employee Handbook, [EHS Policy](#) & Field Operating Guidelines, [Corporate Responsibility Policy](#)

**Stakeholder Engagement Responsibility**

Communities  
 Employees  
 Suppliers  
 Joint Operating Partners

**CHIEF FINANCIAL OFFICER**

**Description of Role**  
 Manages the finance and accounting activities of the company and ensures that its financial reports are accurate and completed in a timely manner.

**Area of Responsibility**

Treasury  
 Accounting & Financial Reporting  
 Investor Relations

**Risk Management Guidelines**

Employee Handbook, [EHS Policy](#) & Field Operating Guidelines, [Corporate Responsibility Policy](#)

**Stakeholder Engagement Responsibility**

Debt & Equity Investors  
 Rating Agencies  
 Financial Institutions

**GENERAL COUNSEL**

**Description of Role**  
 Responsible for legal and compliance, government, policy engagement, community engagement and land and mineral owner engagement.

**Area of Responsibility**

Legal & Compliance Regulatory  
 Land  
 Policy Engagement  
 Community Relations

**Risk Management Guidelines**

Employee Handbook, [Anti-Bribery & Corruption Policy](#)

**Stakeholder Engagement Responsibility**

Land & Mineral Owners  
 Government & Regulators  
 Industry Associations  
 Communities

**CHIEF COMMERCIAL OFFICER**

**Description of Role**  
 Responsible for identifying and valuing acquisition targets and for developing and implementing a commodity marketing strategy to maximise commodity revenues.

**Area of Responsibility**

Acquisitions  
 Marketing

**Risk Management Guidelines**

Employee Handbook, [Anti-Bribery & Corruption Policy](#)

**Stakeholder Engagement Responsibility**

Customers



“Bringing together an acquisition team of highly experienced internal professionals across multiple corporate disciplines as well as top notch investment banking, legal and environmental consultants, Diversified has successfully secured market commanding acquisitions that are not only strategic, profitable and accretive financially but also in harmony with the Company’s position on Sustainability.”

– JIM RODE, EXECUTIVE VICE PRESIDENT-BUSINESS DEVELOPMENT AND CHIEF COMMERCIAL OFFICER

## Investment due diligence

Central to Diversified’s growth strategy is the acquisition of complementary upstream and midstream assets that meet certain production and operational criteria. A multi-departmental team of Diversified personnel engage in a thorough investment due diligence process for use in reporting proposed acquisition targets to the Board for its consideration and ultimate approval. We diligently review multiple qualitative and quantitative aspects of prospective acquisitions to ensure that the assets complement our existing portfolio with respect to strategic fit, physical condition, overall commodity mix, risk appetite and integration suitability.

### EHS DILIGENCE

An internal team of environmental specialists and third-party consultants lead the environmental audits of prospective acquisition assets in order for the Company to understand the potential EHS risks that may be associated with the potential acquisition. In addition to site inspections, these teams review permits, historical reports and the operational aspects of production and compression equipment to ensure appropriate regulatory compliance and to determine improvement opportunities Diversified’s team can deliver if acquired and integrated into our operations. In certain instances, Diversified may also conduct environmental tests including emissions testing in order to further identify potential risk factors which need to be addressed.

In 2021, under the Board’s direction and oversight, we expanded our already robust acquisition diligence programme to include an enhanced GHG emissions screening process. Using an internally developed emissions intensity screening tool and supported by public information and data obtained from the sellers, our team seeks to understand the existing emissions profile of the target assets and the impact those assets, if acquired, would have on the combined portfolio. As noted previously herein, future acquisition processes, and divestiture activities as applicable, will include a shadow carbon pricing evaluation metric as part of the acquisition’s investment considerations.

As part of the team’s analysis of potential acquisitions, our teams do consider the risks and capital requirements of remedial activity that would be undertaken on completion of the transaction and the future plugging liability associated with the assets. This information is collected and shared with management and the Board to aid in making fully informed capital investment decisions.

### HUMAN RESOURCES DILIGENCE

When considering an acquisition, Diversified seeks to retain from the seller the personnel that have been assigned to the assets because they bring a wealth of knowledge and insight that can expedite future SAM initiatives and investment programmes. Under such circumstances, the Company assesses all aspects of employment

including employment contracts, bargaining unit agreements and employee benefits as well as past personnel disputes and claims, in order to determine if material personnel risks exist. Additionally, Diversified may choose to adopt programmes and benefits historically provided by the selling companies that it believes provide enhanced value to all its employees.

When Diversified retains the personnel from the sellers, we accordingly adopt the mix of diversity already present in that employee base. It is our desire to use local employees to do local jobs, so Diversified looks for other opportunities to add diversity to the workforce such as when existing positions become available to fill or future growth opportunities permit new positions.

### LEGAL AND COMPLIANCE DILIGENCE

When considering a potential acquisition, Diversified screens to ensure that no material legal and compliance risks are present, material permits and licenses are active, and required regulatory reporting is current. We also complete title/ land and other legal due diligence during each acquisition, identifying any legal actions or outstanding claims being made against the acquisition target. As required, we engage specialist third-party consultants and external legal partners to assist in the review process for further assurance of compliance and identification of risks.



# Risk management

Under the guidance of the Board of Directors, the CEO takes ultimate responsibility delivering on strategy, financial and operating performance and the Company's approach to Climate Change.

## RISK GOVERNANCE OVERVIEW

In compliance with its Charter and through collaborative efforts with senior management, the Audit and Risk Committee initiated in 2020 an enterprise risk management ("ERM") review process which includes the oversight and monitoring of our risk control and mitigation efforts. This risk management process is continually evaluated and updated as company, industry and broader environmental conditions warrant.

The Committee and senior management have identified a risk universe of seven primary risks faced by the Company representing four main risk categories: (1) Strategic risk, (2) operational risk, (3) financial risk, and (4) legal, regulatory and reputational risk. Oversight responsibility for each primary risk is assigned to an appropriate Board committee. The Board committees, in turn, assign accountability for the primary risks to members of senior management ("Executive Risk Owner") and a member of management ("Risk Owner"). As part of the ongoing ERM function, the Executive Risk Owners and Risk Owners are responsible for: (i) Identifying risks; (ii) Assessing the likelihood of risk occurrence and the potential impact and velocity of the risk to our business; and (iii) Developing and implementing mitigation plans that seek to remove or minimise the likelihood and impact of the primary risks.

The Executive Risk Owners give an update to the Board committees at least annually, reporting on the Company's risk tolerance level and effectiveness of current mitigation plans for each primary risk. The Executive Risk Owners also update the Board committees as applicable on any emerging primary risks and the Company's plans to mitigate these risks. The Board and senior management recognise that some risks by their nature cannot be predicted or effectively planned for, but we make every effort to identify potential risks and mitigate accordingly.

In addition to comprehensive ERM reporting, our General Counsel informs the Board of pending litigation and claims and monitors any potential material exposure. We also seek stakeholder feedback on our risk management strategies through ongoing engagement with employees, government agencies, local communities, and our financial partners, which may include thorough and frequent field employee safety meetings, regular update calls and meetings with our lending group, frequent calls and meetings with outside financial advisers, engagement with external counsel, constructive dialogue with regulators, and community outreach programmes.

Additional information regarding Diversified's risk identification, review and mitigation processes can be found in the Company's [Annual Report](#).

## ENTERPRISE RISK MANAGEMENT PROGRAMME

(Oversight and approved by the Audit and Risk Committee)

### RISK UNIVERSE

Categories of risk



STRATEGIC RISKS



OPERATIONAL RISKS



LEGAL, REGULATORY, ENVIRONMENTAL & REPUTATIONAL RISKS



FINANCIAL RISKS

## ENTERPRISE RISK ASSESSMENT REVIEW

(Senior Management Team led with business unit leader support)



### PRINCIPAL RISKS

Corporate Strategy and Acquisition Risk  
Cybersecurity Risk

Health and Safety Risk  
Regulatory and Political Risk  
Climate Risk

Commodity Price Volatility  
Financial Strength and Financial Risk

# Appendix

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# ISOS Group assurance letter

## INDEPENDENT ASSURANCE STATEMENT

Provided by ISOS Group, Inc.  
On select environmental metrics included in:  
Diversified Energy Company PLC's  
2021 Annual and Sustainability Reports.



### TO THE MANAGEMENT TEAM OF DIVERSIFIED ENERGY COMPANY PLC:

ISOS Group, Inc. ("ISOS" or "we") were engaged by Diversified Energy Company PLC ["Client" or "Diversified"] to conduct moderate level II assurance of environmental data to be reported in its 2021 Annual and Sustainability Reports ("Reports"), covering the period beginning January 1, 2021 and ending December 31, 2021 ("FY21").

We have performed our moderate level II assurance engagement in accordance with the AccountAbility 1000 Assurance Standard (AA1000AS). Our review was limited to the data reported in Diversified's 2021 Reports for the following indicators ("Reported Information"):

- Total Scope 1 and Scope 2 Greenhouse Gas Emissions

We have not performed any procedures with respect to other information included in Diversified's 2021 Reports and, therefore, no conclusion on the Report as a whole is expressed.

#### Reporting criteria

The Reported Information has been prepared according to the United States Environmental Protection Agency 40 CFR Part 90, Subpart W, and the Intergovernmental Panel on Climate Change Tier 3 Guidelines ("Reporting Criteria") as outlined in Diversified's IPCC Scope 1 and Scope 2 Carbon Emissions Report. The Reported Information should be read together with the Reporting Criteria.

#### Inherent uncertainty

The nature of non-financial information and the methods used to determine non-financial information, allow for different, but acceptable measurement techniques which can result in materially different measurements and can impact accuracy and comparability. Furthermore, the nature and methods used to determine such information, as well as the measurement criteria and the precision thereof, may change over time.

The Reported Information has been measured applying the Reporting Criteria which has been adopted solely for the purpose of providing this non-financial information. As such the Reported Information may not be suitable for another purpose. Where significant assumptions or deductions are utilized, they are disclosed. Where direct data was unavailable, the company used industry standards as estimates. The assurance provided therefore does not guarantee or provide certainty over the completeness of reported data.

#### Diversified Energy Company's responsibilities

The Company's management are responsible for:

- The accuracy and completeness of the information contained in the Reported Information.
- The design, implementation, and maintenance of internal controls relevant to the preparation of the report to provide reasonable assurance that the report is free from material misstatement, whether due to fraud or error.
- Ensuring the Reported Information is fairly stated in accordance with the applicable criteria ("Reporting Criteria") and for the content and statements contained therein.

#### Our responsibilities

Our responsibility is to express a moderate assurance conclusion in accordance with AA1000AS whether the Reported Information has been properly prepared in accordance with the Reporting Criteria and to provide this in a report to Diversified Energy Company.

#### Work performed

The procedures we performed were based on our professional judgment. Our work included, but was not limited to:

- Assessing the appropriateness of the Reporting Criteria for the Reported Information.
- Carrying out interviews with key personnel to understand the systems and controls in place during the reporting period.
- Assessing the systems, processes, and controls to collate, aggregate, validate and report the data.
- Reviewing a selection of factors and formulae used and calculations performed over the Reported Information.
- Considering the appropriateness of the Reported Information provided by Diversified Energy Company and any third-party service providers.
- Testing a sample of records against underlying records which were either individually material or where there was potential for errors to accumulate to material amounts.
- Reperforming a selection of calculations of the Reported Information.

The relative effectiveness and significance of specific control procedures at and their effect on assessment of control risk at a facility level are dependent on their interaction with the controls and other factors present at individual facilities. We have not performed any procedures to evaluate the effectiveness of controls at individual facilities. We have not conducted any work outside the agreed scope and therefore restrict our conclusion to the above-mentioned subject matter.



## APPLICATION OF THE AA1000AP

Findings and conclusions concerning adherence to the AA1000 AccountAbility Principles:

<b>Inclusivity</b>	Diversified identifies eight key stakeholder groups with whom they regularly engage via formal and informal methods of communication. Direct engagement occurred in 2020 to inform Diversified's 2020 Sustainability Report's materiality assessment.
<b>Materiality</b>	Diversified clearly outlines and prioritizes 31 relevant sustainability topics. The formal process intends to be carried out every two to three years. It is recommended to conduct an informal assessment of the sustainability landscape for emerging annually.
<b>Responsiveness</b>	Diversified publishes a detailed annual sustainability report outlining its commitment and approach to managing its material topics. A strong governance structure is in place with several Board members having direct experience with sustainability topics.
<b>Impact</b>	Diversified outlines its annual performance and short-term objectives in its sustainability report and has set long-term goals such as its net zero carbon by 2040 commitment and its 30% and 50% reduction in methane emissions intensity goal by 2026 and 2030, respectively.

### Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Reported Information has not been prepared, in all material respects, in accordance with the Reporting Criteria.

### Restriction of use

This assurance report is made solely to the Client in accordance with the terms of our engagement, which include agreed arrangements for disclosure. Our work has been undertaken so that we might state to the Client those matters we have been engaged to state in this moderate assurance report and for no other purpose. Our moderate assurance report should not be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the Client for any purpose or in any context. Any party other than the Client who obtains access to our moderate assurance report or a copy thereof and chooses

to rely on our moderate assurance report (or any part thereof) will do so at its own risk. To the fullest extent permitted by law, we accept or assume no responsibility and deny any liability to any party other than the Client for our work, for this independent moderate assurance report, or for the conclusions we have reached.

### Statement of competency and independence

ISOS Group is an independent professional services firm that specializes in sustainability reporting under the Global Resources Initiative (GRI), CDP, and GRESB and is a provider of external assurance services. ISOS Group is a Global Reporting Initiative Certified Training Partner for the United States and a CDP Silver Education and Training Partner in the United States. Our team of experts have the technical expertise and competency to conduct assurance to the AA1000 assurance standard, which meets the criteria for assurance of environmental data.

No member of the assurance team has a business relationship with the Client, its Directors, or Managers beyond that required of this assignment. We conducted this assurance independently and, to our knowledge, there has been no conflict of interest. ISOS Group has a strong code of ethics and maintains high ethical standards among its staff in their day-to-day business activities. The assurance team has extensive experience in conducting assurance engagements over environmental, social, ethical, and health and safety information systems and processes.

Further information, including a statement of competencies, can be found at [www.isosgroup.com](http://www.isosgroup.com)

**Signed on behalf of ISOS Group:** San Diego, California - USA, April 4, 2022.



**BRIAN NOVECK**  
CSAP Practitioner



**AA1000**  
Licensed Assurance Provider  
000-284

# Performance data table

In addition to our focus on the safe and efficient operations of our upstream and midstream assets, Diversified is committed to providing meaningful and transparent environmental, social and governance disclosures. The data reported is as of 31 December 2021 and may also be found in our [2021 Annual Report](#).

Please refer to our Company website for a standalone version of this Performance Data Table along with separate content indices for our alignment to TCFD, GRI, SASB and the UN SDGs.

	Unit	2021	2020 <sup>(a)</sup>	2019
<b>ECONOMIC IMPACT</b>				
<b>Financial</b>				
Annual Revenue (unhedged)	\$m	\$1,008	\$409	\$462
Adjusted EBITDA (hedged)	\$m	\$343	\$301	\$273
Free Cash Flow	\$m	\$252	\$242	\$219
Dividends Paid (in the period)	\$m	\$130	\$99	\$82
Dividends Paid (in the period)	\$/share	\$0.16	\$0.14	\$0.14
Royalty Payments	\$m	\$136	\$44	\$48
Employee Wages, Salaries and Benefits	\$m	\$103	\$91	\$74
Employee Payroll Taxes	\$m	\$7	\$5	\$3
Production Taxes (severance, property, other)	\$m	\$31	\$14	\$16
Total Federal, State and Local Taxes Paid	\$m	\$49	\$29	\$19
Federal Taxes	\$m	\$11	\$6	\$5
State and Local Taxes	\$m	\$38	\$23	\$14
Natural Gas & Oil Properties, Net	\$m	\$2,530	\$1,755	\$1,496
Property & Equipment, Net (Midstream & Other)	\$m	\$414	\$382	\$321
<b>Operational</b>				
Number of States in Which We Operate	#	10	7	7
Proved (PDP) Reserves	MMBoe	774	607	563
Natural Gas	MMcft	4,026,040	3,248,587	2,942,597
Natural Gas Liquids (NGLs)	MBbl	88,702	60,454	68,209
Oil	MBbl	14,182	5,228	4,790
Total Production (Net)	MBoepd	119	100	85
Total Production (Net)	MMBoe	43	37	31
Natural Gas	MMcft	234,643	199,667	166,377
Natural Gas Liquids (NGLs)	MBbl	3,558	2,843	2,807
Oil	MBbl	592	417	407
<b>GOVERNANCE</b>				
<b>Board Composition and Diversity</b>				
Number of Board Members	#	8	7	8
Independent Board Chair	#	Yes	Yes	Yes
Board Members - Independent	#	5	4	4
Board Members - Minority	#	0	0	0
Board Members - Female	#	3	2	2

		Unit	2021	2020 <sup>(a)</sup>	2019	
<b>Risk Management</b>	Comprehensive Annual Audit Plan Approved by the Board of Directors		Yes	Yes	Yes	
	Comprehensive Annual Risk Management Assessment		Yes	Yes	No	
<b>Corporate Policy Statements</b>	Anti-Bribery and Corruption		Yes	Yes	Yes	
	Business Partners		Yes	No	No	
	Climate Change		Yes	No	No	
	Corporate Responsibility		Yes	Yes	No	
	Employee Relations		Yes	No	No	
	Environmental, Health & Safety		Yes	Yes	No	
	Human Rights		Yes	Yes	No	
	Modern Slavery		Yes	Yes	No	
	Whistleblowing		Yes	Yes	Yes	
	# of Calls into Compliance Hotline	#	2	0	0	
<b>Industry Association</b>	Industry Membership Association Dues	\$m	\$209	\$169	\$121	
<b>ENVIRONMENTAL</b>						
<b>Air Quality<sup>(b)</sup></b>	Nitrogen Oxide (NOx, excluding N <sub>2</sub> O)	tonnes	4,435	5,809	N/A	
	Carbon Monoxide (CO)	tonnes	3,840	3,451	N/A	
	Sulfur Oxide (SOx)	tonnes	0	0	N/A	
	Volatile Organic Compounds (VOC)	tonnes	437	796	N/A	
	Particulate Matter (PM Total)	tonnes	24	15	N/A	
<b>GHG Emissions<sup>(b)</sup></b>	Scope 1 Emissions - Production	thousand MT CO <sub>2</sub> e	865	409	2,087	
	Carbon Dioxide	thousand MT CO <sub>2</sub> e	236	88	31	
	Methane <sup>(c)</sup>	thousand MT CO <sub>2</sub> e	629	321	2,056	
	Nitrous Oxide	thousand MT CO <sub>2</sub> e	0.2	0.1	0.1	
	% Methane	%	73 %	78 %	99 %	
	Scope 1 Emissions - Gathering & Boosting	thousand MT CO <sub>2</sub> e	766	549	527	
	Carbon Dioxide	thousand MT CO <sub>2</sub> e	605	450	415	
	Methane <sup>(c)</sup>	thousand MT CO <sub>2</sub> e	161	99	111	
	Nitrous Oxide	thousand MT CO <sub>2</sub> e	0.3	0.4	1.2	
	% Methane	%	21 %	18 %	21 %	
	Scope 1 Emissions - Total Company, Production & Gathering & Boosting	thousand MT CO <sub>2</sub> e	1,631	958	2,614	
	Carbon Dioxide	thousand MT CO <sub>2</sub> e	841	538	446	
	Methane <sup>(c)</sup>	thousand MT CO <sub>2</sub> e	790	420	2,166	
	Nitrous Oxide	thousand MT CO <sub>2</sub> e	0.5	0.5	1.3	
	% Methane	%	48 %	44 %	83 %	
	% of Total Company Scope 1 Methane Emissions Attributable to					
	Production	%	80 %	76 %	95 %	
Gathering & Boosting	%	20 %	24 %	5 %		



	Unit	2021	2020 <sup>(a)</sup>	2019
<b>Scope 1 Emissions Attributable to</b>				
Flared Hydrocarbons	thousand MT CO <sub>2</sub> e	0	0	6
Other Combustion	thousand MT CO <sub>2</sub> e	870	537	456
Process Emissions	thousand MT CO <sub>2</sub> e	65	83	205
Other Vented Emissions	thousand MT CO <sub>2</sub> e	295	54	1,398
Fugitive Emissions	thousand MT CO <sub>2</sub> e	402	283	550
<b>Scope 2 Emissions - Total Company</b>				
Carbon Dioxide	thousand MT CO <sub>2</sub> e	3.4	0.7	N/A
Methane <sup>(c)</sup>	thousand MT CO <sub>2</sub> e	3.3	0.5	N/A
Nitrous Oxide	thousand MT CO <sub>2</sub> e	0.1	0.1	N/A
% Methane	%	2 %	19 %	N/A
Total Scope 1 and Scope 2 Emissions	thousand MT CO <sub>2</sub> e	1,634	959	N/A
Scope 1 and Scope 2 GHG Emissions Intensity	MT CO <sub>2</sub> e/MMcfe	3.1	3.8	11.8
Scope 1 Methane Emissions Intensity	MT CO <sub>2</sub> e/MMcfe	1.5	1.6	9.8
Scope 1 Methane Emissions Intensity (NGSI) <sup>(d)</sup>	%	0.28	0.29	2.17
<b>Spills</b>				
Total number of reportable spills	#	34	24	31
Oil	#	14	13	24
Produced water	#	20	11	7
Total volume of reportable spills	Bbl	2,564	103	67
Oil	Bbl	304	47	41
Produced water	Bbl	2,260	56	26
Total produced liquids volumes (oil & water)	MBbl	24,627	2,934	2,306
Spill intensity rate	per MBbl	0.104	0.035	0.029
<b>Water Management</b>				
Operating regions with high or extremely high water scarcity	%	0	0	0
Water consumption by type:	MBbbls	3,019	1,705	51
Municipal water supply	MBbbls	54	42	35
Fresh surface water (lakes, rivers, etc)	MBbbls	2,965	1,663	16
Fresh groundwater	MBbbls	0	0	0
Water consumption by activity:	MBbbls	3,019	1,705	51
Domestic use <sup>(e)</sup>	MBbbls	54	42	35
Hydraulic stimulation	MBbbls	2,944	1,649	0
Well / asset retirement	MBbbls	21	14	16
Total water consumed intensity	Bbl per Boe gross production	0.035	0.040	0.001
Disposition of produced wastewater	MBbbls	21,655	2,385	1,770
Injected into approved disposal wells	MBbbls	21,054	808	442
Recycled/reused	MBbbls	538	333	97
Disposed/sold	MBbbls	63	1,244	1,231

		Unit	2021	2020 <sup>(a)</sup>	2019
	Handling of produced wastewater				
	Produced water - trucked	%	32 %	N/A	N/A
	Produced water - piped	%	68 %	N/A	N/A
<b>Asset Retirement</b>	Wells retired during the year	#	136	92	105
	Annual well retirement commitment	#	80	80	78
<b>SOCIAL</b>					
<b>Workforce and Employee Diversity</b>	Total number of employees at year end 31 December	#	1,426	1,107	924
	Executive Committee	#	8	7	6
	Male	#	5	5	5
	Female	#	3	2	1
	Direct Reports & Senior Management	#	76	71	N/A
	Male	#	53	50	N/A
	Female	#	23	21	N/A
	All Other Employees	#	1,342	1,029	918
	Male	#	1,218	945	822
	Female	#	124	84	96
	Total male employees	#	1,276	1,000	827
	Total female employees	#	150	107	97
	Total production employees	#	1,143	924	768
	Male	#	1,103	897	743
	Female	#	40	27	25
	Total production support employees	#	283	183	156
	Male	#	173	103	84
	Female	#	110	80	72
	Minorities in the Workforce	%	2.7 %	0.6 %	0.2 %
	Veterans in the Workforce	%	5.3 %	5.0 %	N/A
	Employees under Collective Bargaining Agreements	%	14 %	17 %	22 %
<b>Employee Retention</b>	New Employee Hires	#	319	183	61
	Voluntary Turnover Rate including Retirements	%	5.7 %	5.5 %	5.0 %
	Total Turnover Rate	%	9.4 %	10.0 %	10.0 %
<b>Executive Compensation</b>	Short-term Executive Compensation tied to ESG/EHS	%	25 %	10 %	N/A
	Long-term Executive Compensation tied to ESG/EHS	%	N/A	N/A	N/A
<b>Safety - Employees</b>	Fatalities from Work-related Injury	#	0	0	0
	Total Workforce Accidents (OSHA Recordable)	#	19	13	18
	Lost-time Accidents	#	11	2	11
	Recordable Work-related injuries	#	8	11	7
	Total Recordable Incident Rate (TRIR)		1.55	1.35	2.06

	Unit	2021	2020 <sup>(a)</sup>	2019
Preventable Motor Vehicle Accident Rate	per million miles	0.72	1.04	0.99
Miles Driven	million	18.1	15.4	12.1
Total Safety Training & Development Provided	hours	15,961	11,540	N/A
# Employees Receiving this Training	#	1,146	N/A	N/A
Number of Process Safety Events - Tier 1 and Tier 2	#	0	0	0
<b>Safety - Contractors</b>				
Contractor base	#	527	390	340
Fatalities from Work-related Injury	#	0	0	0
Lost Time Case Rate - 3 year avg	#	0.20	0.21	0.50
Days Away, Restricted Work, Job Transfer ("DART") - 3 year avg	#	0.37	0.44	0.24
Total Recordable Incident Rate (TRIR) - 3 year avg		0.65	0.74	0.85

Note: N/A defined as Not Available or Not Assessed

Table Notes:

- (a) For Environmental Air Quality and GHG emissions information only, 2020 data represents revised figures, reflective of explanatory commentary on the impacts of Project Fresh as included both within this Report and our [2021 Annual Report](#). 2019 figures have not been restated.
- (b) Emissions are reported under a modified Intergovernmental Panel on Climate Change report format for EU investors.
- (c) Uses a global warming potential (GWP) of 28 for methane.
- (d) Assumes the Natural Gas Sustainability Initiative (NGSI) protocol and calculates methane intensity using methane emissions from Production assets only (therefore, excluding Gathering & Boosting facilities).
- (e) Assumes domestic use of 6.15 gallons per day per employee, as per energy.gov domestic use guidelines, for employees as at year end 31 December for 261 total business days during the period.

*Disclaimer: GHG emissions results were calculated per IPCC reporting guidance, which permits best engineering estimates for certain emissions metrics and which may vary from the prescriptive measures applied under US EPA reporting standards. The information and data contained in these calculations were accurate, to the best of our knowledge, at the time they were generated. If new data or corrections to existing data are discovered, the Company may resubmit updated data as permitted and in accordance with industry standards and expectations. Such resubmissions will be posted to our website and may take place without notice.*



# TCFD content index

Topic	Disclosure Focus Area	Disclosure	Reference to Diversified Reports
Governance	Disclose the organization's governance around climate-related risks and opportunities.	a) Describe the board's oversight of climate-related risks and opportunities.	<a href="#">Annual Report</a> p23 - 39, 110 - 112 <a href="#">Climate Risk and Resilience Report</a> p4 -6 <a href="#">Sustainability Report</a> p37
		b) Describe management's role in assessing and managing climate-related risks and opportunities.	<a href="#">Annual Report</a> p23 - 39, 110 - 112 <a href="#">Climate Risk and Resilience Report</a> p4 - 6
Strategy	Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy and financial planning.	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	<a href="#">Annual Report</a> p23 - 39 <a href="#">Climate Risk and Resilience Report</a> p7 - 12 <a href="#">Sustainability Report</a> p40
		b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	<a href="#">Annual Report</a> p23 - 39 <a href="#">Climate Risk and Resilience Report</a> p7 - 12 <a href="#">Sustainability Report</a> p40
		c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	<a href="#">Annual Report</a> p23 - 39 <a href="#">Climate Risk and Resilience Report</a> p7 - 12 <a href="#">Sustainability Report</a> p44
Risk Management	Disclose how the organization identifies, assesses and manages climate-related risks.	a) Describe the organization's processes for identifying and assessing climate-related risks.	<a href="#">Climate Risk and Resilience Report</a> p13 <a href="#">Annual Report</a> p23 - 39 <a href="#">Sustainability Report</a> p46
		b) Describe the organization's processes for managing climate-related risks.	<a href="#">Climate Risk and Resilience Report</a> p13 <a href="#">Annual Report</a> p23 - 39 <a href="#">Sustainability Report</a> p46
		c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	<a href="#">Climate Risk and Resilience Report</a> p13 <a href="#">Annual Report</a> p23 - 39 <a href="#">Sustainability Report</a> p46
Metrics and targets	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities.	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	<a href="#">Climate Risk and Resilience Report</a> p14 - 15 <a href="#">Sustainability Report</a> p47, 74-76
		b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	<a href="#">Climate Risk and Resilience Report</a> p14 - 15 <a href="#">Sustainability Report</a> p47, 74-76
		c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	<a href="#">Climate Risk and Resilience Report</a> p14 - 15 <a href="#">Sustainability Report</a> p47, 74-76

# GRI content index

Our Report has been prepared in accordance with the Core GRI standards. The following table maps our Report against the GRI reporting guidelines; therefore, all page references below are to this Sustainability Report unless otherwise noted. In some instances, we may also refer to our [2021 Annual Report](#).

GRI	Description	Disclosure
<b>GRI 102 - GENERAL DISCLOSURES</b>		
102-1	Name of the organization	Diversified Energy Company PLC
102-2	Activities, brands, products, and services	4
102-3	Location of headquarters	4
102-4	Location of operations	4
102-5	Ownership and legal form	4
102-6	Markets served	4
102-7	Scale of the organization	4 and <a href="#">Annual Report</a>
102-8	Information on employees and other workers	49 - 59
102-10	Significant changes to the organization and its supply chain	<a href="#">Annual Report</a>
102-12	External initiatives	61 - 62
102-13	Membership of associations	62
102-14	Statement from senior decision-maker	5
102-15	Key impacts, risks and opportunities	13 - 15
102-16	Values, principles, standards, and norms of behaviour	7, 55
102-17	Mechanisms for advice and concerns about ethics	59
102-18	Governance structure	67
102-19	Delegating authority	65 - 67
102-20	Executive-level responsibility for economic, environmental, and social topics	65 - 67
102-21	Consulting stakeholders on economic, environmental, and social topics	18 - 20
102-22	Composition of the highest governance body and its committees	<a href="#">Annual Report</a>
102-23	Chair of the highest governance body	<a href="#">Annual Report</a>
102-24	Nominating and selecting the highest governance body	<a href="#">Annual Report</a>
102-25	Conflicts of interest	<a href="#">Annual Report</a>
102-26	Role of highest governance body in setting purpose, values, and strategy	37 - 45
102-27	Collective knowledge of highest governance body	37 - 39
102-29	Identifying and managing economic, environmental, and social impacts	40 - 45
102-30	Effectiveness of risk management processes	46, 59

GRI	Description	Disclosure
<b>GRI 102 - GENERAL DISCLOSURES</b>		
102-31	Review of economic, environmental, and social topics	13 - 15, 40 - 45
102-32	Highest governance body's role in sustainability reporting	37, 65
102-33	Communicating critical concerns	59
102-35	Remuneration policies	<a href="#">Annual Report</a>
102-36	Process for determining remuneration	37, 48, 66, <a href="#">Annual Report</a>
102-37	Stakeholders' involvement in remuneration	48, 66, <a href="#">Annual Report</a>
102-40	List of stakeholder groups	18 - 20
102-41	Collective bargaining agreements	76
102-42	Identifying and selecting stakeholders	18
102-43	Approach to stakeholder engagement	18
102-44	Key topics and concerns raised	18 - 20
102-45	Entities included in the consolidated financial statements	<a href="#">Annual Report</a>
102-46	Defining report content and topic Boundaries	2
102-47	List of material topics	13 - 15
102-48	Restatements of information	25
102-49	Changes in reporting	2
102-50	Reporting period	2
102-51	Date of most recent report	2
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	2, back cover
102-54	Claims of reporting in accordance with the GRI Standards	2, 79
102-55	GRI content index	79 - 81
102-56	External assurance	2, 71 - 72
<b>GRI 103 - MANAGEMENT APPROACH</b>		
103-1	Explanation of the material topic and its Boundary	2
103-2	The management approach and its components	The approach to each topic can be found throughout this report
103-3	Evaluation of the management approach	7 - 8, 67 - 68
<b>GRI 201 - ECONOMIC PERFORMANCE</b>		
201-1	Direct economic value generated and distributed	4, 12, 17 - 19, 23, 28, 50, 56, 61
201-2	Financial implications and other risks and opportunities due to climate change	40 - 42
201-4	Financial assistance received from government	<a href="#">Annual Report</a>
<b>GRI 301 - MATERIALS</b>		
301-2	Recycled input materials used	32



GRI	Description	Disclosure
<b>GRI 303 - WATER AND EFFLUENTS</b>		
303-1	Interactions with water as a shared resource	32
303-2	Management of water discharge-related impacts	32
303-3	Water withdrawal	32
303-4	Water discharge	32
303-5	Water consumption	32
<b>GRI 304 - BIODIVERSITY</b>		
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	34
304-2	Significant impacts of activities, products, and services on biodiversity	34
<b>GRI 305 - EMISSIONS</b>		
305-1	Direct (Scope 1) GHG emissions	26, 74 - 75
305-2	Energy indirect (Scope 2) GHG emissions	26, 75
305-4	GHG emissions intensity	26, 75
305-5	Reduction of GHG emissions	6, 23 - 30
305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	27, 74
<b>GRI 308 - SUPPLIER ENVIRONMENTAL ASSESSMENT</b>		
308-1	New suppliers that were screened using environmental criteria	54
<b>GRI 401 - EMPLOYMENT</b>		
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	56
<b>GRI 403 - OCCUPATIONAL HEALTH AND SAFETY</b>		
403-1	Occupational health and safety management system	50 - 51
403-2	Hazard identification, risk assessment, and incident investigation	51, 53
403-4	Worker participation, consultation, and communication on occupational health and safety	51
403-5	Worker training on occupational health and safety	51
403-6	Promotion of worker health	56
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	51
403-9	Work-related injuries	51
<b>GRI 404 - TRAINING AND EDUCATION</b>		
404-2	Programs for upgrading employee skills and transition assistance programs	55, 59
<b>GRI 405 - DIVERSITY AND EQUAL OPPORTUNITY</b>		
405-1	Diversity of governance bodies and employees	73, 76
<b>GRI 414 - SUPPLIER SOCIAL ASSESSMENT</b>		
414-1	New suppliers that were screened using social criteria	54

# SASB content index

The topics covered in our Report also have been informed by the SASB reporting guidelines which have been mapped below.

Topic	Accounting Metric	Category	Unit	Code	2021 Response
<b>OIL AND GAS - EXPLORATION &amp; PRODUCTION</b>					
<b>Greenhouse Gas Emissions</b>	Gross global Scope 1 emissions, percentage methane, percentage covered under emissions-limiting regulations	Quantitative	Metric tons CO <sub>2</sub> -e (t), Percentage (%)	EM-EP-110a.1	1,631,000 48% DEC did not differentiate the percentage covered under emissions-limiting regulations.
	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	Quantitative	Metric tons CO <sub>2</sub> -e	EM-EP-110a.2	(1) 0 (2) 870,000 (3) 65,000 (4) 295,000 (5) 402,000
	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	Discussion and Analysis	–	EM-EP-110a.3	Diversified understands the importance of achieving lower GHG emissions via an orderly transition of energy sources. To play our part while strengthening our resilience to the changing market dynamics, Diversified has embarked on an important path to carbon neutrality.  For information on our plans, targets and performance, please refer to pages 22 - 28 of our Sustainability Report.
<b>Air Quality</b>	Air emissions of the following pollutants: (1) NOx (excluding N2O), (2) SOx, (3) volatile organic compounds (VOCs), and (4) particulate matter (PM10)	Quantitative	Metric tons (t)	EM-EP-120a.1	(1) 4,435 (2) 0 (3) 437 (4) 24
<b>Water Management</b>	(1) Total fresh water withdrawn, (2) total fresh water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	Quantitative	Thousand cubic meters (m <sup>3</sup> ), Percentage (%)	EM-EP-140a.1	Please note, we capture and analyse water management performance in barrels (1) 2,965 MBbls and 0% (2) 2,965 MBbls and 0% Further information to water management and performance is provided on pages 32 and 75-76, respectively.
	Volume of produced water and flowback generated; percentage (1) discharged, (2) injected, (3) recycled; hydrocarbon content in discharged water	Quantitative	Thousand cubic meters (m <sup>3</sup> ), Percentage (%), Metric tons (t)	EM-EP-140a.2	Please note, we capture and analyse water management performance in barrels Total produced water: 21,655 MBbls (1) 63 MBbls and 0.3% (2) 21,054 MBbls and 97.2% (3) 538 MBbls and 2.5%
	Percentage of hydraulically fractured wells for which there is public disclosure of all fracturing fluid chemicals used	Quantitative	Percentage (%)	EM-EP-140a.3	Aside from completing wells already underway at the time we make acquisitions or wells that we are contracted to drill, Diversified does not actively develop new wells. In 2021, we contract drilled seven wells and completed three additional wells that were in process at the time of acquisition. For these wells, we publicly reported 100% of the known fracturing fluid chemicals.
	Percentage of hydraulic fracturing sites where ground or surface water quality deteriorated compared to a baseline	Quantitative	Percentage (%)	EM-EP-140a.4	DEC does not conduct baseline or post-treatment water quality assessments in the few instances in which the Company may engage in hydraulic stimulation.

Topic	Accounting Metric	Category	Unit	Code	2021 Response
<b>Biodiversity Impacts</b>	Description of environmental management policies and practices for active sites	Discussion and Analysis	–	EM-EP-160a.1	<p>We are committed to protecting the environment through responsible operations and our EHS management system made up of three levels; policies, programme documents and field operating procedures.</p> <p>Through our long-standing, well-proven SAM programme, we have an active EHS group that daily seeks to increase asset efficiency and integrity</p> <p>Signed by our CEO, our <a href="#">EHS Policy</a> is guided by the principles of corporate accountability and leadership, risk preparedness, collaboration and transparency. As noted in our <a href="#">Business Partners Policy</a>, we expect a similar commitments from our suppliers and business partners with whom we conduct business.</p>
	Number and aggregate volume of hydrocarbon spills, volume in Arctic, volume impacting shorelines with ESI rankings 8-10, and volume recovered	Quantitative	–	EM-EP-160a.2	<p>See page 75 of our Sustainability Report for spills performance data. Recovery data not captured.</p> <p>We do not operate in the Arctic.</p> <p>We had no spills impacting shorelines with ESI rankings 8-10.</p>
	Percentage of (1) proved and (2) probable reserves in or near sites with protected conservation status or endangered species habitat	Quantitative	–	EM-EP-160a.3	DEC does not capture this information.
<b>Security, Human Rights &amp; Rights of Indigenous Peoples</b>	Percentage of (1) proved and (2) probable reserves in or near areas of conflict	Quantitative	–	EM-EP-210a.1	DEC does not operate near any areas of conflict.
	Percentage of (1) proved and (2) probable reserves in or near indigenous land	Quantitative	–	EM-EP-210a.2	With our 2021 expansion into the Central Region, Diversified now operates a minimal number of wells located in close proximity to or on Native American land in Oklahoma. As of 31 December 2021, these wells make up less than 1% of Diversified's total net reserves for Oklahoma and less than 0.05% of Diversified's total net reserves for the Company.
	Discussion of engagement processes and due diligence practices with respect to human rights, indigenous rights, and operation in areas of conflict	Discussion and Analysis	–	EM-EP-210a.3	As a responsible employer, we seek to uphold and protect the human rights of all our employees and contractors, as outlined in our recently strengthened <a href="#">Human Rights Policy</a> and our new <a href="#">Business Partners Policy</a> . Veriforce, a leading supply chain risk management firm, will monitor contractor's compliance with OSHA regulation, modern slavery and human rights and other relevant and applicable labour laws in the US.
<b>Community Relations</b>	Discussion of process to manage risks and opportunities associated with community rights and interests	Discussion and Analysis	–	EM-EP-210b.1	Our EHS team is responsible for overseeing all environmental considerations as well as community related health and safety matters. Our Head of EHS sits on the Company's senior management team and reports directly to the COO.
	Number and duration of non-technical delays	Quantitative	–	EM-EP-210b.2	DEC has had zero non-technical delays.



Topic	Accounting Metric	Category	Unit	Code	2021 Response
<b>Workforce Health &amp; Safety</b>	(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	Quantitative	Rate, Hours (h)	EM-EP-320a.1	(1) 1.55 (2) 0 (3) not measured (4a) total hours = 15,961 (4b) N/A (4c) not measured
	Discussion of management systems used to integrate a culture of safety throughout the exploration and production lifecycle	Discussion and Analysis	–	EM-EP-320a.2	Our operating principles reflect our foremost commitment to safety and sustainability. The Sustainability & Safety Committee also regularly review EHS performance and operating updates, generally at each of its scheduled committee meetings. To enable more robust management of our supplier network, we utilise a leading supply chain risk management firm, Veriforce, to prescreen for contractors with high safety performance records.
<b>Reserves Valuation &amp; Capital Expenditures</b>	Sensitivity of hydrocarbon reserve levels to future price projection scenarios that account for a price on carbon emissions	Quantitative	–	EM-EP-420a.1	See portfolio resilience on page 44 of our Sustainability Report.
	Estimated carbon dioxide emissions embedded in proved hydrocarbon reserves	Quantitative	–	EM-EP-420a.2	We have not calculated this information.
	Amount invested in renewable energy, revenue generated by renewable energy sales	Quantitative	–	EM-EP-420a.3	Does not apply
	Discussion of how price and demand for hydrocarbons and/or climate regulation influence the capital expenditure strategy for exploration, acquisition, and development of assets	Discussion and Analysis	–	EM-EP-420a.4	Please refer to our strategy section within the TCFD content starting on page 40 of our Sustainability Report.
<b>Business Ethics &amp; Transparency</b>	Percentage of (1) proved and (2) probable reserves in countries that have the 20 lowest rankings in Transparency International's Corruption Perception Index	Quantitative	–	EM-EP-510a.1	As a company that acquires and operates wells in the Appalachian Basin and Central Region of the United States of America, zero percent of reserves are in countries that have the 20 lowest rankings in Transparency International's Corruption Perception Index.
	Description of the management system for prevention of corruption and bribery throughout the value chain	Discussion and Analysis	–	EM-EP-510a.2	Our <a href="#">Anti-Bribery and Corruption Policy</a> adheres to all relevant laws and regulations, including compliance with the UK Bribery Act 2010, and falls under the direct oversight of our General Counsel. Our approach applies across all parts of our business, including our supply chain, and regular training is provided, as necessary, to all employees who engage with our external stakeholders.
<b>Management of the Legal &amp; Regulatory Environment</b>	Discussion of corporate positions related to government regulations and/or policy proposals that address environmental and social factors affecting the industry	Discussion and Analysis	–	EM-EP-530a.1	At Diversified, we believe in the value of engaging with and participating in natural gas and oil industry associations. See more on industry associations on page 62 of our Sustainability Report.

Topic	Accounting Metric	Category	Unit	Code	2021 Response
<b>Critical Incident Risk Management</b>	Process Safety Event (PSE) rates for Loss of Primary Containment (LOPC) of greater consequence (Tier 1)	Quantitative	–	EM-EP-540a.1	In 2021, there were no process safety events. Diversified reports process safety events for its processing facilities under the safety standards regulated by the US Department of Labour and the Occupational Safety and Health Administration.
	Description of management systems used to identify and mitigate catastrophic and tail-end risks	Discussion and Analysis	–	EM-EP-540a.2	Diversified's risk management review process includes the oversight and monitoring of our risk control and mitigation efforts. The Audit and Risk Committee and senior management have narrowed down the risk universe to eight primary risks faced by the Company representing four main risk categories: (1) Strategic risk, (2) operational risk, (3) financial risk, and (4) legal, regulatory, environmental and reputational risk.
<b>ACTIVITY METRICS</b>					
	Production of: (1) oil, (2) natural gas, (3) synthetic oil, and (4) synthetic gas	Quantitative	Thousand barrels per day (Mbbbl/day); Million standard cubic feet per day (MMscf/day)	EM-EP-000.A	(1) 592 MBbls (2) 234,643 MMcf (3) None (4) None
	Number of offshore sites	Quantitative	–	EM-EP-000.B	Diversified does not operate any wells offshore.
	Number of terrestrial sites	Quantitative	–	EM-EP-000.C	Diversified does not have any terrestrial sites.
<b>OIL AND GAS - MIDSTREAM</b>					
<b>Greenhouse Gas Emissions</b>	Gross global Scope 1 emissions, percentage methane, percentage covered under emissions-limiting regulations	Quantitative	Metric tons CO <sub>2</sub> -e (t), Percentage (%)	EM-MD-110a.1	1,631,000 (48% methane) Diversified did not differentiate the percentage covered under emissions-limiting regulations.
	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	Discussion and Analysis	–	EM-MD-110a.2	In our <a href="#">2020 Sustainability Report</a> , we announced our intention to achieve net zero Scope 1 and Scope 2 GHG emissions by 2050. Since that time, we have been diligently working to identify the most appropriate path toward that ambition given our acquisition-focused business model and operational approach to emissions reductions.  We are pleased to announce that our emissions reduction efforts during 2021 and the focused commitment of our Board and our teams have allowed us to advance our net zero ambition to year end 2040. Read more in the Protecting Our Environment section of our 2021 Sustainability Report.  Further detail is also provided in our <a href="#">Climate Risk and Resilience Report</a> , which outlines our methane reduction targets comprising a 30% reduction by 2026 and 50% reduction by 2030, from a revised 2020 baseline.
<b>Air Quality</b>	Air emissions of the following pollutants: (1) NO <sub>x</sub> (excluding N <sub>2</sub> O), (2) SO <sub>x</sub> , (3) volatile organic compounds (VOCs), and (4) particulate matter (PM <sub>10</sub> )	Quantitative	Metric tons (t)	EM-MD-120a.1	(1) 4,435 (2) 0 (3) 437 (4) 24

Topic	Accounting Metric	Category	Unit	Code	2021 Response
<b>Ecological Impacts</b>	Description of environmental management policies and practices for active operations	Discussion and Analysis	-	EM-MD-160a.1	We are committed to protecting the environment through responsible operations EHS management system made up of three levels; policies, programme documents and field operating procedures. We focus on reducing risks, maintaining compliance and seeking best practices and continuous improvement in all our EHS and operational processes.
	Percentage of land owned, leased, and/ or operated within areas of protected conservation status or endangered species habitat	Quantitative	-	EM-MD-160a.2	DEC does not capture this information.
	Terrestrial acreage disturbed, percentage of impacted area restored	Quantitative	-	EM-MD-160a.3	Diversified does not actively drill new wells though it chose to complete three wells in progress at the time DEC acquired the asset and seven wells for which DEC was contracted to drill and operate. For these ten wells, land disturbance was minimal. Diversified did retire 136 wells in 2021 for which it restored the former well sites to its natural condition upon permanent closure.
	Number and aggregate volume of hydrocarbon spills, volume in Arctic, volume in Unusually Sensitive Areas (USAs), and volume recovered	Quantitative	-	EM-MD-160a.4	In 2021, there were no hydrocarbon spills from pipelines in the Arctic or USAs.
<b>Competitive Behaviour</b>	Total amount of monetary losses as a result of legal proceedings associated with federal pipeline and storage regulations	Quantitative	-	EM-MD-520a.1	There were no losses due to legal proceedings associated with federal pipeline and storage regulations.
<b>Operational Safety, Emergency Preparedness &amp; Response</b>	Number of reportable pipeline incidents, percentage significant	Quantitative	-	EM-MD-540a.1	34 reportable oil and produced water spill incidents. See page 75 of the Sustainability Report for Spills performance data. 0% significant
	Percentage of (1) natural gas and (2) hazardous liquid pipelines inspected	Quantitative	-	EM-MD-540a.2	(1) DEC routinely completes a variety of industry best practice and regulatory required inspections of our pipelines and related facilities. Those inspections were not tracked on a per mile or percentage basis during the period, though we aspire to do so in the future. (2) Not applicable, DEC does not have any hazardous liquid pipelines.
	Number of (1) accident releases and (2) nonaccident releases (NARs) from rail transportation	Quantitative	-	EM-MD-540a.3	DEC does not use rail transportation within any operations.
	Discussion of management systems used to integrate a culture of safety and emergency preparedness throughout the value chain and throughout project lifecycles	Discussion and Analysis	-	EM-MD-540a.4	Our operating principles reflect our foremost commitment to safety and sustainability. The Sustainability & Safety Committee also regularly review EHS performance and operating updates, generally at each of its scheduled committee meetings. To enable more robust management of our supplier network, we utilise a leading supply chain risk management firm, Veriforce, to prescreen for contractors with high safety performance records.
<b>ACTIVITY METRICS</b>					
	Total metric ton-kilometers of: (1) natural gas, (2) crude oil, and (3) refined petroleum products transported, by mode of transport	Quantitative	-	EM-MD-000.A	(1) DEC does not currently track amount of natural gas transported. We aspire to provide this data in the future. (2) DEC does not transport crude oil. (3) DEC does not refine petroleum products and therefore none is transported.



# Forward-Looking Statements

Certain information set forth in this 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.

As noted in our [Climate Risk and Resilience Report](#), separately published and also contained in full herein, 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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