DIVERSIFIED energy

Climate Risk and Resilience Report

March 2023

Letter from Our CEO, Rusty Hutson, Jr.

In last year's Climate Risk and Resilience Report, I wrote about our focused approach to the energy transition, our ambitious targets to reduce the carbon intensity of our own operations and the way in which we increasingly take climate change considerations into account in decision-making as we continue to grow our business inorganically and organically and supply the natural gas our clients and the wider economy need. I am pleased to report that in 2022 Diversified's strategy of *decarbonising while delivering* is well on track to meet the targets we set for ourselves.

In this year's report, we provide further details about the practical steps we have taken to assess, manage and mitigate climate-related risk and demonstrate clearly how our plan for the energy transition is fully aligned with our overall business strategy.

In accordance with the guidance provided by the Task Force on Climate-related Financial Disclosures on Metrics, Targets and Transition Plans (October 2021), our plan and overall approach to climate change risks and opportunities are subject to evaluation, approval and oversight of our Board and Management teams. I am grateful to them for their hands-on approach and leadership on these matters as described in the Governance section of this report. We have set clear and quantitative targets to reduce the methane intensity of our operations in half by 2030 which will position us for success in achieving net zero Scope 1 and 2 greenhouse gas emissions by 2040. We are pleased to provide details of our progress against these ambitious goals in the Metrics and Targets section of this report.

We continue to develop a wide range of actionable, specific initiatives for decarbonising our operations. On the heels of completing emissions surveys on 100% of our operated wells in Appalachia in 2022, these further initiatives include expanding our emissions detection processes to survey 100% of our upstream assets in the Central Region by year end 2023 and continuing the aerial surveillance programme of our midstream pipelines in Appalachia. We also continue to roll out the installation of air compression units on well pads to eliminate emissions from the operation of natural gas pneumatic devices – 55 well pads were completed in 2022 and our goal is to complete a further 50 in 2023 – and we expect to significantly reduce the carbon dioxide emissions associated with a large combustion engine compression facility in West Virginia by installing new electric facilities in 2023.

We were pleased to have been awarded the OGMP Gold Standard Pathway during 2022 and will continue to advance our commitment to OGMP 2.0 through further investment during 2023 in additional measurement and emissions capture equipment as we work toward Gold Standard Compliance.

While we are making good progress in decarbonising our own operations, we recognise that the greenhouse gas emissions associated with our value chain are proportionately greater than non-energy producing companies as our Scope 3 emissions are associated mostly with the end-use of our products. We are in the early stages of evaluating how best to develop an inventory of as well as measure and report these emissions in line with existing protocols and evolving market expectations so that we may also identify greenhouse gas reduction opportunities in our upstream and downstream value chains.

As described in the Strategy and Risk Management sections of this report, we take a proactive approach to identifying and managing the risks and opportunities we face from the energy transition. We expect natural gas to play a crucial role in an energy transition, and demand for Diversified's responsibly produced, low-cost products will remain robust. As the results of this year's scenario analysis demonstrate, our business model remains resilient even under Wood Mackenzie's Accelerated Energy Transition 1.5°C scenario, which sees the global economy achieving net zero greenhouse gas emissions before 2050.

Throughout 2022, I am pleased to report that our teams continued to build and advance our leadership position as a critical piece in the energy transition puzzle, and I thank you for your on-going interest in our steadfast progress.

Sincerely,

Robert R. ("Rusty") Hutson, Jr.
Chief Executive Officer

About This Report

Disclosures

This report should be read in conjunction with our 2022 Annual Report and 2022 Sustainability Report. Our Annual Report provides a summary of Diversified Energy Company's ("Diversified's") operations and activities during 2022 and our financial position as of 31 December 2022. Our Sustainability Report presents our approach to and performance on material environmental, social and governance ("ESG") issues which are important to our company and our stakeholders. Together, these three year-end reports provide a transparent, complementary review of Diversified's business. These reports will be available on our website at **www.div.energy**.

Report feedback

Questions and feedback are welcome and can be directed to **IR@dgoc.com**.

External Assurance

ISOS Group Inc. ("ISOS") is providing assurance over our Scope 1 and 2 greenhouse gas ("GHG") emissions data for 2022. Please refer to ISOS' independent assurance letter as presented in the Appendix of our 2022 Sustainability Report for more information on the scope of assurance.

Reporting in Line with the TCFD Recommendations

This Climate Risk and Resilience Report ("Climate Report") is our second successive annual set of climate-related financial disclosures. The report is consistent with the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD"), except for TCFD guidance regarding reporting of Scope 3 GHG emissions for which we are still in the early stages of developing an inventory in line with existing protocols and evolving market expectations and aim to have advanced our position on Scope 3 reporting by year end 2024. In this year's Climate Report, we track the progress we have made during calendar year 2022 and highlight some of the key areas where we have further enhanced our approach to reporting on the four core TCFD elements of Governance, Strategy, Risk Management and Metrics and Targets.

Governance

a) Board oversight of climate-related risks and opportunities

b) Management's role in risk assessment and management

Strategy

a) Risks and opportunities identified

b) Impact on business, strategy, and planning

c Resilience of strategy to different scenarios

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

CLIMATE CHANGE POLICY

Approved by our Board, our Climate Change Policy reflects Diversified's 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.

Governance - Engaged Leadership Focused on Decarbonisation

Our Board of Directors ("Board" or "Directors") continues to take a hands-on approach to identifying, assessing and managing climate-related risks and seeking new commercial opportunities from the energy transition. The processes by which the Board does this are fully integrated into our Board calendar and our governance procedures. In 2022, elements of our strategic and operational approach to climate change and the energy transition were on the agenda and considered at each of the Board's 11 meetings[1] with discussions and decision-making informed by the work of our four Board Committees, as more fully described below.

The Board receives briefings at every meeting on climate matters from the Chair of the Sustainability & Safety Committee and more detailed briefings on specific topics, as applicable, from the Chief Operating Officer ("COO"), the Senior Vice President-Environmental, Health & Safety ("EHS"), the Vice President-ESG & Sustainability and from the Chairs of the other Board Committees. From time to time the Board also receives training or briefings from external third-party experts on topics such as GHG emissions reporting, peer benchmarking and internal carbon pricing.

A key issue for the Board is to ensure that our acquisition strategy is consistent with our emissions reduction targets. Accordingly, since 2021, the Board has adopted enhanced due diligence measures (see Case Study) which require management to provide detailed information regarding the GHG emissions profiles of proposed acquisitions. Using an internally developed acquisition emissions screening tool, target assets are assessed for their methane intensity in accordance with the Methane Intensity Protocol developed by the Natural Gas Sustainability Initiative ("NGSI"). This information is then used by the Board as one metric to inform its acquisition decision-making. The NGSI voluntary reporting protocol complements existing regulatory reporting by providing a consistent, transparent and comparable methodology for measuring and reporting methane emissions throughout the natural gas supply chain.

[1] The Board generally conducts six standard meetings per year, timed around the release of our financial reporting. Additional meetings are held upon request to discuss acquisitions or other matters that require attention prior to the next standard Board meeting.

CASE STUDY: CLIMATE DILIGENCE FOR ACQUISITIONS

Diversified's internal team of environmental professionals, supported by third-party consultants, conducts climate and environmental audits prior to the acquisition of any asset. Such diligence helps us better understand the risks and opportunities associated with the target acquisitions as well as the long-term impact of the target assets on our existing emissions and emissions intensity profiles and our environmental commitments.

Using US Environmental Protection Agency ("EPA")-reported Subpart W data and other operational data provided by the acquisition target, we initially screen assets based on their methane intensity according to the NGSI Methane Intensity Protocol, considering both the target's standalone and Diversified's consolidated emissions intensity, respectively. Through our internally developed carbon price screening process, we look to understand the impact of the acquisition from an environmental and cost perspective. We also seek to compile a complete inventory of the target's natural gas-driven devices, including pneumatics and compression facilities, to understand potential emissions reduction opportunities and the associated costs that will be available to us using our Smarter Asset Management ("SAM") operational techniques and other efficiency measures and how these SAM operations improvements would map into our Marginal Abatement Cost Curve ("MACC").

For example, the assets we acquired in the Central Region in late 2021 had an emissions profile which, as operated by the seller, would potentially increase our methane intensity profile. In early 2022, we immediately conducted an inventory assessment of the assets and developed a three-year plan to lower those emissions. This plan included the conversion of natural gas-driven pneumatic devices to compressed air on a number of well pads, immediately resulting in a lowering in GHG emissions compared to pre-acquisition levels.

Our Board Committees provide oversight of our climate-related risks and opportunities though these considerations are a primary focus of our Sustainability & Safety Committee. The roles of the four Board Committees are reflected in the Climate Change Governance Framework depicted in Figure 1 and further described below.

FIGURE 1: CLIMATE CHANGE GOVERNANCE FRAMEWORK – BOARD

BOARD OF DIRECTORS

Determines climate change strategy, assesses risks and monitors performance

Sustainability & Safety Committee	Audit & Risk Committee	Remuneration Committee	Nomination & Governance Committee
Sandra M. Stash (Chair)	David J. Turner (Chair)	Melanie Little/Sylvia Kerrigan (Chair)[2]	Martin K. Thomas (Chair)
David E. Johnson	Melanie Little[2]	David E. Johnson	David E. Johnson
Melanie Little/Kathryn Klaber[2]	Sandra M. Stash	Sandra M. Stash	Sylvia Kerrigan
Bradley G. Gray (COO)	Martin K. Thomas	David J. Turner	Kathryn Z. Klaber[2]
Evaluates issues relating to climate change and the energy transition to inform the Board's climate decision-making and monitors performance on behalf of the Board	Ensures climate risk is properly identified, assessed and managed, and potential climate impacts are appropriately considered in company financial models	Ensures ESG KPIs, including achievement of GHG emission reduction targets, are included in remuneration packages	Ensures a balance of skills, knowledge, independence, experience and diversity on the Board and its committees

[2] Melanie Little resigned from the Board effective 31 December 2022. Kathryn Z. Klaber was appointed to the Board effective 1 January 2023. Sylvia Kerrigan was appointed as Chair of the Remuneration Committee effective 1 January 2023.

The **Sustainability & Safety Committee** comprises three Independent Non-Executive Directors and the Executive Director Chief Operating Officer. The Committee meets throughout year[3] and evaluates all issues relating to climate risk on behalf of the Board, including changes in regulation and policy and other global macro-level developments relating to the energy transition. The Committee also monitors the progress regarding our own operational climate change mitigation and adaptation plans. Throughout the year, and specifically during these meetings, the COO, the Senior Vice President-EHS and the Vice President-ESG & Sustainability provide updates to the Committee on climate-related matters. Climate topics monitored and discussed during 2022 included:

- the status of our methane leak detection and repair projects for both our upstream handheld and midstream aerial surveillance programmes;
- a review of our well retirement programme;
- progress updates on implementation of budgeted annual and longer-term capital expenditure programme for emissions reductions;
- actual GHG emissions reductions achieved and progress against our Scope 1 methane emissions intensity reduction targets of 30% by 2026 and 50% by 2030 versus a 2020 baseline;
- progress with the plan to achieve net zero Scope 1 and 2 GHG emissions by 2040 being developed with independent global consultants Montrose Environmental using our MACC tool to evaluate emissions reduction projects;
- lessons learned on adaptation and emergency response to extreme weather events such as the flooding experienced in central Appalachia in 2022;
- the process to achieve the Oil & Gas Methane Partnership 2.0 ("OGMP") Gold Standard Pathway certification and the remaining actions and projects required to achieve full Gold Standard Compliance; and
- plans and progress on decarbonisation and energy transition-related feasibility studies and pilot projects such as waste heat recovery, biogas and carbon capture and storage.

The Chief Financial Officer ("CFO") also participates in meetings with the Sustainability & Safety Committee to ensure that climate-related initiatives are incorporated into financial planning and capital allocation and can be properly communicated to investors.

The **Audit & Risk Committee** oversees our Enterprise Risk Management ("ERM") process and works with the Sustainability & Safety Committee to ensure that:

- climate risk is being properly identified, assessed and managed, as reflected in the risks and opportunities table in the Strategy section of this Climate Report; and
- our financial models appropriately consider the potential financial impacts of the identified climate-related risks and opportunities, based on the outcomes of our scenario analysis.

The Chair of the Audit & Risk Committee ensures that the Board receives updates on each risk area topic, including climate-related risk, at least once every two years. Details about our approach to climate risk are included in the Risk Management section below. For information about our risk management process and wider ERM framework, please reference our **2022 Annual Report**.

The **Remuneration Committee** is responsible for developing a short-term (annual) and long-term compensation structure for executive and senior management linked, in part, to ESG and climate performance metrics, including methane intensity reduction targets, and monitoring progress against those metrics. For more information on remuneration tied to ESG and climate performance metrics, please refer to the Incentivizing Emissions Reduction Performance details in the Metrics & Targets section below.

Overseeing the size and composition of the Board and monitoring governance trends and best practices, the **Nomination & Governance Committee** is responsible for ensuring the Board's collective skill set is positioned to adequately understand and shepherd climate-related decisions and opportunities for our Company. This committee keeps climate-related goals top of mind when interviewing prospective directors, onboarding new directors and formulating succession plans.

[3] The Sustainability & Safety Committee's charter requires a minimum of two meetings per year. During 2022, the Sustainability & Safety Committee met five times.

Significant Climate Expertise of Our Board of Directors

We are fortunate to have significant climate change expertise among our Directors, exemplified by the extensive experience of the Chair of our Sustainability & Safety Committee, Ms. Stash. Below we provide details of the climate-related experience of each of our Board members which has been enhanced further through a detailed climate change training session undertaken by the Board in November 2022.

The training, delivered by third-party global climate consultants Montrose Environmental, covered key climate considerations for business, reporting of Scope 3 GHG emissions, a review of peer decarbonisation targets, climate scenarios, regulation and terminology. This thorough training provided an opportunity for robust discussion among the Board and the Company's senior leadership on these topics and their implications for our corporate and acquisition strategies, ongoing operations and continued transparency in ESG and climate reporting. Separately, the Sustainability & Safety Committee undertook in-depth training provided by Montrose Environmental on the use of an internal cost of carbon in our business.

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

Sandra M. Stash, P.E.

Ms. Stash joined the Board of Diversified in October 2019 and is the Chair of our Sustainability & Safety Committee. She has more than 35 years of international executive and non-executive board experience, including in senior leadership roles in Operations, Engineering, and ESG and Sustainability at Tullow Oil (2014-2020), Talisman Energy (2008-2013), and TNK-BP (2003-2006). Alongside her role at Diversified, she serves in a number of board and advisory roles, including as Chair of the EHS Committee for Trans Mountain Company, Chair of the ESG Committee for Lucid Energy, and Chair of the ESG Committee for Chaarat Gold, giving her a particularly broad understanding of the impacts of climate change on business. She regularly participates in climate-related training and discussions through her membership in the US National Association of Corporate Directors.

Bradley G. Gray

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 and progress we have made to reduce our climate impact, as a function of our zero-tolerance policy on fugitive emissions, and to achieve our ESG and GHG reduction goals, including through our Smarter Asset Management, leak detection and repair and well retirement programmes. He is actively engaged in ESG and climate-related discussions with both internal and external stakeholders.

David E. Johnson

As our Chairman, Mr. Johnson's membership in the Sustainability & Safety Committee reflects the important role that sustainability issues, including climate change, play in helping to shape our corporate 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.

Kathryn Z. Klaber

Ms. Klaber joined the Board of Diversified on 1 January 2023. She brings extensive experience as a strategy consultant and advocate for the energy industry. As Managing Director of The Klaber Group, Ms. Klaber provides strategic advice and compliance assurance services to companies in the shale sector, including in relation to climate risk and emissions monitoring. As founding Chief Executive Officer of the Marcellus Shale Coalition, she worked closely with elected leaders, regulators, non-profits and companies throughout the natural gas supply chain to advance the responsible development of the Appalachian Basin. Earlier in her career she spent 10 years with Environmental Resources Management where she advised clients on provisions of the Clean Air Act, including leak detection and repair. In her recent board role with the Pittsburgh branch of the Cleveland Federal Reserve, she contributed to the organisation's climate guiding principles.

Melanie Little

Ms. Little contributed significantly to the development of Diversified's ESG strategy during her three years on the Board, drawing on her senior leadership experience of environmental, health, safety and security matters gained at Magellan Midstream Partners, where she was also responsible for the publication of Magellan's annual Sustainability Report and the establishment of its Sustainability Committee. She resigned her position from Diversified's Board with effect from 31 December 2022 to join Colonial Pipeline Company as President and Chief Executive.

Robert R. ("Rusty") Hutson, Jr

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 GHG emissions goal, including capital expenditure for acquisitions and emission reduction initiatives. He engages frequently with industry peers, investors (both in the US and globally), lenders and regulators and policy makers at the national and US levels to discuss climate change policy and the energy transition and the potential impact of each on Diversified and the broader industry.

Sylvia Kerrigan

Ms. Kerrigan joined the Board of Diversified in October 2021. She recently (October 2022) took on the roles of Chief Legal Officer and Company Secretary at Oxy (formerly Occidental Petroleum). She brings considerable board- and executive-level experience on 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 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 planned and delivered events covering the energy transition, climate change, ESG activism and disclosure.

Martin K. Thomas

As a corporate lawyer based in London, Mr. Thomas has specialised for over 20 years in advising on IPOs and secondary financing of companies across sectors, including oil & gas and renewable energy. He receives regular professional updates on listing and other regulatory requirements, as well as on policy developments in non-financial reporting, including climate-related disclosures.

David J. Turner, Jr

Mr. Turner is the Chief Financial Officer 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 involved integration of environmental factors into the company's risk management framework and measures to reduce the company's GHG emissions and improve energy efficiency. He also serves on the Disclosure Review Committee, which reviews the company's ESG-related disclosures, including climate disclosures using the TCFD framework.

Management's Role in Assessing & Managing Climate-Related Risks & Opportunities

Management remains abreast of climate-relates issues through (i) its knowledge of our industry, business environment and ongoing operating activities, (ii) frequent interactions with both internal and external stakeholders, including senior leaders in the Company, state and national regulators and investors, and (iii) engagement with vendors, industry associations and benchmarking groups where current trends and best practice operating standards and emissions reductions solutions are shared.

Climate-related responsibilities are assigned to management-level positions according to each individual's area of responsibility and contribution to our overall corporate strategy. The CEO assumes ultimate responsibility for delivery of the Company's climate change and energy transition strategy, including management of climate-related risks and opportunities. In addition to providing the CEO with frequent climate-related operational and financial updates, the COO and CFO provide these updates to the Board at each Board meeting.

See Figure 2 below for a summary of our executive leadership's climate-related areas of responsibility.

FIGURE 2: CLIMATE CHANGE GOVERNANCE FRAMEWORK - MANAGEMENT

BOARD OF DIRECTORS

Determines climate change strategy, assesses risks and monitors performance

CEO

Ultimately responsible for delivery of the Company's climate and energy transition strategy and managing climate-related risks and opportunities

Chief Operating Officer

- Oversees progress towards climate targets, including MACC[4] project development and OGMP[5] certification processes
- Aids in design of & approves operational activities, including GHG emissions detection & reduction measures, feasibility studies and pilot projects for new business initiatives
- Oversees integrated well retirement operations

Chief Financial Officer

- Ensures annual budgets include operating and capital expenses for climate-related initiatives
- Considers potential financially-material impacts of climate change
- Manages stakeholder communications with respect to climate strategy and climate-related risks & opportunities

General Counsel

- Considers impacts of new or emerging climate-related policy & regulatory developments on the Company
- Engages with policy makers & regulators on climate & energy matters within the industry

Chief Commercial Officer

- Considers impact of potential acquisitions on Company decarbonisation strategy
- Oversees marketing of our responsibly produced natural gas to highlight its climate and overall environmental credentials

Chief Human Resources Officer

- Ensures Board directives on climate are integrated into executive and senior leadership compensation plans
- Monitors progress against climate compensation targets to aid Remuneration Committee considerations

[4] MACC is a marginal abatement cost curve that weighs the financial cost vs GHG emissions abatement benefit of specific actions.

[5] The OGMP is a multi-stakeholder initiative launched by the United Nations Environment Programme and the Climate and Clean Air Coalition to promote measurement and transparency in methane emissions reporting.

As our Vice President ESG & Sustainability explains:

"At Diversified, emissions reductions and climate-related risks and opportunities are addressed on a consistent basis, with input and action from the wellhead to the boardroom. We all recognise the role we all have to play in this constantly and quickly evolving energy transition, from our Board's strategic insight and oversight to our well tenders' daily actions to carry out our zero-tolerance policy for fugitive emissions."

The **Chief Operating Officer** plays a key role in identifying, assessing and managing our climate-related risks and opportunities and in implementing our climate and energy transition strategy. This role has direct responsibility for operationally delivering on our stated emission and emissions intensity reduction targets and goals, including ensuring appropriate financial and human resources are allocated to reduction-related activities such as our methane leak detection and repair programme and conversion of natural gas-driven pneumatic devices to compressed air. This role also includes (i) identifying and implementing new operational investments in emissions reduction technologies, (ii) identifying, assessing and pursuing new capital investments in carbon capture or other alternative uses of operational assets within our portfolio, (iii) developing commercial opportunities such as our growing well retirement business, and (iv) ensuring that climate-related factors and metrics are considered for company growth plans, including acquisitions.

Our COO holds bi-weekly meetings with a cross functional group of senior leaders to review all operational activities and significant company projects, which may include climate-related initiatives. Additionally, in practice, the COO is involved in daily interactions with senior leaders and field personnel whose responsibility it is to implement our GHG emissions reduction programmes.

The COO's senior leadership team with climate-related responsibilities includes:

- Senior Vice President-Upstream Operations: manages our SAM programme which includes well maintenance and optimisation, equipment and efficiency upgrades, and leak inspection and repairs.
- Senior Vice President-Midstream Operations: manages the integrity and maintenance of the Company's vast pipeline and related compression network, including the implementation of the multi-year aerial leak detection surveillance programme currently underway by Bridger Photonics ("Bridger").
- Senior Vice President-EHS: provides support to all upstream and midstream activities, including training well tenders in the proper use of audio, visual and olfactory ("AVO") inspection techniques and handheld leak detection devices; identifying, developing and prioritising emissions reduction projects through active use of the MACC; tracking GHG emissions and air quality improvements resulting from those projects; and carrying out due diligence on the emissions profiles of acquisition targets for inclusion in the Board's consideration of these targets.
- Vice President-ESG & Sustainability: advises the Board and management on climate-related matters, supports our GHG emissions reduction initiatives, and liaises with both internal and external stakeholder groups about our climate-related commitments and actions.
- Vice President-Asset Retirement: oversees and leads asset retirement operations, engages with state agencies related to retirement activities and develops relationships with third-party operators in the Appalachian states.

The **Chief Financial Officer** is responsible for (i) ensuring climate-related expenditure is incorporated into annual operational and capital budgets, (ii) assessing the financial impact of climate-related risk and opportunities and carrying out associated financial modelling using scenario analysis and (iii) communicating details of our ESG and climate strategy and performance to investors and other stakeholders. The CFO holds bi-weekly meetings with his senior leaders to, among other things, review and update the financial implications of our climate strategy. The CFO also maintains a direct line of communication to the Audit & Risk Committee and with our ERM team to ensure any new developments in climate-related risk are being captured.

The CFO's senior management team with climate-related responsibilities includes:

- Senior Vice President-Strategy & Finance: contributes to strategic planning discussions with executive management and is responsible for conducting scenario analysis and modelling the financial impacts of climate budgets as well as monitoring and tracking annual budgets.
- Senior Vice President-Accounting & Controller: in addition to oversight of financial reporting and regulatory compliance, directly oversees our Internal Audit team's ERM process which includes climate risk awareness and monitoring.
- Vice President-Treasury: manages the Company's daily fiscal responsibilities, including incorporating certain sustainability-linked metrics such as emissions reductions into our longer-term financing structures to demonstrate our commitment to actively engaging in this energy transition.
- Vice President-Investor Relations: regularly engages with various stakeholder groups to ensure the Company's ESG and climate strategy, actions and performance are shared and provides executive management and the Board with feedback on the same.

Our **General Counsel** actively monitors new national and US state climate-related regulatory proposals and engages with state regulators and other state agencies on issues such as reporting obligations, well retirement policies and taxation.

As head of our Business Development department, our **Chief Commercial Officer**, working with our COO, plays an important role in ensuring the initial screening of potential acquisition targets for their GHG emissions profiles while also overseeing marketing of our responsibly produced, environmentally differentiated natural gas.

Our **Chief Human Resources Officer** works closely with the Sustainability & Safety Committee to understand annual and long-term climate-related targets and ensures these targets are included in executive and senior leadership's incentive compensation plans as approved by the Remuneration Committee.

Strategy – Decarbonising Our Operations While Continuing to Meet Our Customers' Demand for Natural Gas

While climate change presents a range of risks for our business, it is also acting as a catalyst for increased operational efficiency and presenting us with opportunities to utilise our asset portfolio and teams in ways beyond our current business model. Consistent with TCFD guidance we consider climate-related risks and opportunities that could have a material financial impact on our business on a short-, medium- and long-term basis. For the purposes of this analysis, our considered timeframes are as follows: short-term 2023 to 2026, medium-term 2027 to 2039 and long-term 2040 and beyond. We chose these time horizons after considering the useful lives of our assets and the time frames to which our stated emission reduction targets and goals are aligned.

The climate-related risk and opportunities presented below were initially determined through workshops with executive management, senior leaders and third-party advisors and through peer comparisons. The identified risks and opportunities were then shared with the Board's Sustainability & Safety Committee for consideration and discussion.

Climate-related risks have been grouped according to the risk types suggested by the TCFD: Transition Risk (including Market, Policy & Legal, Technology, and Reputation) and Physical Risk (chronic and acute), while climate-related opportunities are categorised as Resource Efficiency, Energy Source, Products & Services and Markets. The specific climate-related risks and opportunities identified are set out in the following tables together with the potential impacts they could have on our business, the timeframes associated with each, and the progress being made to mitigate or exploit them.

Climate-Related Risks

Risk	Potential Impact on Diversified	Timeframe[6]			Risk Management Actions
		S	M	L	
MARKET					
Reduced natural gas & oil demand and price outlook	— Negative impact on revenues and portfolio value — Reduced opportunities for acquiring commercially viable assets		✓	✓	— We conduct scenario analysis of portfolio impacts under a range of commodity price and demand outlooks and apply the results in operating or capital expense allocation decisions. — Our existing portfolio is heavily weighted towards natural gas, which is expected to remain more resilient than oil in a carbon-constrained future. — Our low-cost production provides considerable resilience to lower commodity price environments. — Our robust hedging strategy provides financial assurance and protection against commodity price volatility in the short- to medium- term. — Our marketing department is focused on maximising sales value from our achievement of OGMP Gold Standard Pathway to differentiate our responsibly produced gas in the market as we further work toward Gold Standard Compliance.
Increased cost of and more challenging or conditional access to capital	— Investors/lenders look to decrease their portfolio exposure to hydrocarbon assets — Capital available to Diversified may become more difficult to access, more costly or come with additional climate-specific obligations	✓	✓	✓	— Our existing levels of fixed-rate debt and amortising payments provide significant protection in the short/medium term. — We are increasingly utilising ESG-aligned asset-backed securitisations ("ABS") financing structures. — Our achievement or out-performance of commitments to ambitious ESG KPIs attached to these ABS financings can improve borrowing rates and future financing bids. — To date, we have set certain interim targets for Scope 1 methane intensity reductions on our path to net zero, and transparently and frequently communicate progress against these targets to stakeholder groups. — Our hedging strategy provides short- to medium-term certainty and protection for cash flows. — Our strategy of incremental M&A enables adaptation to changing market or financing conditions.

[6] Diversified's timeframes are defined as S – short (2023 to 2026), M – medium (2027 to 2039), L – long (2040 and beyond)

Risk	Potential Impact on Diversified	Timeframe[6]			Risk Management Actions
		S	M	L	
POLICY & LEGAL					
Cost of carbon	— Implementation of some form of carbon cost or regulation in states where we operate could increase operating costs and make our natural gas less competitive versus other forms of energy — Such policies could also accelerate pressure from investors and stakeholders to reduce emissions, increasing our decarbonisation costs		✓	✓	— We engage in proactive, voluntary measurement of our Scope 1 emissions to ensure we fully understand potential portfolio liability. — We engage in cost-efficient operations and deploy SAM initiatives across our portfolio. — We perform emissions reduction projects across our portfolio, such as leak detection and repair, compressor optimisation and pneumatics replacements. — We are engaging with third-party consultants to more fully develop our internal price of carbon metrics and strategy. — We include the evaluation of acquisition targets' carbon footprints in our M&A process and final investment decisions. — Our evolving internal MACC analysis allows us to optimise prioritisation of emissions reductions projects.
Well retirement policy	— Acceleration of existing state well retirement commitments could significantly increase annual capital and operating costs		✓	✓	— We actively engage with regulators regarding well retirement policies. — We are committed to retiring wells ahead of state requirements. — We have accumulated excess, low-cost asset retirement capacity (currently 15 rigs) through Next LVL Energy and two other 2022 acquisitions, allowing us to increase our own retirement targets, participate in state orphan well programmes and carry out asset retirement for third parties. — New revenue stream from third-party asset retirement helps to offset the cost of retiring our own wells.
Litigation	— Potential litigation tied specifically to Diversified's climate-related reporting (e.g. for misrepresentation) or actions could bring additional legal and reputational costs — Potential litigation around leaks or other sources of emissions (now or historical)	✓	✓	✓	— We have firm targets to achieve Scope 1 methane intensity reductions by 2026 and 2030 and a goal of net zero Scope 1 and 2 GHG emissions by 2040. — We expect continued development, funding and execution of formal plans and projects will enable achievement of emissions targets. — Our transparent reporting and communication of emissions and climate risks was recognised by ESG Investing's "Best Sustainability Reporting" award for our 2021 Sustainability Report. — We actively engage with federal and US state regulators, and consistently demonstrate our commitment to meet or exceed their requirements. — We maintain strong community support in our operating areas.
Current & emerging climate-related regulation and policy	— Increasing costs of doing business as a fossil fuel-focused company; regulatory fines for emission levels; regulatory constraints on hydrocarbon commerce	✓	✓	✓	— We actively monitor US and international regulatory developments and engage as applicable. — We have multiple emissions reduction activities in place aimed at achieving our 2026 and 2030 targets and 2040 net zero goal. — We continue to invest in leading edge emissions reduction technologies and monitor new technology developments. — We engage an independent, third-party consultant to provide moderate Level II assurance for Scope 1 & 2 GHG emissions. — We actively engage with industry associations to ensure we are using best practices in operating procedures and emissions reductions. — As a direct result of our many voluntary efforts made to date to reduce methane emissions, we are optimistic that the impact of pending regulations under proposed US EPA Quad Ob and Oc and US Inflation Reduction Act's Methane Emissions Reduction Program will not be significant to our business.

Risk	Potential Impact on Diversified	Timeframe[6]			Risk Management Actions
		S	M	L	
TECHNOLOGY					
Cost of GHG emissions detection and reduction technology	— Increased costs of required technology; possible cost increase if more mitigation than expected is required		✓	✓	— Our emissions detection and reduction plans are already well-advanced with short- and medium-term costs factored into budgets. — We continue to benefit from successful use of aerial and handheld leak detection equipment and from continuous investment in our low-cost SAM programme to repair and eliminate fugitive emissions. — To date, we've experienced lower than expected costs of compressed air applications for pneumatic devices. — We continue to demonstrate innovative actions to reduce emissions, including retrofitting/elimination of existing equipment.
Substitution of natural gas and oil with lower-carbon forms of energy	— Faster acceleration and adoption/ substitution of alternative energy/lower carbon solutions (i.e., electric vehicles, more efficient appliances) drives lower demand for natural gas and oil		✓	✓	— Our scenario analysis shows that even under low-carbon scenarios our portfolio is relatively resilient. Due to our low cost of production, we are able to maintain profitable operations across our portfolio even under low commodity price environments (see Portfolio Resilience section). — Our business model does not include actively developing new natural gas and oil resources but rather focuses on managing existing sources with an emphasis on reducing carbon emissions. — We are continuing to explore longer term opportunities to lower our carbon footprint e.g. biogas, waste heat recovery and carbon capture utilisation and storage ("CCUS") projects.
REPUTATION					
Overall perception of fossil fuels/energy sector	— Increased stakeholder pressure to accelerate emissions reduction projects could increase short-term costs and challenge profit margins — Potential impact on company valuation or brand driven by changes in stakeholder/society expectations of Diversified's role in the energy transition — Increasing challenge to attract and/or retain talent	✓	✓	✓	— We are committed to transparency in emissions and climate risk reporting, and of our plan to achieve our climate-related targets. — We engage regularly with shareholders, regulators and other key stakeholders to ensure understanding of our climate strategy and external perspectives. — We include climate metrics in short- and longer-term remuneration policies to incentivise ongoing improvement in climate actions. — Broad leadership engagement keeps our current employees abreast of business strategy and emissions reductions actions and results. — Our community engagement initiatives and talent acquisition programmes, including scholarship and internship programmes, facilitate broader awareness of the Company and our climate-related actions among potential employee candidates.
PHYSICAL					
Acute – Changing weather patterns, including increased frequency and severity of extreme weather events such as flooding, winter or tropical storms or wildfires	— Increased risk of compromised infrastructure or forced abandonment of operations could cause loss of revenue and decrease portfolio value	✓	✓	✓	— We have robust business continuity and crisis management plans in place, which were tested during the central Appalachia floods of 2022 and resulted in minimal business disruption. — Our business model inherently requires minimal water consumption in our operations. — We maintain appropriate levels of insurance to mitigate losses. — Our physically dispersed asset footprint mitigates any large-scale disruption to production from individual weather events e.g., flooding.
Chronic – Persistent or constantly recurring weather patterns, including hotter temperatures, lower rainfall, rising sea levels, or reduced access to water	— Increasingly challenging and potentially dangerous environmental and climate conditions could increase operating costs and risks		✓	✓	

Climate-Related Opportunities

Opportunity	Potential Impact on Diversified	Timeframe[7]			Steps and Progress
		S	M	L	
RESOURCE EFFICIENCY					
Emissions monitoring and replacement of inefficient equipment	— Early detection of methane leaks reduces loss of sales gas and associated revenues across portfolio — Improved operational efficiency to reduce emissions can also reduce operational costs through fuel savings	✓	✓	✓	— We continue to invest in remote leak detection, aerial surveillance, replacement of pneumatic devices and inefficient compressors, to reduce our GHG footprint. — We actively track advances in emissions monitoring technologies and plan to take advantage of any suitable applications and technology cost reductions that evolve. We are currently working with several technology providers to advance detection and measurement projects e.g., acoustic imaging and direct methane loss measurement (SEMTECH® HI-FLOW 2 and Opgal EyeCSite® suite). — We will carry out further development of our internal MACC in 2023 to ascribe value and benefit of specific reduction projects and to optimise the prioritisation of emissions reduction projects.
Lowering vehicle-derived carbon emissions through optimisation and more efficient vehicles	— Fuel and operating cost savings by using vehicles that are more efficient and have lower carbon emissions		✓	✓	— We utilise lighter weight, more fuel-efficient vehicles in our fleet replacement programme, which could further expand in the future to include the use of longer-range electric vehicles. — We are exploring new technology to allow remote operations at well sites thus reducing vehicle use and associated emissions. — We utilise optimised route mapping to create the most efficient well tender routes thereby reducing vehicle run time, maintenance, fuel consumption and vehicle emissions.
ENERGY SOURCE					
Increase use of renewable energy sources	— Replace natural gas with renewable energy sources to support operational power needs		✓	✓	— Diversified already uses solar equipment and small wind turbines to provide auxiliary power at some smaller or remote well sites. — Our sources for Scope 2 electrical usage in 2022 represented 13% renewables and 38% low carbon (including nuclear). — We are exploring new technologies to expand the use of renewable energy in operations, including waste heat recovery and solid oxide fuel cells.
PRODUCTS & SERVICES					
Asset retirement capabilities for third parties	— Providing third-party asset retirement services as an additional revenue stream and advancing states' resolution of orphan wells — Support regional well retirement compliance — Build internal asset retirement capabilities	✓	✓	✓	— Our expanded well retirement capability supports our regional leadership position in responsible asset retirement. — We see an opportunity to grow our retirement capacity further via our subsidiary Next LVL Energy, positioning Diversified to further support states' efforts to eliminate orphan wells. — Expanded well retirement commitments increase return of well pads to original, natural conditions thus supporting natural reforestation and biodiversity initiatives in those areas.
Biogas, fuel cells and hydrogen applications	— Explore potential long-term revenue opportunities in blue hydrogen and/or emissions reductions using biofuels and fuel cells			✓	— We are exploring new opportunities in these rapidly evolving technologies, further details of which are provided under 'New Initiatives Focused on Net Zero' below. — We are currently in the early stages of pursuing partnerships to evaluate potential of using existing midstream infrastructure for future hydrogen applications.
Carbon capture utilisation and storage (CCUS)	— Provide carbon storage services to neighbouring emitters for income stream — Potential to offset our Scope 1 & 2 emissions			✓	— We are exploring the potential of using our gas storage capacity for CCUS. Further details are provided under 'New Initiatives Focused on Net Zero' below.
MARKETS					
OGMP Gold Standard Recognition	— Recognition of our commitment to deliver responsibly produced gas to the market — Enables further differentiation of our produced natural gas versus competitors	✓	✓	✓	— Achieving Gold Standard Pathway positions us to offer responsibly produced gas in the marketplace to differentiate it from other natural gas production. — As a member of OGMP, Diversified is committed to disclose actual methane emissions data aligned with the OGMP 2.0 framework, thus further increasing our level of transparency for the market's consideration when seeking differentiated gas.

[7] Diversified's timeframes are defined as S – short (2023 to 2026), M – medium (2027 to 2039), L – long (2040 and beyond)

Further detail and examples of how Diversified is taking action to manage climate-related risks and leverage climate-related opportunities are provided in the subsections below.

A BUSINESS MODEL FOCUSED ON STEWARDSHIP AND PERFORMANCE ENHANCEMENT

Our business model, differentiated from that of most other natural gas and oil production companies, is focused on acquiring and enhancing primarily long-life, low decline natural gas producing assets and related midstream infrastructure in the US onshore. Our primary focus is on improving the performance of the existing wells that we acquire, without the need for capital- and emissions-intensive drilling and completions. Through our Smarter Asset Management operational improvement programme, and in keeping with our zero-tolerance policy against on fugitive emissions, we focus on reducing methane loss from the wells while also enhancing their performance and delivered efficiency. This operational focus, coupled with the natural efficiencies that come with the scale created by multiple, accretive acquisitions, contributes to a low cost of production. If climate-related weakening of gas and oil prices occurs, then we are in a favourable position to respond quickly to minimise the long-term impact to our business, including the 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 can adjust our acquisition metrics to reflect the changing financial constraints, thus keeping pace with the transition as it happens.

Gas and Oil Demand and Price Outlooks

TRANSITION RISK-MARKET

For oil and gas producing companies the primary climate-related risk is that of declining demand for their products and a subsequent weakening of prices. Nonetheless, most future climate scenarios point towards gas demand remaining more resilient than oil and we therefore expect our natural gas-dominated business to be well-positioned for possible carbon constrained outcomes (see Portfolio Resilience section below). In addition, our price hedging strategy provides us with considerable financial 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.

Cost of and Access to Capital

TRANSITION RISK-MARKET

As part of our commitment to ambitious climate target KPIs, we have completed four ESG-aligned asset-backed securitisations since the beginning of 2022 representing over $1.4 billion in value. In mid-2022 we chose to convert our Reserve Based Lending facility to a Sustainability Linked Loan and included additional ESG KPIs beyond those included in our ABS financings. By setting interim methane emissions intensity reduction targets on a path to net zero and transparently communicating progress against these targets to relevant stakeholder groups, we have been able to secure improved borrowing rates. In 2023, we will continue to pursue financing closely linked to our sustainability goals, primarily to reinforce our commitments but also to achieve more attractive financing costs. We have already begun assessing ways in which capital can be invested in order to mitigate emissions in some of the more challenging areas of the business, for example through the use of renewable natural gas, which is discussed further below.

As part of our capital structure strategy, around 95% of our debt as of year-end 2022 is in fixed amortising structures with scheduled maturities of six to nine years. As part of the requirements for these instruments, we hedge up to 85% of natural gas commodity price risk over the majority life of these loans. As a result of the capital structure 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.

Current and Emerging Climate-Related Regulation and Policy

TRANSITION RISK-POLICY & LEGAL

While at the federal level the US does not currently impose any direct costs on carbon emissions, we remain cognisant of the need to take a pre-emptive approach to decreasing our carbon footprint in order to stay ahead of possible future policy changes that place a price on carbon. As of the publication date of this Climate Report, we are actively monitoring several proposed federal regulations that could impact our business:

- US EPA actions under the Clean Air Act, introducing proposals Quad Ob and Oc to supplement the existing Quad O and Quad Oa regulations to further reduce emissions of methane and volatile organic chemicals (“VOCs”) from the oil and gas sector by, among other things, requiring (i) leak detection and repair (“LDAR”) surveys based on facility size, (ii) the use of zero emissions pneumatic controllers at production, processing, and transmission and storage facilities, and (iii) the use of specific or prescribed technology such as optical gas imagining (“OGI”) instead of other more traditional measures. We continue to monitor potential regulatory impacts to our business and remain optimistic that the impact of this regulation will not be significant due to the many voluntary efforts we have already made to reduce methane emissions.
- US Inflation Reduction Act’s Methane Emissions Reduction Program (“MERP”) - At its core, the MERP requires the EPA to impose a charge on oil and gas companies for any GHG emissions those companies report above a threshold. Diversified’s 2022 NGSI intensity of 0.21% is fractionally above the proposed threshold of 0.20% for production assets. However, our GHG emissions reduction initiatives should bring

us below the threshold, thus avoiding any financial penalties. At the same time, we are considering whether we may be eligible for funding grants for emissions reduction technologies under MERP.

— US Securities and Exchange Commission's ("SEC") Climate Disclosure Rule – In March 2022, the SEC proposed a new rule for public comment under the Securities Act of 1933 and Securities Exchange Act of 1934 that would require companies to disclose information about climate-related risks that are reasonably likely to have a material impact on their business, results of operations, or financial condition. The proposed rule includes the requirement to disclose information about a company's GHG emissions, including Scope 3 GHG emissions and intensity, if material. Recognising the enhanced level of reporting that would be mandated if the rule is enacted as currently drafted, we are evaluating the potential impact of these disclosure requirements on both our year-end financial and GHG emissions reporting.

Detection, Measurement & Reduction Technology

TRANSITION RISK-TECHNOLOGY

Although we recognise that the increased spending associated with technology advances may be seen as a short-term risk to the business, we see the continued development of technology as providing future opportunities in areas such as LDAR, elimination of natural gas-powered devices (i.e., compressors and pneumatics) and fuel usage optimisation.

Throughout 2022, we strengthened and broadened our LDAR programme in an effort to operate our assets more efficiently and maximise the value they deliver while minimising emissions and operating costs. This programme comprises three core pillars:

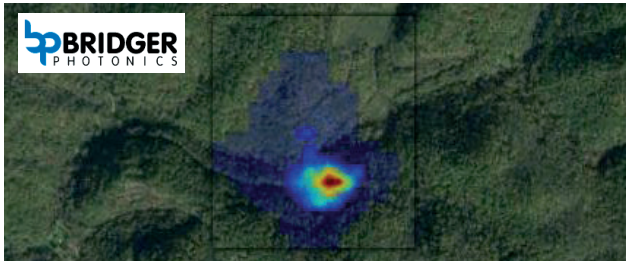
i) AVO inspections by skilled personnel on every visit to a well site or facility;

ii) an inventory of more than 600 handheld emission detectors for everyday use by our field personnel and an expanding portfolio of emissions measurement equipment; and

iii) a three-year, $3 million/year partnership with Bridger to aerially survey our Appalachia midstream system using advanced Light Detection and Ranging ("LiDAR") technology.

Daily well tending and Smarter Asset Management activities routinely include the use of AVO inspections at our facilities.

All field personnel are trained in AVO inspection techniques to detect fugitive emissions. 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 more than 130,000 well site and facility 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. These 'boots on the ground' inspections are important and effective actions to ensure the integrity of our asset portfolio while simultaneously increasing the amount of production flowing to the sales meter.



Aerial surveillance reports from Bridger Photonics support fugitive emissions detection and repair activities across our far-reaching midstream system.

Utilising Bridger's LiDAR technology, we aerially surveyed approximately 11,000 miles (or nearly 60%) of our Appalachia midstream infrastructure in 2022, with the remainder scheduled to be completed in 2023. This technology also enabled us to inspect approximately 10,500 of our upstream facilities, including compressor stations, central collection facilities and well pads. This surveillance programme has also identified fugitive emissions originating from nearby third-party assets, affording Diversified an opportunity to serve the broader community by sharing this information with our industry partners. Following completion of the Appalachia midstream survey in 2023, we will assess the programme's results and determine the best use of our remaining multi-year contract with Bridger, to potentially include Appalachia re-inspections, new surveys of other Appalachia assets and/or new surveys of our Central assets.

Handheld emissions detection devices in the hands of every field operations employee support our zero-tolerance policy against fugitive emissions.

Employing our handheld leak detection devices during 2022, we effectively surveyed 100% of our Appalachia upstream wells at least once and completed a total of ~174,000 voluntary emissions surveys of these assets during the year. We completed our initial surveys approximately nine months ahead of our original goal to complete by July 2023. Upon completion of the initial site visits, we documented that ~90% of our wells had no EPA-defined leaks. This performance increased to 95% upon re-inspection, demonstrating the effectiveness of the Company's LDAR programme and alignment with our ESG commitments. In January 2023, we widened the handheld inspection programme to include our Central Region with the goal to complete surveys across that region's upstream portfolio by year end 2023.

Diversified is proud to be the first company in the world to deploy the SEMTECH® technology to support our commitment to achieving net zero Scope 1 and 2 GHG emissions by 2040.

Using multiple detection methodologies – from the land and from the air – gives us confidence that we are gathering and reporting accurate data and identifying as many fugitive emissions as possible. As well as the techniques described above, in 2022, we also piloted new leak detection and measurement technologies such as 'acoustic imaging' and the SEMTECH® HI-FLOW 2 device which can enhance the rapid identification and quantification of fugitive emissions. We will continue throughout 2023 to utilise these devices and to trial additional new technologies for possible wider applications as they become available.

TABLE 1: METHANE DETECTION AND REDUCTION PROGRESS AND PLANS

Initiative	2022 Progress	2023 Plans
Air compression for pneumatic devices	Converted 57 facilities, exceeding annual commitment to converting 30 well pads per year over the next 5 years	Convert an additional 50 well pads
Aerial LiDAR	Surveyed ~11,000 miles, approximately 60% of the Appalachia midstream system	Complete remaining ~6,000 miles of pipelines and assess remaining programme
Compression conversion	Deferred to 2023 due to vendor's delays	Convert West Virginia compressor station to electric and operationalise by year end
Fugitive emissions	Surveyed 100% of Appalachia wells with consistent 90% no leak rate at conclusion of survey	Survey 100% of Central Region wells by year end

PHYSICAL RISK

Our exposure to suffering a significant financial loss from a single extreme weather event is minimised due to the dispersion of our production footprint over a large geographical area covering several states. Nevertheless, we recognise that we are not immune to extreme weather-related events. For example, in July 2022, several central Appalachia states within our footprint, including primarily Kentucky but also Virginia and West Virginia to a lesser extent, experienced devastating floods resulting in loss of life and extensive damage to housing and public infrastructure. While the flooding temporarily impacted our operations, including compressor facilities, communications and pipelines, our field personnel were able to efficiently restore the affected facilities to operations within approximately 10 days. Our teams were quickly able to assess the impact to our operations, re-route a portion of the impacted gas sales to alternative sales points and begin immediate restoration and mitigation efforts after ensuring the safety of our personnel in the impacted areas. While these events did not require the full implementation of our formal Crisis Management and Business Continuity plans, our teams were able to appropriately respond. Our preparation for such events through our Crisis and Business Continuity plans was certainly beneficial in regaining operations at the impacted compressor facility. This event did not have a material financial impact on our operations and further benefitted from appropriate levels of insurance coverage.

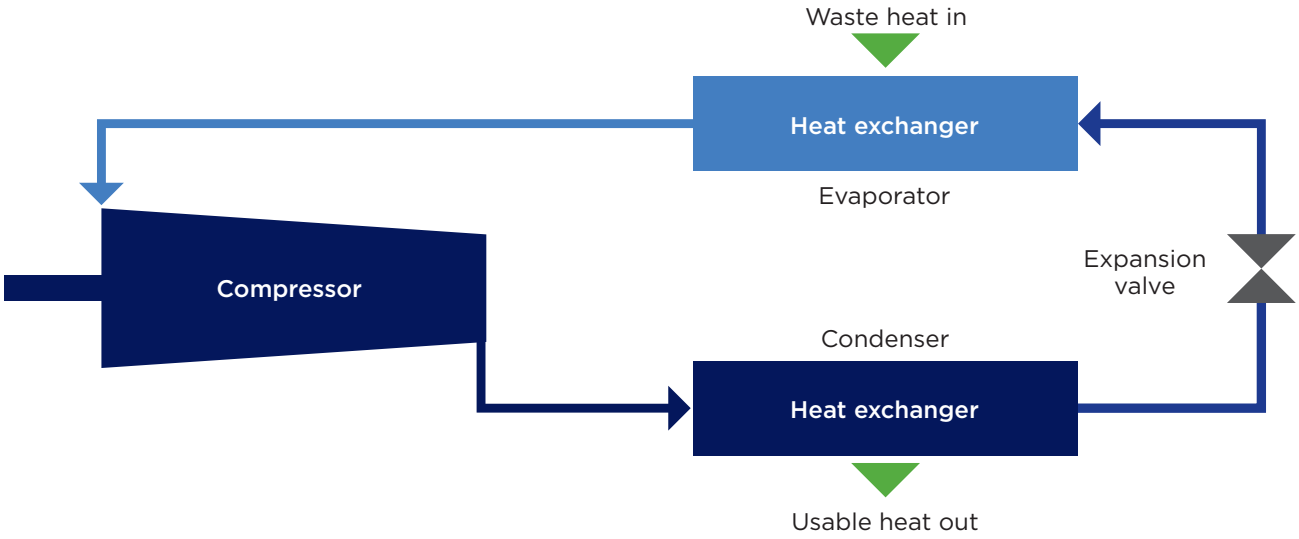
Our Central Region acquisitions in 2021 and 2022 brought three district Integrated Operations Centers ("IOC") into our portfolio, two in our upstream operations and one in our midstream operations. These IOCs complement our existing gas control center in West Virginia which monitors the majority of our midstream Appalachia assets. Supported by 24-hour monitoring, these IOCs facilitate streamlining the collection, standardisation and dissemination of timely, decision-useful data. We anticipate the central management of data through these IOCs will leverage our supervisory control and data acquisition ("SCADA") system to increase our capabilities around remote monitoring, improve data consistency and allow more rapid response to any weather-related disruptions.

NEW INITIATIVES FOCUSED ON NET ZERO

In 2022, we expanded development of our internal MACC to attach value and benefit of specific emissions reduction projects and to optimise their prioritisation for undertaking. We are currently working on a process to partner our evolving MACC with a real-time emissions intelligence platform to simplify and automate our carbon tracking and disclosure processes that, when utilised in tandem, will allow provide a full-picture view of our carbon accounting and emissions for better informed investment and operational decision-making and therefore enhanced clarity and support for our path to net zero.

We are also actively researching opportunities that may provide us with longer term options to help us achieve our goal of net zero Scope1 and 2 GHG emissions by 2040 as well as potentially diversifying into new business areas.

In 2022, we began assessing the potential of biogas projects in Louisiana and Kentucky that would allow us to use spare gas processing capacity to process biogas captured from agricultural and food waste feedstocks in the vicinity. Biogas carbon emissions can be considered as nearly carbon-neutral and have the potential to generate carbon credits which can then be set against our own natural gas production. Biogas takes emissions that otherwise would have been emitted by natural processes and prevents them from contributing to global warming. This process is therefore considered a natural offset and is recognised as such through a number of certificated renewable energy programs. Some energy is required to digest and purify feedstocks to make biogas, therefore it is not completely carbon-neutral. If the biogas is used in a fuel cell, the emissions from the overall process become carbon negative because the otherwise combusted biogas is converted to electricity with a chemical process that is highly efficient with approximately 70% lower emissions than combustion.



By recovering waste heat that would otherwise be disposed of or released to the atmosphere, we can reduce CO_2 emissions and energy costs while simultaneously increasing energy efficiency.

We have also identified multiple waste heat recovery opportunities whereby zero emission renewable electricity is generated from waste heat recovered at our compressor stations. Not only would this reduce our Scope 2 emissions by an estimated 20-30%, but it would also bring attractive economic benefits through investment tax and renewable energy credits. As such, we intend to run a small heat waste recovery pilot project in 2023, joining other oil and gas companies in exploring the potential economic and environmental benefits that this technology could offer.

We are also exploring other longer-term initiatives and have, for example, begun to identify potential manufacturers of solid oxide fuel cells in order to understand ways in which we could incorporate these into our business. Fuel cell technology could support significant emission reductions and create efficiencies cited as high as 77%[8] when coupled with a heat recovery option. Meanwhile, technological developments in hydrogen storage and CCUS, while at relatively nascent stages of development globally, support a dialogue with potential partners to explore opportunities in these areas using our position as a natural gas resource holder and the owner of potential gas storage assets.

[8] Doosan PureCell Model 400 specifications

Portfolio Resilience

In accordance with TCFD guidance and to ensure comprehensive business planning, we evaluate the resilience of our portfolio under multiple future climate scenarios. Each scenario includes assumptions about how the energy transition may evolve, with differing commodity price and demand outcomes. Using these price and demand outcomes, we have analysed the impact they would have on the net present value ("NPV") of our portfolio and on our free cash flow forecasts and then compared the results with the base case used in our 2022 financial reporting. We have also assessed the potential financial cost of carbon prices used in the scenarios on our business. Summaries of the scenarios and the Diversified base case are provided below.

SCENARIO ANALYSIS

The three scenarios we selected to test our portfolio climate resilience are:

1) Wood Mackenzie's Accelerated Energy Transition 1.5-degree pathway ("**AET-1.5**"), a global net zero by 2050 scenario
2) IEA's Announced Pledges Scenario ("**APS**")[9]
3) IEA's Stated Policies Scenario ("**STEPS**")[10]

It should be noted that there are some differences in the categorisation of specific fuels in the Wood Mackenzie versus the International Energy Administration's ("IEA's") scenarios. For example, in the Wood Mackenzie AET-1.5 scenario, liquid biofuels are included within *oil* whereas they are included with *bioenergy* in the IEA scenarios.

WOOD MACKENZIE AET-1.5

This scenario represents the most aggressive energy transition scenario we considered, consistent with limiting global warming to 1.5°C, in line with the most ambitious goals of the Paris Agreement.

In AET-1.5, global energy supply peaks in 2028 due to more aggressive policy action and accelerated global decarbonisation efforts, which result in an increase in electrification and adoption of new-energy technologies in place of hydrocarbons. Under this scenario, oil demand peaks in 2024 and then declines, from ~97 million barrels per day ("mb/d") to ~33 mb/d in 2050. As a result, near-term oil prices fall rapidly, from current levels to ~$53 per barrel ("bbl") in 2030 and then continue to decline more gradually reaching ~$29/bbl by 2050. Under this scenario the global economy achieves net zero carbon emissions by 2047, three years ahead of the IEA's own net zero scenario, due to built-in assumptions about CO_2 removals.

The forecasts for natural gas demand and prices under this scenario are more nuanced due to the assumed role of natural gas as a transition fuel. Nevertheless, AET-1.5 sees global natural gas demand peaking in 2026 and then falling below 2022 levels by 2035, with a steeper decline forecast from 2040 onwards. US Henry Hub ("HH") natural gas prices drop steeply in the near-term through 2025, and then average around $3.30/million Btu ("MMBtu") through 2035. Prices are then seen trending upwards to peak at $4.10/MMBtu in 2043 as the rapid oil price decline results in less availability of cheap associated gas and thus more expensive non-associated gas is used to fill the supply gap.

IEA APS

This scenario assumes all climate-related policy commitments and net zero targets made by governments, as of September 2022, are fully achieved within their stated timelines. This does not result in a net-zero world by 2050 and instead still has global CO_2 emissions at 12.4 gigatonne ("GT") per year in 2050, highlighting what the IEA calls the "ambition gap" between current targets and the goals of the Paris Agreement.

Under APS, global energy supply peaks in 2030 while both oil and natural gas supply are assumed to have peaked in 2021. Implementation of policies aimed at reducing oil consumption results in oil supply declining gradually from ~95 mb/d in 2022 to ~93 mb/d in 2030, before an accelerated decline to ~57 mb/d by 2050. In

conjunction, oil prices see a similar decline, stabilising at around $60/bbl from 2030 onward. Global natural gas demand declines steadily, dropping about 40% from its 2021 peak by 2050. In conjunction, US natural gas prices see a two-step decline, plateauing around $3.80/MMBtu over the 2020s before declining over the 2030s to settle around $2.60/MMBtu from 2040 onwards.

IEA STEPS

This scenario is the least ambitious energy transition scenario used for our portfolio analysis and projects a rise in global average temperatures of around 2.5°C by 2100. It is based on existing government commitments and climate goals as of September 2022, resulting in an overshooting of the Paris Agreement's 2050 net-zero goal by ~32 GT CO_2 per year.

In this scenario, oil demand grows slowly in the near-term to 2030, and then plateaus at around 102 mb/d. This high supply/demand environment keeps oil prices high, rising to above $80/bbl by 2025 and above $90/bbl by 2045. Global natural gas supply mirrors the growth pattern of oil, rising steadily to a gentle peak level in 2030 that plateaus through 2050. Maintained supply and demand balance means US natural gas prices increase gradually from $3.90/MMBtu in 2022 to $4.70/MMBtu by 2050.

[9] Based on IEA data from the Announced Pledges Scenario of the IEA (2022) World Energy Outlook, **www.iea.org/weo**

[10] Based on IEA data from the Stated Policies Scenario of the IEA (2022) World Energy Outlook, **www.iea.org/weo**

FIGURE 3: TOTAL PRIMARY ENERGY SUPPLY AND CO_2 EMISSIONS FOR EACH SCENARIO

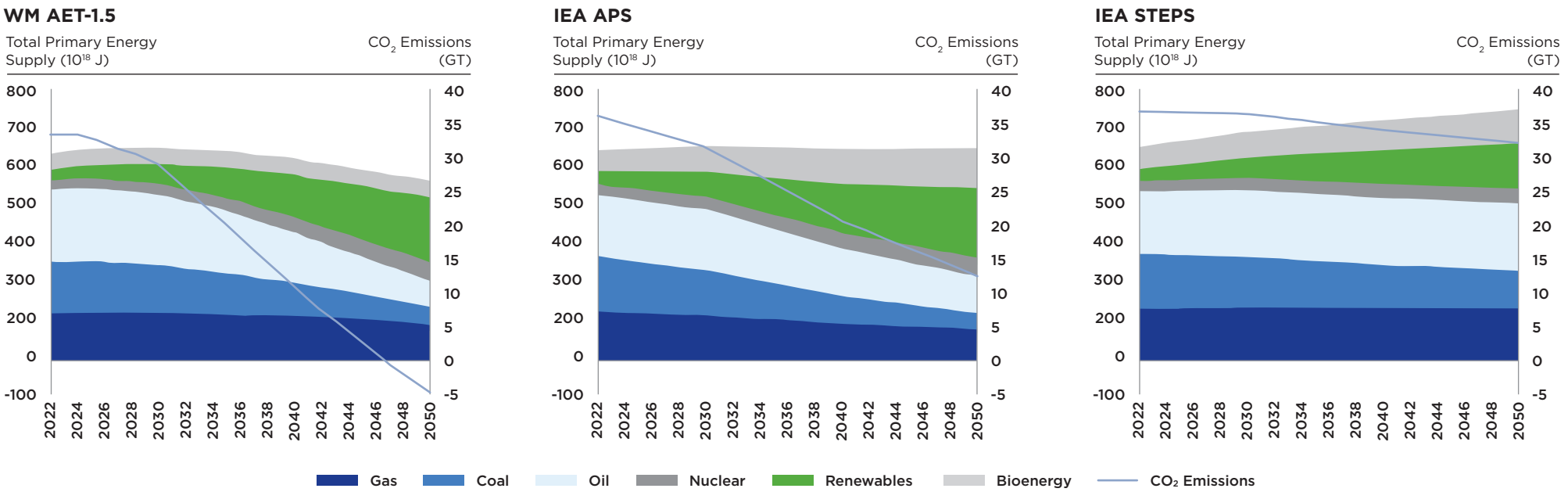
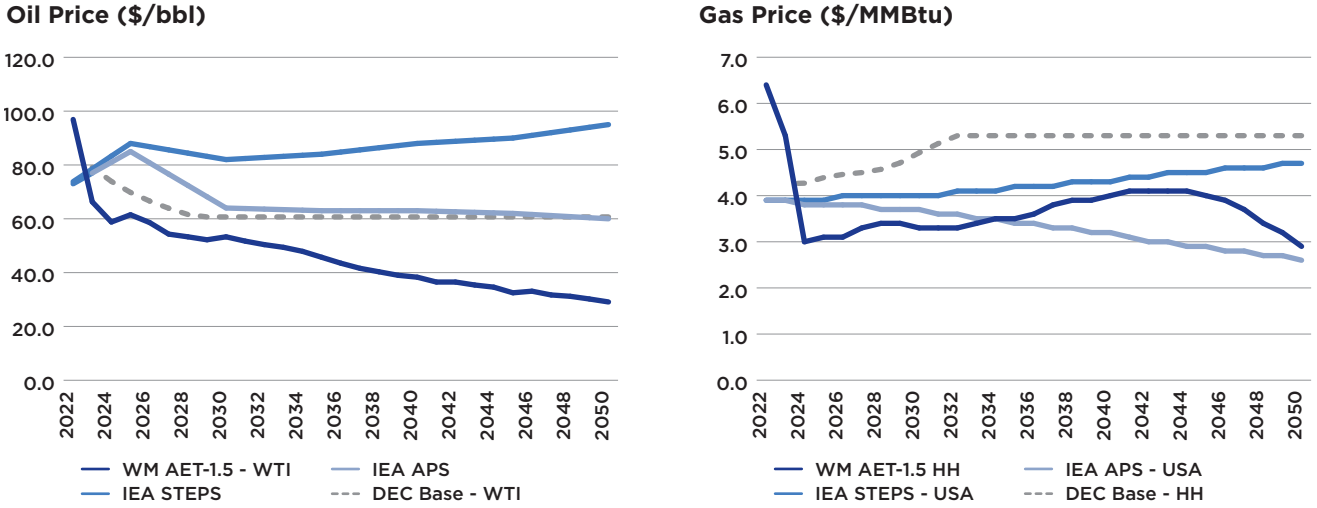


FIGURE 4: OIL AND US NATURAL GAS PRICE FORECASTS FOR EACH SCENARIO (IN REAL TERMS)



DIVERSIFIED'S BASE CASE

Diversified's base case price model is consistent with that used and disclosed in the Company's Viability Statement as required and reported in our 2022 year-end Annual Report. However, rather than a three-year forecast as for the Viability Statement, we extended the model to 2050 to be consistent with the scenarios described above. The price forecasts in the base case model (included in Figure 4), which are used for the calculations of net present value and free cash flow, are based on the NYMEX forward curves from 2023-2032 for Henry Hub and 2023-2029 for WTI as of 31 December 2022. The prices are kept flat in real terms thereafter.

PORTFOLIO IMPACT

In order to test the resilience of our portfolio under the three climate scenarios, we used the published price forecasts for oil and US natural gas from each scenario to assess the potential impact on the value of our assets compared to our base case. It is important to note, however, that this analysis provides only a snapshot of the resilience of our portfolio and only considers our current assets. No account is taken of the impact that future acquisitions may have on our future business value and cash flows.

Table 2 reflects the impact of the three climate scenarios relative to the base case for our current portfolio, when applying a net present value analysis discounted at 10%.

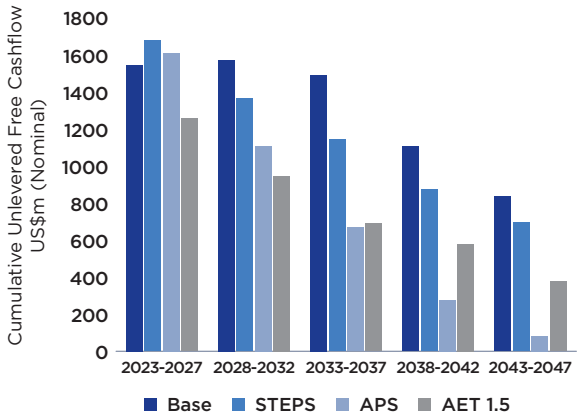
TABLE 2: NPV10 IMPACT RELATIVE TO DIVERSIFIED BASE CASE

Scenario	Portfolio Value Impact (NPV10)
STEPS	-6% ▼
APS	-26% ▼
AET-1.5	-35% ▼

Due to the low commodity price outlooks in both the APS and AET-1.5 scenarios and the relatively positive price view presented by our base case forecasts, it is not surprising that our NPV is negatively impacted in these scenarios. However, since a key advantage of our portfolio is our low cost of production, we are able to maintain profitable operations across our portfolio even under the lower commodity price scenarios.

As such, we expect that, even in the most carbon constrained scenario (AET-1.5), our production would remain resilient and profitable in the short-, medium- and long-term. This conclusion is supported by the analysis of related free cash flows, depicted in Figure 5 below, where even under the most aggressive pricing outlooks, our free cash flow remains positive. While the above-noted climate-related risks and opportunities are delineated with time horizons that best match our stated emission reduction targets and goals, we have chosen to reflect these cash flow outcomes in rolling five-year timeframes in order to better understand the period-over-period impact of the scenarios. Nonetheless, the reflected time periods can be generally compared with the risk and opportunities timeframes for a relative impact from that point of view.

FIGURE 5: CUMULATIVE UNLEVERED FREE CASHFLOW UNDER EACH SCENARIO

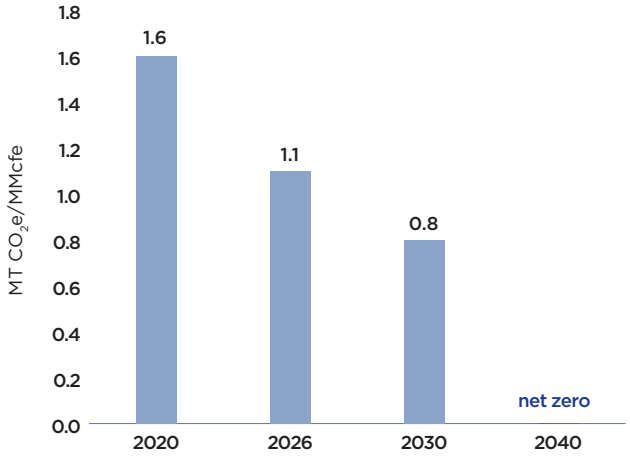


Absent near-term changes in the regulatory environment, the projected financial impact to our cash flows from climate-related risks is not likely a matter of immediate financial materiality to Diversified but rather a potential medium- to long-term impact on the Company. In developing this perspective, we considered the disparity in our operations and the modelled industry scenarios as well as climate-related risks such as: gas & oil price outlook, cost of capital, cost of carbon, well retirement policy, methane loss reduction and low carbon energy costs. The medium- to long-term financial impact of these climate-related risks was further considered in the Company's long-term accounting estimates, including in revisions to the timing of asset retirement costs and the continuation of capital spending on emissions reduction initiatives in our viability and going concern models.

CARBON COSTS AND REDUCTIONS

FIGURE 6: METHANE INTENSITY TARGETS AND CARBON PRICE ASSUMPTIONS FOR EACH SCENARIO

Methane Intensity Targets



Carbon Prices ($/MT)

	2026	2030	2040
STEPS	n/a	n/a	n/a
APS	n/a	135	175
AET-1.5	97	139	177

In addition to the impacts of the three climate scenarios on commodity prices, the scenarios also incorporate carbon price outlooks required to achieve the highlighted primary energy outcomes. While the IEA acknowledges that these estimates should be interpreted with caution, the CO_2 prices provide some context for the level of price that is required to promote fuel switching and associated investment decisions. To assess the impact that carbon pricing may have on our business, we have utilised the carbon price forecast for the US in each of the scenarios and evaluated the implications based on our net zero

goal (Scope 1 and 2). Under the APS scenario, carbon prices in the US are forecast to be $135/metric tonne ("MT") in 2030 and rise to $175/MT by 2040, while the AET-1.5 scenario incorporates carbon prices of $97/MT as soon as 2026, thereafter increasing to $139/MT by 2030 and $177/MT by 2040. The STEPS scenario does not incorporate a carbon cost in the US (at a country level) across the forecast period.

In late 2021 we announced our ambitions for near- and long-term emissions reductions relative to our revised 2020 baseline. As more fully outlined in our **2021 Sustainability Report**, we revised our 2020 emissions calculations to incorporate the impacts of our successful 2021 Project Fresh initiative in Appalachia and to improve our year-over-year comparability of relevant emissions metrics by eliminating 'windfall gains' in this area. Thus, we are using the revised 2020 emissions calculations as reported under the Intergovernmental Panel on Climate Change ("IPCC") guidelines as the baseline for our emissions reduction goals and targets.

Our near- and medium-term targets are to reduce our Scope 1 methane emissions intensity by 30% by 2026 and 50% by 2030. Based on our revised IPCC 2020 baseline methane intensity of 1.6 MT CO_2e/MMcfe[11], our targets are therefore 1.1 MT CO_2e/MMcfe by 2026 and 0.8 MT CO_2e/MMcfe by 2030.

Using the carbon price assumptions in each of the climate scenarios, the potential financial impact associated with our methane emissions intensity targets in 2030 would approximate $0.11/Mcfe under both APS and AET-1.5[12]. There would be no cost to our business under STEPS as this scenario does not incorporate a US carbon price. These figures do not account for any additional costs from emissions of CO_2.

Although we have not yet set specific targets for reducing the intensity of our CO_2 emissions, for the purposes of analysing the overall potential financial impact of carbon pricing on our business in 2030, we have considered two possible pathways. The first assumes that we will succeed in reducing the overall carbon intensity of our Scope 1 and 2 GHG emissions in parallel with our target of reducing our Scope 1 methane intensity by 50% versus a 2020 baseline. With a reported overall intensity of our Scope 1 and 2 GHG emissions in 2020 of 3.8 MT CO_2e/MMcfe (see performance data in Table 3 under Metrics and Targets), a 50% reduction therefore implies a residual intensity of 1.9 MT CO_2e/MMcfe in 2030 with an associated carbon cost under APS and AET-1.5 of approximately $0.26/Mcfe.

The second pathway we have considered makes the far more conservative assumption that the only improvement in the overall carbon intensity of our operations versus the 2020 baseline derives from achievement of our Scope 1 methane intensity target. Thus, under this pathway we would project the overall GHG emissions intensity of our operations in 2030 to be 3.0 MT CO_2e/MMcfe, or our 2020 Scope 1 and 2 intensity of 3.8 MT CO_2e/MMcfe less the assumed 50% reduction achieved by 2030 in Scope 1 methane intensity to 0.8 MT CO_2e/MMcfe. The result implies a more significant carbon cost under APS and AET-1.5 of approximately $0.41/Mcfe. While at this stage we consider these carbon cost estimates to be hypothetical, we are evaluating their implications for our business and working diligently to ensure that our actions and investments between now and 2030 reflect our stated emission reduction targets, and ultimately our net zero goal, including in part through realising improvements in operational and energy efficiency, particularly in our recent Central Region acquisitions, as well as through increased use of renewable energy in electricity generation.

Beyond 2030 and on a trajectory to achieve our 2040 net zero goal, we anticipate focusing our emissions reduction efforts first on projects that will reduce our absolute Scope 1 and 2 GHG emissions. We would expect this path to reduce the overall carbon cost to our business from these emissions even in the face of rising carbon prices. However, we recognise that our 2040 net zero goal assumes that there will still be residual emissions from our operations which will need to be offset elsewhere and that we may therefore still incur a carbon cost associated with those residual emissions. We plan to build these considerations into our financial models as the pathway for our emissions after 2030 and as carbon pricing becomes clearer.

[11] Methane intensity factors utilise a global warming potential (100-year GWP) of 28 in line with IPCC's Fifth Assessment Report (AR5), and reflect metric tonnes ("MT") of carbon dioxide equivalent ("CO_2e") per million cubic feet equivalent ("MMcfe") of gross production.

[12] The carbon cost per thousand cubic feet equivalent ("Mcfe") is calculated using the carbon price from each scenario and multiplying this by the methane intensity target for each of the target years, ie. 2026, 2030 and 2040.

Risk Management – Identifying, Assessing and Managing Climate-Related Risks and Opportunities

Climate-related risks to our business are assessed alongside other categories of risk based on (i) their likelihood, (ii) their potential impact, and (iii) their speed of impact, as part of our ERM programme. Details of our Risk Management Framework are set out in our Annual Report. In our latest risk assessment, Climate Change remains one of seven Principal Risks alongside Corporate Strategy and Acquisition Risk, Regulatory and Political Risk, and Commodity Price Volatility Risk.

We recognise that the transition to a lower-carbon future could have significant implications for our corporate strategy and could negatively impact our financial results due to lower demand and lower prices for natural gas and oil. In addition to this direct market-driven risk, we recognise that climate change also presents risks emanating from (i) changes in policy and regulation, (ii) potential litigation, and (iii) advances in technology, and that failure to respond proactively to stakeholder expectations about the energy transition could harm our reputation and impact our access to capital. Details of the specific transition risks we have identified are described in the Climate-related Risks table in the Strategy section of this Climate Report together with analysis of their potential impact on our business and the risk management measures we are taking.

We actively consider potential risks to our business from existing and emerging climate-related policies, legal actions and regulatory requirements. Our Government Affairs office engages with federal and US state regulators and other state agencies regarding climate-related legislation and reporting obligations, and we work closely with mutually aligned industry groups to ensure we are fully informed about, and in a position to respond to, any potential new requirements. This preparedness is reflected in our decarbonisation plans and activities which aim to position us ahead of mandated requirements and which are described elsewhere in this Climate Report and in our 2022 Sustainability Report.

We are also aware of the potential physical risks to our business from extreme weather, as most recently experienced in our central Appalachia region with last summer's floods. While we monitor short- and longer-term weather patterns as part of our risk management process, we believe that the wide geographic dispersal of our assets together with robust Crisis Management and Business Continuity plans provide effective mitigation of this risk.

The size and scope of market-related climate risks are assessed and quantified through scenario analysis as detailed in the Strategy section of this Climate Report. The size and scope of other climate-related risks are assessed more qualitatively by the Board, Board committees and management, as described in the Governance section of this Climate Report, and through frequent engagement with stakeholders. We also actively monitor our performance against our peers and ensure that our approach to climate risk, particularly decarbonisation of our operations, follow best practice by engaging with industry organisations such as the NGSI and OGMP as described elsewhere in this Climate Report.

As our Chief Operating Officer explains: "Climate change risk mitigation is an important consideration for our business strategy and stewardship operating model. Our proactive, voluntary emissions reduction efforts drive continuous improvement on our path toward climate risk mitigation."

Metrics & Targets – Driving Operational Emissions Towards Net Zero

Focus on Scope 1 & 2 Emissions

We have been resolute in our focus on reducing GHG emissions from our operations throughout 2022 with a particular focus on reducing methane intensity, underpinned by our clearly defined targets (relative to a 2020 baseline):

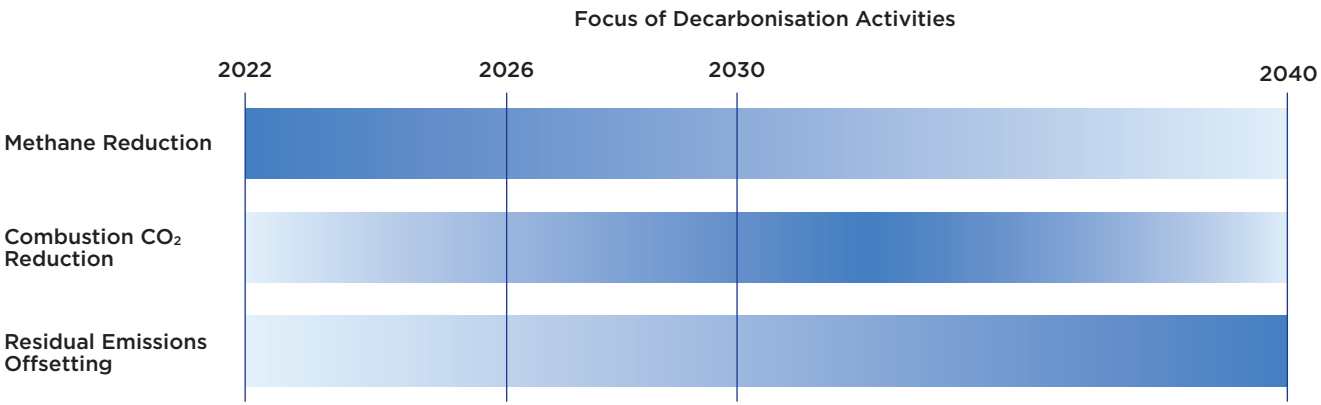
- 30% reduction in Scope 1 methane intensity by 2026 and
- 50% reduction in Scope 1 methane intensity by 2030.

Methane emissions have a magnified impact on climate change due to their high global warming potential compared to carbon dioxide, hence our focus on reducing the methane intensity of our operations. The good progress we are making in achieving our targets is reflected in the reported emissions in Table 3.

Our investment in emissions detection, measurement and reduction technology, such as our handheld methane detection devices, air compression units and LiDAR, is described in the Strategy section of this Climate Report. We also continue to implement operational best practice across our assets, including for the most recently acquired assets in our Central Region, via our SAM programme. Our achievement in 2022 of the OGMP 2.0 Gold Standard Pathway is a testament to these efforts.

While our primary focus remains on our near-term operational efforts to reduce the intensity of our methane emissions, as we approach our 2030 target of halving these, we plan to increase our efforts to reduce the combustion-derived CO_2 in our operations through efficiency improvements, potential electrification and the potential broader use of renewable energy. After focusing on true reductions and/or eliminations of GHG emissions, whether methane or CO_2, we will then seek to address residual operating emissions through the use of credible offsets and carbon credits generated from emerging business areas such as biogas and CCUS. We believe that this approach will set us on course for achievement of our longer-term goal of net zero Scope 1 and 2 GHG emissions by 2040. As we continue to advance our progress towards existing emissions reduction targets, we will also assess the need to amend these emissions-related targets and goals. Changes in targets may include revisions to existing targets, the addition of other targets and/or the revision of our baseline year for reporting.

FIGURE 7: ACTIVITY LEVELS FOR THE KEY STEPS TOWARDS NET ZERO



Reporting GHG Emissions

In order to monitor our progress towards achieving our emissions reduction targets and ultimate net zero goal, we collect and evaluate a comprehensive set of metrics that are material to our performance. These metrics, which include our absolute Scope 1 and 2 GHG emissions broken down by type and source, as well as emissions intensity figures, are set out in greater detail in the Performance Data Table included in the Appendix of our 2022 Sustainability Report. The relevant data are also included in the GHG Emissions table below.

As noted above, throughout 2022 we have continued to focus our efforts on the reduction of methane emissions from our operations with significant success. As the bulk of our methane emissions are largely a function of fugitive emissions and natural gas-driven pneumatics, we have continued to address these areas with aggressive leak detection and repair initiatives combined with replacing natural gas-driven pneumatic devices with compressed air. These activities have resulted in a 13% reduction in absolute Scope 1 methane emissions to 686 thousand MT CO_2e from 790 thousand MT CO_2e in 2021. Our Scope 1 methane intensity improved 20% year-on-year to 1.2 MT CO_2e per MMcfe and contributes to a two-year combined reduction in methane intensity of ~25%. This two-year achievement represents more than 80% of our 2026 target of a 30% reduction from 2020 levels.

SCOPE 1 METHANE INTENSITY
(MT CO_2e per MMcfe)

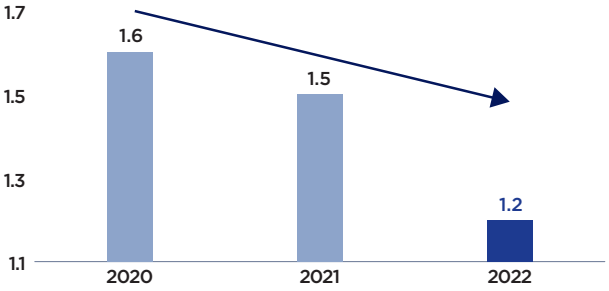


TABLE 3: REPORTED GHG EMISSIONS BY SCOPE AND SOURCE

GHG Emissions[a]	Unit	2022	2021	2020[b]
Scope 1 Emissions	**thousand MT CO_2e**	**1,820**	**1,631**	**958**
Carbon Dioxide	thousand MT CO_2e	1,130	841	538
Methane[c]	thousand MT CO_2e	686	790	420
Nitrous Oxide	thousand MT CO_2e	4	1	1
% Methane[c]	%	38	48	44
Scope 1 Methane Intensity	**MT CO_2e/MMcfe**	**1.2**	**1.5**	**1.6**
Scope 1 Methane Intensity - NGSI[d]	%	0.21	0.28	0.29
Scope 1 Emissions Attributable to:[c][e]				
Flared Hydrocarbons	thousand MT CO_2e	0	0	0
Other Combustion	thousand MT CO_2e	1,173	870	537
Process Emissions	thousand MT CO_2e	67	65	83
Other Vented Emissions	thousand MT CO_2e	182	295	54
Fugitive Emissions	thousand MT CO_2e	399	402	283
Scope 2 Emissions[c]	**thousand MT CO_2e**	**59**	**3**	**1**
Total Scope 1 and Scope 2[c]	**thousand MT CO_2e**	**1,879**	**1,634**	**959**
Scope 1 and Scope 2 GHG Intensity[c]	MT CO_2e/MMcfe	3.4	3.1	3.8

Note: totals may not sum due to rounding

[a] Emissions are reported under a modified IPCC report format for EU investors.

[b] As reported at year end 2021, emissions data for 2020 have been revised to incorporate the impacts of 2021 Project Fresh initiatives and to improve year-over-year comparability going forward. Please refer to the Company's 2021 year-end reports for commentary related to Project Fresh.

[c] Based on a 100-year global warming potential (GWP) of 28 for methane, in line with IPCC's Fifth Assessment Report (AR5).

[d] Using the NGSI protocol, calculates methane intensity using methane emissions from Production assets only (therefore, excluding Gathering & Boosting facilities).

[e] Reflects Sustainability Accounting Standards Board categories for reporting Scope 1 GHG emissions (EM-EP-110a.2) in line with the Oil & Gas – Exploration & Production Sustainability Accounting Standard (October 2018).

Disclaimer: GHG emissions were calculated per IPCC reporting guidance, which permits best engineering estimates for certain emissions categories, and which may vary from the prescriptive measures applied under US EPA reporting standards. The source data used in these calculations were accurate and complete, to the best of our knowledge, at the time they were gathered and compiled. If new data or corrections to existing data are discovered, the Company may update emissions calculations as permitted and in accordance with industry standards and expectations. Such updates will be included in future reporting and posted to our website where such post may take place without notice.

While we are well on course for achieving our targets to reduce the methane intensity of our operations, we did see an increase in our Scope 1 and 2 CO_2 emissions in 2022 compared to the previous year, largely as a result of the growth of our business through new acquisitions in the Central Region and other short-term operational factors, further described below. We expect the CO_2 intensity of our existing portfolio to decline proportionately in 2023 as operational efficiency measures we have taken on our newly acquired assets are fully realised.

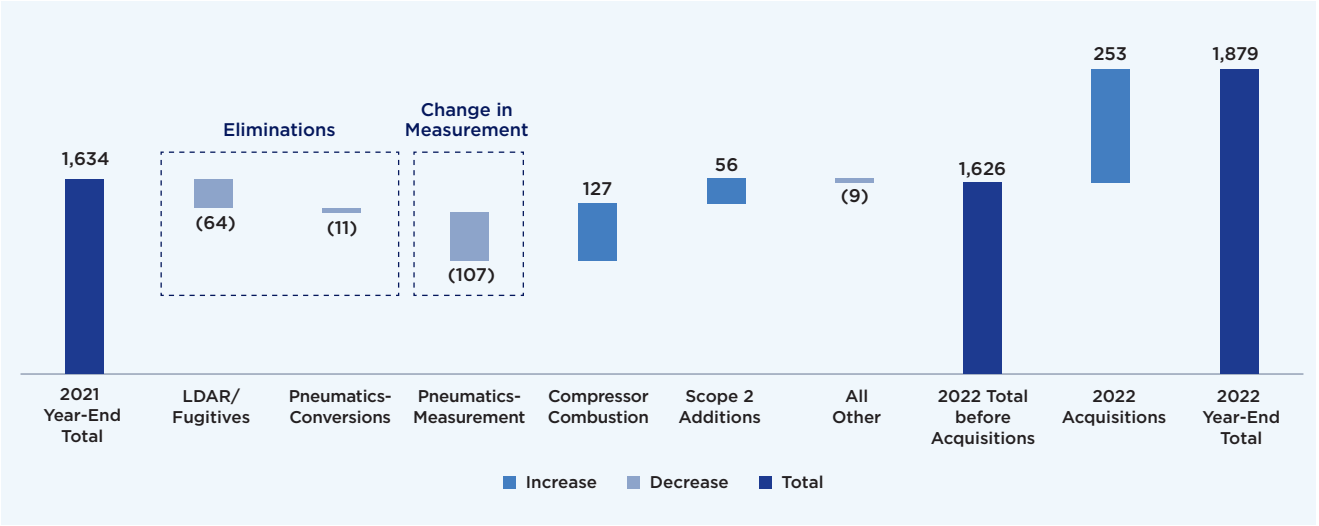
Our Scope 1 CO_2 emissions are largely generated from our compressor inventory and vehicle fuel. As a result of our shifting focus of acquisitions away from Appalachia and towards the Central Region, our total Scope 1 CO_2 emissions increased from 841 thousand MT in 2021 to 1,130 thousand MT in 2022. With Appalachia's CO_2 footprint remaining unchanged year-on-year, this increase in CO_2 emissions was driven by two primary factors related to Central Region activities: (i) the installation of additional gas lift compression to bring back on line previously non-producing (idle) wells in Oklahoma and Texas as part of our SAM operating efforts within our 2021 acquisitions and (ii) the purchase of additional compression and gathering equipment associated with east Texas and north Louisiana midstream acquisitions during the year.

As expected, our Scope 2 GHG emissions increased year over year primarily because of increased electricity use in all regions. We expect this trend to continue as we electrify more operations currently driven by the combustion of natural gas. Scope 2 GHG emissions also increased as a function of our purchased natural gas for our expanding Central Region footprint and as a result of a regulatory update to the emissions factors used in this calculation. At the same time, our percentage of annual renewable energy usage increased from 7% in 2021 to 13% in 2022. In 2023, we are performing assessments to increase energy efficiency across the organisation.

Total absolute Scope 1 and 2 GHG emissions from our expanding operations have increased from 1,634 thousand MT CO_2e in 2021 to 1,879 thousand MT CO_2e in 2022, while overall CO_2e intensity from both Scopes increased from 3.1 MT CO_2e/MMcfe in 2021 to 3.4 MT CO_2e/MMcfe in 2022. The primary driver of this increase was acquisitions during the year in our Central Region where some of our implemented SAM reduction programmes have not yet been fully recognised and as a result cannot yet be taken into account.

Beyond the increases in total absolute GHG emissions driven by our expanding operational footprint, increases in our emissions metrics intensity in 2022 are also the result of two timing-related issues: (i) the emissions reduction projects occurring throughout the year and therefore our reduction benefit in 2022 reflecting only a portion of the expected annualised CO_2e reductions and (ii) our SAM optimisation and emission reduction programmes not yet being fully implemented on our newly acquired assets in the Central Region. As we have seen with prior acquisitions, in the full year periods following our ownership, we expect these temporary increases in total absolute emissions will be reduced by the application of our ongoing mainstay projects and SAM actions and as we reap the benefit of a full year of the applied reduction efforts.

TOTAL SCOPE 1 AND 2 CO_2e
(thousand MT CO_2e)



Water Usage

Due to the geographic locations of our assets and the nature of our business model aimed at acquiring and operating existing wells rather than drilling new wells, we do not consider water availability to be a material climate-related risk for our company. According to the World Resources Institute's Aqueduct Water Risk Atlas, Diversified operates in states and counties that are classified as Low Overall Water Risk areas, using the oil and gas industry-specific weighting scheme which is most relevant for our business. At present we have therefore not set specific targets regarding water usage. Please refer to our 2022 Sustainability Report for more information on our water risk management activities.

Incentivizing Emissions Reduction Performance

Much like our increasing actions on an annual basis to lower the emissions footprint of our operations, we are increasingly incorporating these actions via ESG and climate-related targets into both our short- and long-term incentive compensation plans for executives and senior leadership.

Our annual short-term incentive plan ("STIP") in 2020 marked the first time that we incorporated an ESG-related performance component, representing 10% of the total plan's performance-based incentives and aligned with corporate safety and sustainability metrics including emissions, community engagement, culture and governance. The following year we increased the ESG-related STIP element to 25%, the single largest component of which was based on achieving specific Scope 1 and 2 emissions reductions targets. In 2022, our Board further increased this STIP component to 30%, with 15% specifically aligned to implementing tactical methods to achieve emissions reductions and the remainder aligned with safety, community outreach and governance initiatives. For 2023, our Board maintained the ESG-related STIP component at 30% of the total.

Our long-term incentive plan ("LTIP") plan is a three-year performance-based award. In order to maintain our focus on reducing methane emissions, and specifically methane intensity, by 50% before 2030, beginning in 2022 and continuing into 2023, we tied 20% of Executive Directors' and senior leadership's LTIP specifically to methane intensity reduction targets.

Incentive Plan	2020	2021	2022-23
Short-term	10%	25%	30%
Long-term	—	—	20%

Conclusion

We recognise that climate change is a challenging and complex global issue. At Diversified we are committed to playing our part by minimising the impact of the Company's operations through investments and improvements in our processes, equipment and capabilities. From our company's inception, our zero-tolerance approach to fugitive emissions is a daily emphasis for all employees. Accordingly, in 2022 we continued reducing and mitigating our existing GHG emissions across our portfolio in pursuit of our decarbonisation targets, inclusive of delivering more, regularly measured Scope 1 emissions data and employing our robust mitigation strategies (i.e. SAM and emissions reductions projects).

As we continue to navigate this evolving climate-focused business and operating environment, we do so emboldened by the progress we are already making in reducing the methane intensity of our operations. As we work toward our short- and mid-term emissions reductions targets, we are committed to keeping environmental stewardship at the forefront of our strategic decision-making, allocating appropriate financial and human capital to these objectives, and pursuing proactive and progressive emissions reductions activities while continuing to deliver sustainable shareholder value. In doing so, we assure our shareholders and other stakeholders that the Company is positioned to play a meaningful role in the energy transition and remain an important part of the energy ecosystem helping to balance climate, energy security and affordability for our customers. This shareholder value will be delivered in part through our pledge to frequent and continuous transparent reporting of our climate actions.

Forward Looking Statements

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

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

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

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

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