

Dear Stakeholders:

It's an exciting time to be in the energy business with demand projected to grow substantially in the coming decades. Better living conditions for more people around the world correlates with, and necessitates, more energy consumption. EIA projections from the *International Energy Outlook 2023* show primary energy demand is expected to increase somewhere between 16% and 57% by 2050 (from 2022) with electricity demand increasing 33% to 75%. The EIA also projects global demand for oil to increase between 3% and 10% by 2030 (compared with 2022) and between 6% and 42% by 2050, with higher projections for global natural gas demand growth at between 2% and 10% by 2030 and 11% and 57% by 2050. At the same time, energy security and energy affordability remain top concerns for individual nations in enabling economic growth and navigating global geopolitical uncertainty.

At SM Energy, our purpose is to make people's lives better by responsibly producing energy supplies, contributing to domestic energy security and prosperity, and having a positive impact in the communities where we live and work. Our long-term vision is to sustainably grow value for all of our stakeholders by maintaining and optimizing our high-quality asset portfolio, generating cash flows and maintaining a strong balance sheet. Our strategy is to be a premier operator of top-tier assets.

To sustainably grow value for all stakeholders, we operate our assets in a manner that prioritizes safety, technological innovation and environmental stewardship. Our corporate culture emphasizes talent development and leadership, encourages innovation, drives collaboration, demands integrity and ethical behavior, and strongly supports giving back to our communities. Our priorities and culture were firmly demonstrated in 2023, as we achieved exceptional safety, stewardship and employee engagement metrics, which are highlighted as follows:

- Superior safety performance shown by TRIR, LTIR and DART incidents per 200,000 man-hours at 0.20, 0.00 and 0.04, respectively, for SM Energy and contractor employees combined;
- Meeting our 2023, and on track to meet our 2030, emissions targets for GHG intensity, methane intensity and flaring;
- Improving water metrics by significantly recycling more produced water and reducing our freshwater intensity; and
- Completing an employee engagement survey that resulted in particularly high scores for senior leaders creating a culture of health and safety, company-wide commitment to safe and responsible operations, and employee trust in the executive leaders and the direction of the Company.

In late 2021, we set forth short- and medium-term environmental emissions targets (that relate to Texas operations), and we have met, or are on track to meet, each target as follows:

- Zero routine flaring at SM Energy operations and non-routine flaring not to exceed 1% of natural gas production, each by 2023 (Klondike assets acquired in mid-2023 not included) based on full year average;
- Reduce Scope 1 + Scope 2 GHG emissions intensity by 50% by 2030 with 2019 as a base year; and
- Maintain already low methane intensity of 0.04 mT CH₄/MBoe produced or better.

Compensation for all employees is tied to ESG metrics important to our operations. ESG metrics are weighted at 15% for the 2024 short-term incentive compensation plan and include safety as measured by top quartile TRIR, emissions intensity for CO₂ and CH₄, and top quartile ratio of spill volumes to total produced volumes. The Company has also set internal management targets for: flaring limits that meet our external targets; water recycling improvements; employing modern technology and innovation to further identify, monitor and improve ESG practices; and preparing for new SEC climate disclosure rules; as well as complying with newly published emissions regulations.

To help meet growing energy needs and better ensure sustainable profitability for our stakeholders, in 2023 and 2024 to date, we took significant steps to expand our high-quality asset base, increasing our land position by approximately 93,100 net acres and increasing our inventory of high-quality development locations by approximately three years. Through this expansion, we have added operations in Utah with a \$2.1 billion transaction that closed October 1, 2024. We welcome our new stakeholders and look forward to sharing the SM Energy culture and ensuring our continued focus on safety, environmental stewardship and operating with integrity across our portfolio.

Sincerely,



Herb Vogel

President and Chief
Executive Officer

October 2024