SM ENERGY

BASED ON 2023 DATA

2024 TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES FRAMEWORK

TCFD | TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

2024 Task Force On Climate-Related Financial Disclosures Framework

2023 DATA

Legal Notes

Definitions and calculations of certain ESG-based disclosures vary among companies, reporting frameworks, investment professionals and other users of the disclosed data. As a result, such disclosures and calculations may not be directly comparable to similarly titled definitions and calculations of other companies.

SM Energy's 2024 Task Force on Climate-Related Financial Disclosures Framework contains "forward-looking statements" within the meaning of securities laws. Please refer to General Company Overview and Disclaimers for further information about forward-looking statements.

The disclosure of ESG-related information contained herein is not meant to correspond with the concept of materiality associated with disclosures required by the U.S. Securities and Exchange Commission.

Uinta Basin Acquisition

The information provided in this report is as of calendar year 2023 and previous years. On October 1, 2024, SM Energy acquired approximately 63,300 net acres in the core of the Uinta Basin in Utah. Accordingly, the information provided in this report does not include disclosures related to the Unita Basin assets, and relates only to the Company's assets owned as of December 31, 2023, all of which were located in the state of Texas.

Overview

SM Energy Company ("SM Energy" or the "Company") continues to prioritize Environmental, Social and Governance ("ESG") initiatives by, among other things, maintaining transparency and integrating enhanced environmental and social programs throughout the organization. The Company discloses its progress through two established frameworks: the Task Force on Climate-Related Financial Disclosures ("TCFD") and the Sustainability Accounting Standards Board metrics for oil and gas exploration and production companies ("SASB"). SM Energy did not report results through the CDP framework in 2024 due to the delayed release of CDP's updated questionnaire, which did not align with the Company's internal process and timeline for completion of assurance, leadership review, and publication.

The Company has created this report to provide detailed disclosures within the TCFD's recommended ESG reporting format across the four core elements as summarized below.

CORE ELEMENTS OF RECOMMENDED CLIMATE-RELATED FINANCIAL DISCLOSURES

Governance
The organization's governance around climate-related risks and opportunities

Strategy
The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy and financial planning

Risk Management
The processes used by the organization to identify, assess and manage climate-related risks

Metrics and Targets
The metrics and targets used to assess and manage relevant climate-related risks and opportunities

TCFD CORE ELEMENTS SECTIONS

Contained in each of the following sections is a description of core TCFD elements and the Company's detailed disclosures. This information, as well as the Company's CEO Letter, Corporate Sustainability Report, SASB disclosure, Performance Metrics, key policies and other pertinent information is available on the Company's website at: www.sm-energy.com/sustainability.

General Company Overview and Disclaimers

SM Energy is an independent energy company engaged in the acquisition, exploration, development, and production of oil, gas, and natural gas liquids. Founded in 1908, SM Energy is a Delaware corporation and has been publicly traded on the New York Stock Exchange ("NYSE") since 2002 under the ticker symbol SM. As of October 1, 2024, the Company's areas of operations are in the states of Texas and Utah. The information in this report is as of calendar year 2023 and, subsequent to year-end, the Company acquired assets in the Uinta Basin of Utah. Accordingly, the information in this report does not include disclosures related to the Unita Basin assets, and relates only to the Company's assets owned as of December 31, 2023, all of which were located in the state of Texas.

As of year-end 2023, SM Energy operations were located onshore in the United States in two main operating areas: the Midland Basin in West Texas and the Maverick Basin in South Texas. Proved reserves were balanced among the Company's two operating areas, with a total of approximately 605 million barrels of oil equivalent ("Boe"). In 2023, the Company reported full year net sales volumes of 152 thousand barrels of oil equivalent per day ("MBoe/d"), consisting of 43% oil, 41% gas, and 16% natural gas liquids.

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 and strategy is to sustainably grow value for all of our stakeholders as a premier operator of top-tier assets by maintaining and optimizing our high-quality asset portfolio, generating cash flows, and maintaining a strong balance sheet. Our team executes this strategy by prioritizing safety, stewardship of natural resources, and technological innovation, all of which are integral to our corporate culture.

All employees are responsible for upholding Company-wide standards and values. We have many long-standing policies designed to promote ethical conduct and integrity that employees are required to read and acknowledge on an annual basis including our Code of Business Conduct and Conflict of Interest Policy. In 2021, the Company adopted a Human Rights Policy that, among other matters, memorializes our commitment to, and expectations regarding, the protection and advancement of human rights in the conduct of our business. Key Corporate Governance Policies can be found at www.sm-energy.com/sustainability/governance.

Additional policies that all employees are required to review and acknowledge include our Employee Handbook; Drug and Alcohol-Free Workplace Policy; Related Persons Transaction Policy; Securities Trading Policy; Fair Disclosure Policy; Social Media Policy; IT Acceptable Use Policy; and Expense Management and Reporting Policy. Further, employees are consistently provided training opportunities to develop skills in leadership, safety, and technical acumen, which help to strengthen our efforts to conduct business with high ethical standards. For more information about SM Energy, please visit www.sm-energy.com.

SM Energy's responses herein contain "forward-looking statements" within the meaning of securities laws. Responses include discussion of potential future risks and opportunities, the Company's planned processes for evaluating potential future risks and opportunities, and certain plans, objectives, expectations, and forecasts. All statements, other than statements of historical fact, included in the TCFD are subject to assumptions, risks and uncertainties that are beyond our control, and they are not promises or guarantees of future conduct, policy, or operational activities. These statements involve known and unknown risks, which may cause SM Energy's actual results, activities, operations, plans, processes, objectives, expectations, and forecasts to differ materially from results, activities, operations, plans, processes, objectives, expectations, and forecasts expressed or implied by the forward-looking statements. Additionally, responses to the TCFD include discussion of forward-looking risks and opportunities that employ third-party or other hypothetical scenarios that may not reflect or incorporate the Company's expectations and forecasts for the future. Such scenarios provide standardized bases through which certain potential quantifiable and non-quantifiable implications to the Company's plans can be evaluated but may not reflect the Company's future projections. For example, the Company has evaluated hypothetical carbon pricing scenarios, the International Energy Agency ("IEA") Sustainable Development Scenario ("SDS"), Announced Pledges Scenario ("APS"), Stated Policies Scenario ("STEPS"), and potentially other hypothetical scenarios, that may not reflect the Company's expectations and forecasts, and incorporated the results of such evaluations into the forward-looking statements contained in this report. Future results, plans, objectives, expectations, and forecasts may be impacted by the risks discussed in the Risk Factors section of SM Energy's most recent Annual Report on Form 10-K, Quarterly Report on Form 10-Q or other filings with the SEC. The forward-looking statements contained herein speak as of the date of this report. Although SM Energy may from time to time voluntarily update its prior forward-looking statements, it disclaims any commitment to do so, except as required by securities laws.

TCFD Core Element – Governance

Governance	Recommended disclosures
Disclose the organization's governance around climate-related risks and opportunities	a. Describe the board's oversight of climate-related risks and opportunities
	b. Describe management's role in assessing and managing climate-related risks and opportunities

A. TCFD Recommended Disclosure: Describe the board's oversight of climate-related risks and opportunities.

Board- Level Oversight of Climate-Related Risks and Opportunities

SM Energy's Board of Directors ("Board"), Environmental, Social and Governance Committee ("ESG Committee"), the Chair of the Board, the Chair of the ESG Committee and our President and CEO are all charged with oversight of climate-related issues. The ESG Committee regularly reports to the full Board with updates, recommendations, and proposals. The Board and the ESG Committee also receive regular reports from management on sustainability matters and discusses these updates and provides recommendations.

During 2021, the ESG Committee adopted short- to medium-term Scope 1 and Scope 2 emissions reduction targets for our Texas operations, including flaring targets for 2023 (Klondike assets acquired in mid-2023 not included) and Greenhouse Gas ("GHG") reductions targets for 2030. In 2021 and for the 2020 reporting year, the Company started third party verification of Scope 1 greenhouse gas emissions. In 2022 and for the 2021 reporting year, we added third party verification of Scope 2 greenhouse gas emissions.

Governance mechanisms into which climate-related efforts are integrated:

- Reviewing and guiding annual budgets
- Overseeing major capital expenditures
- Reviewing innovation/R&D priorities
- Reviewing and guiding strategy
- Overseeing acquisitions, mergers, and divestitures
- Overseeing and guiding the development of a transition plan
- Monitoring the implementation of a transition plan
- Overseeing and guiding employee incentives
- Overseeing and guiding scenario analysis
- Overseeing the setting of corporate targets
- Monitoring progress towards corporate targets
- Overseeing value chain engagement
- Overseeing and guiding public policy engagement
- Reviewing and guiding the risk management process

The Board and ESG Committee regularly receive reports from management on topical ESG and climate-related issues, which included five reports in 2023. Reports include review of dashboards that monitor key ESG performance metrics, such as GHG emissions, methane emissions, OOOOa monitoring, flaring, safety, spills and water stewardship, as well as performance against short-to-medium term climate targets, the status and plans for the Company's operational initiatives, updates on public disclosures and benchmarking to industry peers.

Board Qualifications

It is SM Energy's objective that its Board collectively possess broad and relevant experience in high-level business policymaking matters, including the ability to assess various risks and opportunities. To determine a director's competence with respect to climate-related issues, the Board considers a variety of factors, including: (a) past experiences in evaluating longer-term risks and how those general experiences can inform evaluating climate-related risks; (b) awareness and familiarity with regulatory frameworks and industry standards related to climate and emissions issues; and (c) training and industry updates concerning climate issues provided to such director or the Board in general. Based on these criteria, SM Energy believes it has at least one member of the Board that has competence on climate-related issues.

ESG Committee Responsibilities

SM Energy's ESG Committee meets on a regular basis (five times in 2023). ESG Committee oversight of sustainability-related issues is intended to promote exceptional environmental performance. Throughout the course of the year, the ESG Committee's responsibilities and topics of discussion typically include:

- Reviewing and assessing the effectiveness of the Company's sustainability policies, programs and initiatives.
- Reviewing the Company's status with respect to federal, state, and local regulations for air emissions, waste, water, wildlife, spill reporting, safety, and general operations.
- Monitoring, responding to, and making recommendations to the Board regarding sustainability-related trends and emerging issues, including climate-related risks and opportunities presented herein, and stockholder proposals (if applicable).
- Reviewing sustainability-related disclosure practices within the industry, as well as peer benchmarking of sustainability metrics and changing technologies and practices with the potential to improve the Company's overall sustainability strategy and performance.
- Monitoring performance against ESG goals and targets.

ESG performance is regularly monitored by the ESG Committee and include metrics related to safety, spill performance and emissions intensity, which are tied to compensation of all employees. These metrics are discussed in further detail herein.

Top-tier ESG stewardship is a component of the Company's strategy to be a premier operator. Peer benchmarking by the ESG Committee includes review of the ranking of SM Energy among its peers by third parties. SM Energy's low methane emissions intensity among Permian Basin operators was recognized by Basinwide Independent Methane Emissions Insights in 2023. SM Energy also received a Leadership level score of A- from CDP based on the 2023 CDP Climate Change Questionnaire and an A- Supplier Engagement score based on the 2022 and 2023 CDP Climate Change questionnaires. This placed SM Energy among the top of its CDP peer group for best practices in environmental strategy and action.

In order to provide support for the Company's ongoing efforts in ESG matters, the Company established a Management ESG Committee in 2020 consisting of certain members of management, including the President and CEO, CFO and Treasurer, General Counsel, Chief Accounting Officer and corporate officers who lead Human Resources ("HR"), Environmental, Health, and Safety ("EHS"), Operations, Technology/Data and Investor Relations/ESG Stewardship departments.

B. TCFD Recommended Disclosure: Describe management's role in assessing and managing climate-related risks and opportunities.

Management's Role

The following describes management's role in assessing and managing climate-related risks and opportunities:

Chief Executive Officer

- Reports directly to the Board
- The Board receives reports from management and the ESG Committee on topical ESG and climate-related issues, which included five reports in 2023.

Climate-related Responsibilities of this Position:

- Managing annual budgets ESG-related efforts
- Managing major capital and/or operational expenditures related to low-carbon products or services (including R&D)
- Recommending climate-related employee incentives
- Developing a climate transition plan
- Implementing a climate transition plan
- Integrating climate-related issues into the strategy
- Recommending climate-related corporate targets
- Monitoring progress against climate-related corporate targets
- Managing public policy engagement for climate-related matters
- Managing value chain engagement on climate-related issues
- Assessing climate-related risks and opportunities
- Managing climate-related risks and opportunities
- Oversight of ESG disclosure practices

Chief Financial Officer

- CEO reporting line
- The Board periodically and regularly receives reports from management on topical ESG and climate-related issues, which included five reports in 2023.

Climate-related Responsibilities of this Position:

- Managing annual budgets for ESG-related efforts
- Managing major capital and/or operational expenditures related to low-carbon products or services (including R&D)
- Recommending climate-related employee incentives
- Developing a climate transition plan
- Implementing a climate transition plan
- Integrating climate-related issues into the strategy
- Recommending climate-related corporate targets
- Monitoring progress against climate-related corporate targets
- Assessing climate-related risks and opportunities
- Managing climate-related risks and opportunities
- Oversight of ESG disclosure practices

General Counsel

- CEO reporting line
- The Board periodically and regularly receives reports from management on topical ESG and climate-related issues, which included five reports in 2023.

Climate-related Responsibilities of this Position:

- Recommending climate-related employee incentives
- Developing a climate transition plan
- Implementing a climate transition plan
- Recommending climate-related corporate targets
- Monitoring progress against climate-related corporate targets
- Assessing climate-related risks and opportunities
- Managing climate-related risks and opportunities

Management ESG Committee

- Reports directly to the board
- The Board periodically and regularly receives reports from management on topical ESG and climate-related issues, which included five reports in 2023.

Climate-related Responsibilities of this Position:

- Managing annual budgets for ESG-related efforts
- Managing major capital and/or operational expenditures related to low-carbon products or services (including R&D)
- Recommending climate-related employee incentives
- Developing a climate transition plan
- Implementing a climate transition plan
- Integrating climate-related issues into the strategy
- Conducting climate-related scenario analysis
- Recommending climate-related corporate targets
- Monitoring progress against climate-related corporate targets
- Managing value chain engagement on climate-related issues
- Assessing climate-related risks and opportunities
- Managing climate-related risks and opportunities

Executive and Employee Compensation Tied to ESG Metrics

Incentive Details

SM Energy's 2023 short-term incentive plan ("STIP"), which provides an annual cash bonus opportunity for all employees, including executive management, was tied, in part, to environmental and safety targets. In 2022, the Compensation Committee of the Board of Directors ("Compensation Committee") unanimously approved a modification to the design of the Company's STIP by altering the qualitative ESG metric to a quantitative metric that had a 15% weighting on the award. In 2023, the Compensation Committee maintained the quantitative nature and the weighting of the metric with goals to reduce the following: total recordable incident rate ("TRIR"), ratio of spill volumes to total produced volumes in a year ("spill ratio"), GHG emissions intensity reduction and methane emissions intensity reduction. The GHG emissions intensity target is based on the Company's projected greenhouse gas emission intensity reduction goals, and the targets for safety and spill ratio performance are based upon the top quartile of the trailing three-year average of reporting American Exploration & Production Council ("AXPC") members. In addition, the STIP considered performance for qualitative ESG initiatives that included additional hours of safety training, further cross-functional integration of ESG awareness, development and implementation of ESG operations monitoring technology, and efforts to meet certain flaring targets.

SM Energy's long-term incentive plan ("LTIP") program typically utilizes PSUs (50% weighting) and RSUs (50% weighting) to compensate our named executive officers and other key employees for execution of our strategy (except for our CEO, who received 60% weighting to PSUs and 40% weighting to RSUs). The performance metrics and weighting comprising the PSU awards were tied, in part, to ESG performance (25%), which is further broken down by GHG emission intensity reduction (10%), employee and contractor safety (10%), and spill ratio performance (5%). Performance is measured over the three-year program period.

The Compensation Committee regularly evaluates and, as appropriate, modifies our program to align executive pay with Company performance and our stockholders' experience throughout industry cycles. ESG-related performance metrics are designed to prioritize sustainable and responsible deployment of capital for the long-term benefit of all stakeholders and maintain standards consistent with evolving best practices and top-quartile ESG performance among our peers.

These ESG-focused metrics incorporate quantitative goals into our incentive programs that reinforce sustainability and environmental stewardship across short- and long-term time horizons and industry cycles. Quantitative ESG metrics, including measures related to safety performance and training, spill performance, and greenhouse gas emissions (gross CO_2e and methane intensity) comprise substantial weightings in both our short- and long-term incentive plans (15% and 20% weightings, respectively). This measure is important because it highlights the Company's commitment to sustainability and environmental stewardship and the importance of integrating ESG goals into our Company's culture.

TCFD Core Element – Strategy

Strategy	Recommended disclosures
Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material	a. Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term.
	b. Describe the impact of climate-related risks and opportunities on the organization's business, strategy, and financial planning
	c. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios including a 2° or lower scenario

A. TCFD Recommended Disclosure: Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.

Strategy Time Horizons

SM Energy has a robust process for identifying, assessing, and responding to climate-related risks and opportunities.

SM Energy considers the following time horizons when identifying, assessing, and responding to climate-related risks and opportunities:

- Short-term: Our detailed corporate business plan focuses on a one to two-year time horizon intended to specifically provide a detailed operating plan that supports our long-term strategy and objectives. During this timeframe, SM Energy evaluates potential climate-related risks and opportunities that could have either short-term or long-term impacts, such as risks related to flaring restrictions and projects to reduce air emissions.
- Medium-term: Our long-range plan ("LRP") is a five-year plan and corresponds with the U.S. Securities and Exchange Commission (the "SEC") timeline for developing the Company's proved oil and natural gas reserves and also supports achieving our long-term objectives. Key risks evaluated during this time period include the potential for regulation related to a carbon pricing mechanism and greenhouse gas emissions limits.
- Long-term: The Company considers its long-term sustainability over 10-25 years, which incorporates field life, reserve replacement, enterprise value assessments and sets the course for long-term sustainability objectives. Long-term risks and opportunities are evaluated over 10 years and incorporated into scenario analyses that considers factors such as government policy, potential changes in supply and demand for the Company's products, technology impacts, access to new markets, and alternative energy sources that affect supply and demand for oil and gas.

Risk Assessment and Evaluation

The Company evaluates and prioritizes risks whose combination of impact, likelihood of occurrence, and timeliness could reasonably be expected to materially impact our ability to achieve strategic objectives. We define substantive financial or strategic impact using both quantitative and qualitative metrics and risks are identified based on potential effects to proved reserves, net income, results of operations, cash flow, liquidity, and shareholder value and evaluated based on the expected impact to adjusted EBITDAX and equity value.

The quantitative impact metric is graded into five categories from minimal to major, with an assigned dollar value range based on that expected impact. The qualitative metrics include Likelihood and Timeliness and use scoring of "almost certain" to "rare" and "very low" to "immediate", respectively. The risks are evaluated using a weighting of the following:

- Impact at 50%
- Likelihood at 25%
- Timeliness each at 25%
- Oversight of ESG disclosure practices

Risks and opportunities evaluated herein are considered in the Enterprise Risk Management ("ERM") matrix framework and are considered as part of the annual risk evaluation process. The quantitative and qualitative metrics are reviewed annually in coordination with the risk evaluation process. The resulting prioritized risks are described in the "Risk Factors" section of the Company's most recently filed Form 10-K, and subsequent reports filed with the SEC. See further discussion of the Company's process for identifying, assessing, and responding to climate-related risks and opportunities in the Risk Management section of this report.

Climate-Related Business Risks

The following table sets forth the primary risk types considered in the Company's climate-related risk assessments. Company risks are described in more detail in the "Risk Factors" section of the Company's most recent Form 10-K, and subsequent reports filed with the SEC.

CLIMATE-RELATED RISK	RISK	IMPACTS	MITIGATION
Current and Emerging Regulation (Transition) – See Risks 1 and 2 for expanded assessment and risk mitigation efforts	Current and emerging climate-related federal, state, and local laws and governmental regulations (U.S. Environmental Protection Agency's ("EPA") New Source Performance Standards ("NSPS") Subpart OOOO regulation, implementation of a carbon pricing mechanism, mandates on existing products and services)	• Increased indirect (operating) costs for compliance • Decreased revenues due to reduced production capacity	• Strong financial performance and portfolio of low break even cost assets • EHS performance targets • Dedicated environmental and regulatory team • Emissions detection and monitoring systems and processes • Flare mitigation strategy and methane reduction efforts • Environmental assessment and remediation processes for acquired assets

CLIMATE-RELATED RISK	RISK	IMPACTS	MITIGATION
Technology (Transition)	New technologies and emergence of lower emissions energy alternatives Cost of implementing lower carbon technologies	• Increased indirect (operating) costs • Decreased revenues due to reduced demand for products and services	• Real-time EHS performance dashboards • Vapor recovery technology, pneumatic controller upgrades, and LDAR application • Operations Surveillance Room • Collection of LiDAR and implementation of spill prevention systems • Responsible water management and recycling program
Legal (Transition)	Exposure to litigation related to climate-related laws or regulations, the Company's disclosures concerning climate-related matters and claims relating to climate change	• Increased compliance and litigation costs	• Strong corporate governance and board oversight over ESG • EHS performance targets • Dedicated environmental and regulatory team • ESG strategy • EHS third party compliance audits
Market (Transition)- See Risk 3 for expanded assessment and risk mitigation efforts	Volatility of market prices and resulting realized prices in the future due to factors, including, but not limited to, availability of alternative energy sources, technological advances (e.g., electric vehicles), and shifting consumer preferences	• Decreased revenues due to reduced demand for products and services • Market volatility and volatility in commodity prices	• Strong financial performance and portfolio of low break even cost assets •Diversified portfolio and ability to shift capital investment and/or capital allocation between oil and gas basins • Hedging strategy
Reputation (Transition)	Changing sentiment towards the oil and gas sector, shifting consumer preferences, and reduction of investment in the oil and gas sector	• Decreased revenues due to reduced demand for products and services	• Strong corporate governance and board oversight over ESG • Voluntary ESG reporting through TCFD and SASB frameworks • Stakeholder engagement • Top-tier environmental stewardship practices

CLIMATE-RELATED RISK	RISK	IMPACTS	MITIGATION
Acute and Chronic Physical (Physical)	Impact of extreme weather conditions or changes in weather patterns	• Decrease in production and revenues due to temporary shut-ins, capacity constraints and cessation of drilling and completion activities • Increase in operating and capital costs due to damage to facilities or increased costs for insurance coverage	• Operations Emergency Management Plan • Business continuity capability • Infrastructure upgrades and maintenance • Infrastructure and operating equipment is designed to be resilient in extreme conditions

Company Risk Assessment

We have identified the following transition risks with the potential to have a substantive financial or strategic impact on our business.

Risk 1 – Emerging Regulation – Carbon Pricing Mechanisms

The implementation of a carbon pricing mechanism would affect the economics of producing oil and natural gas across the sector. While this potential risk would likely have an impact on all domestic oil and gas producers, the extent of the financial and operational impacts will vary depending on the emission intensity and cost structure of each company. The carbon tax would be a direct increase in the cost of production, per barrel or Mcf, produced by the Company, as well as costs incurred for investment capital and operating and compliance costs associated with mitigating carbon emissions. SM Energy has positioned itself through extensive mitigation efforts to reduce emissions in our operations and maintain a portfolio of low break even cost assets that we believe will continue to generate positive returns even with the added financial burden associated with a carbon pricing mechanism. The Company recognizes, that while comparatively resilient to the potential implementation of a cost of carbon mechanism, it remains a risk to our Company that we continue to evaluate.

In 2023, the Company's Enterprise Risk Management Committee (the "ERM Committee") presented to the Board of Directors its assessment of the Company's highest priority risks, which included risks associated with potential and/or upcoming regulatory changes. The risk of a carbon pricing mechanism and the results of our risk modeling and scenario analyses were presented to the ERM Committee, Management ESG Committee, and the ESG Committee.

RISK DETAILS	
Value Chain	Upstream
Financial Impact	Increased indirect (operating) costs
Time Horizon	Medium-term
Likelihood	About as likely as not
Magnitude	Medium
Potential Financial Impact Figure	$25 million to $35 million per year (Average over 10-year period)

Explanation of Financial Impact Figure

Scenarios and Carbon Pricing Assumptions: SM Energy evaluated the financial impact of projected emissions using carbon pricing from three lower carbon scenarios for the ten-year period 2024-2033: the IEA Sustainable Development Scenario ("IEA SDS"), which was used in our 2021 and 2022 analysis; the IEA Announced Pledges Scenario ("IEA APS"), which was used in our 2022 analysis; and the newly recommended IEA Stated Policies Scenario ("EA STEPS").

- IEA SDS: Under the IEA SDS, the Company applied an annual carbon price assumption against its ten-year plan, employing the IEA SDS recommended carbon pricing for the periods 2025 through 2033, which starts at $63.00 per metric tonnes of carbon dioxide equivalent ("mT CO_2e") in 2025 and escalates to $104.00 per mT CO_2e in 2033. Due to changes in the IEA's World Energy Outlook, the IEA SDS scenario is no longer being referenced by the IEA. However, we have elected to include this scenario and its assumptions for comparability to the modeling performed in the prior reporting periods.
- IEA APS: Under the IEA APS scenario, the Company applied an annual carbon price assumption against its ten-year plan, employing its internal $30 per mT CO_2e carbon price to projected emissions for the periods 2025-2029 and the IEA APS recommended pricing from 2030 to 2033 (earlier years are not provided in the APS carbon price deck), which starts at $135.00 per mT CO_2e in 2030 and escalates to $147.00 per mT CO_2e in 2033.
- IEA STEPS: Under the IEA STEPS scenario, the Company applied an annual carbon pricing assumption against its ten-year plan employing $30 per mT CO_2e carbon price to projected emissions for the periods 2025-2029 and the IEA STEPS recommended pricing from 2030 to 2033 (earlier years are not provided in the STEPS carbon price deck), which starts at $125.00 per mT CO_2e in 2030 and escalates to $129.35 per mT CO_2e in 2033.

Calculation Methodology: The carbon price assumptions using the IEA SDS, IEA APS and IEA STEPS recommendations were applied to forecast Scope 1 and 2 emissions, which range, per year, from a peak of approximately 621,000 mT CO_2e in 2024 to 240,500 mT CO_2e in 2033. Assumptions incorporate planned actions by the Company to meet emissions targets set in 2021 (for our Texas operations) that include: a 50% reduction in Scope 1 and 2 GHG emissions intensity by 2030, with 2019 as the base year; zero routine flaring and non-routine flaring not to exceed 1% of natural gas production (Klondike assets acquired in mid-2023 not included), each by 2023 based on the full year average; and maintaining our already low methane emissions intensity at 0.04 metric tonnes of methane ("mT CH_4") per MBoe on the full year average.

Results: Using IEA carbon pricing for all three scenarios and our emissions forecast, the financial impact is estimated to range from $25 million to $35 million per year, which represents the annual average of the cumulative impact from 2024 - 2033. The financial impact was calculated based on the Company's base plan, not taking into account changes in capital allocation, acquisitions, divestitures, or new technologies, which would offset the outcome in an actual corporate plan scenario. Based on our ERM risk impact scale, the financial impact is considered medium.

The Social Cost of Carbon used by the current Administration in regulatory analysis is significantly lower than the IEA figures, but SM Energy modeled the potential impact of a 'well below 2C scenario' per TCFD guidance. The hypothetical cost of a carbon tax and the associated mitigation costs are considered to be insignificant as a percentage of operational cash flows over the ten-year period analyzed and are not expected to have a significant impact on our financial position or financial performance for the future time horizons selected. The IEA SDS, IEA APS, and IEA STEPS are highly speculative, and many observers believe it is unlikely that the US will impose a carbon tax equal to those suggested by these IEA scenarios.

Cost Methodology

As part of its normal planning and strategy process in 2023, SM Energy evaluated the financial impact of carbon pricing mechanisms and the operational changes and investments that would be needed to minimize the associated financial burden. The Company estimates $15.5 million in additional capital expenditures would be needed to replace all remaining gas pneumatic control devices and install additional vapor control devices on oil storage tanks. The majority of these anticipated capital costs would be incurred in the short- to medium-term (2 to 5 years).

Response to Risk

SM Energy's efforts to reduce the carbon intensity of its operations would likely reduce the impact of carbon pricing mechanisms. Measures to reduce emissions beyond what is required by current regulations, and thus seek to reduce the burden of a potential carbon pricing mechanism, have been ongoing for years and are expected to continue. Current examples of our efforts to reduce emissions and mitigate the risk associated with a future carbon price include the Company's ongoing efforts to conduct voluntary Leak Detection and Repair ("LDAR") beyond base regulatory requirements, and our continued focus on installing zero emissions and non-gas pneumatic controllers on all new facilities and converting pneumatic controllers to non-gas emitting devices on existing facilities. Our strategy also includes investment in gas pipeline interconnects, production curtailment to reduce flaring, and use of dual fuel and electric frac fleets for completions operations. Please see the Metrics and Targets section below for additional details regarding recent LDAR practices, progress on pneumatic controller upgrade project and flaring reduction practices.

Risk 2 – Emerging Regulation – Mandates on and Regulation of Existing Products and Services

Any future laws and commitments, including expanded regulation around methane and GHG emissions and/or gas flaring requirements could adversely affect SM Energy's revenues in the short-term due to increased well downtime to avoid flaring and additional operating and compliance costs related to methane management. Please see further discussion of this risk in the "Risk Factors" sections of the Company's most recent Form 10-K.

In 2023, the ERM Committee presented to the Board of Directors its assessment of the Company's highest priority risks, which included risks associated with potential and/or upcoming regulatory changes. The results of our risk modeling related to methane regulation expansion and flaring limitations were presented to the ERM Committee, Management ESG Committee and the ESG Committee.

RISK DETAILS	
Value Chain	Direct Operations
Financial Impact	Decreased revenues due to reduced production capacity
Time Horizon	Medium-term
Likelihood	Likely
Magnitude	Low
Potential Financial Impact Figure	$9 million per year (Average over 10 year period)

Explanation of Financial Impact Figure

Situation: If stricter methane reduction mandates are imposed in the form of additional flaring limitations and/or additional controls and monitoring, it could result in lower revenue, if the Company needed to curtail production, as well as increased compliance costs. Mandates based on a Company-specific baseline could present compliance difficulties as it would be challenging to reduce already low emission rates. If midstream pipelines are not available and flaring is not allowed, the Company could be required to shut-in wells.

Assumptions and Calculation Methodology: The Company modeled estimated reduced revenue from additional well downtime, phased in over the scenario period (2024-2033) up to 0.5% of oil production. The Company also modeled additional operating costs for compliance with EPA requirements for complete pneumatic gas operated controller conversions, and expanded methane controls such as additional LDAR, vapor control for small sources, and continuous methane monitoring at larger sites. The operating costs modeled include additional costs required to comply with the EPA's recently issued NSPS OOOOb rule, which requires more frequent LDAR monitoring over a larger number of facilities. The potential impact of this risk was modeled over a 10 year period (2024-2033).

Results: Using the model assumptions described above, the Company estimates reduced revenues (due to an increase in well downtime) of approximately $5.0 million per year, undiscounted, for the years 2024 to 2033. In addition, the Company estimates additional operating costs of $4.0 million per year for operating and maintaining additional field equipment designed to further reduce methane emissions for a total average effect of up to $9 million per year. Based on our ERM risk impact scale, the magnitude of this impact is considered low.

Cost Methodology

The Company estimates $15.5 million in additional capital expenditures would be needed to replace all remaining gas pneumatic control devices and install additional vapor control devices on oil storage tanks. The majority of these anticipated capital costs would be incurred in the short- to medium-term (2 to 5 years). These actions will reduce exposure to this risk.

Response to Risk

The Company has established targets for flaring, including zero routine flaring at all SM Energy operated locations in Texas and non-routine flaring not to exceed 1% of natural gas production, each by 2023 (Klondike assets acquired mid-2023 not included) based on the full year average, and the Company has established a methane intensity target to maintain its already low level of 0.04 mT CO_2e per MBoe or better. Compensation for all employees is tied to EHS performance targets as discussed within TCFD Core Element Governance.

Measures to reduce emissions beyond what is required by current regulations have been ongoing for years and are expected to continue. Current examples of our efforts to reduce emissions include the Company's ongoing efforts to conduct voluntary LDAR beyond base regulatory requirements, and our continued focus on installing zero emissions and non-gas pneumatic controllers on all new facilities and converting pneumatic controllers to non-gas emitting devices on existing facilities. Our strategy also includes investment in gas pipeline interconnects, production curtailment to reduce flaring, and use of dual fuel and electric frac fleets for completions operations. Please see the Metrics and Targets section below for additional details regarding recent LDAR practices, progress on pneumatic controller upgrade project and flaring reduction practices.

Risk 3– Market – Changing Customer Behavior

As an oil and gas producer, SM Energy is vulnerable to projected long-term declines in hydrocarbon demand. The impact of declining demand would be reflected in future commodity prices. SM Energy has elected to calculate and present the financial impact of this risk using IEA SDS, IEA APS, and IEA STEPS pricing assumptions to display a range of outcomes for this risk. Due to changes in the IEA's World Energy Outlook, the IEA SDS scenario is no longer being referenced by the IEA. However, we have elected to include this scenario and its assumptions for comparability to the modeling performed for the prior reporting periods and to present the financial impact using more aggressive demand decrease assumptions.

The 2021 IEA SDS projects a 28% global decrease in oil demand by 2040 compared to base year 2022. Oil demand in Organization for Economic Co-operation and Development countries is projected to decrease at a greater rate than developing countries due to a combination of factors, including a more aggressive deployment of electric vehicles and increased power generation from renewable resources. The IEA SDS also projects global natural gas demand to remain flat between 2022 and 2030, before declining to reach an overall demand decrease of 22% by 2040.

Under the IEA APS, the decrease in oil demand is slower than the IEA SDS assumptions, with demand decreasing 24% from base year 2022 to 2040 compared to a 28% decrease using the IEA SDS assumptions. Under IEA STEPS, the projections show peak oil demand in 2030 and then decreasing oil demand at 0.2% per year from 2030 forward until reaching base year demand levels in 2050. As a result of the slower demand decreases assumed under IEA APS and IEA STEPS, commodity pricing assumptions are higher than those projected by the IEA SDS.

RISK DETAILS	
Value Chain	Downstream
Financial Impact	Decreased revenues due to reduced demand for products and services
Time Horizon	Long-term
Likelihood	About as likely as not
Magnitude	Medium
Potential Financial Impact Figure	$41 million to $177 million per year (IEA SDS)

Explanation of Financial Impact Figure

Calculation Methodology and Assumptions: In calculating the financial impact of this risk, SM Energy applied commodity price projections from the IEA SDS, IEA APS, and IEA STEPS scenarios, which become effective in 2030, as commodity prices inherently reflect supply and demand changes and imbalances. The Company calculated a range of financial impacts by comparing the IEA SDS, IEA APS, and IEA STEPS commodity price assumptions to the Company's long-term commodity price assumptions: (1) pricing provided by the lead bank in our credit facility, which is similarly used to project long-term financial sustainability and to calculate the proved developed producing reserves that support our borrowing base; and (2) internal long-term pricing assumptions that reflect future commodity market prices (strip) for oil and natural gas. There is no effect of the IEA SDS scenario between the years 2023 and 2029, during which time there is no applicable SDS pricing. The minimum and maximum effect of the 10-year analysis (2024-2033) is derived by the difference in the pricing assumptions in forward years.

Results: The projected financial impacts of the IEA SDS, IEA APS, and IEA STEPS assumptions are based on the Company's current base plan and represents only a theoretical impact to oil, natural gas, and NGL revenues. The Company does not take into account changes in capital allocation, acquisitions / divestitures, or application of new technologies, which could offset the outcome in an actual corporate plan to address the SDS pricing scenario. SM Energy is a low-cost, highly competitive producer. Assessment of the IEA SDS, IEA APS, and IEA STEPS scenario analysis does not include further cost reductions, capital efficiencies, or allocation of capital than those already included in our long-term plan.

Under the IEA SDS scenario, the total impact over the 10-year analysis period using (1) price assumptions used by our lead bank, and (2) internal long-term pricing assumptions, implies a ten-year average potential **decrease** to revenue that ranges from $41 million to $177 million per year, respectively, and is undiscounted over the period. The minimum impact of the range is based on the SDS pricing and bank pricing comparison and the maximum impact of the range is based on the SDS pricing and long-term strip pricing assumptions comparison. Based on our ERM risk impact scale, the magnitude of this impact is considered medium.

Under this IEA APS scenario, the total impact over the 10-year analysis period using (1) price assumptions used by our lead bank, and (2) internal long-term pricing assumptions, implies a ten-year average potential **increase** to revenue that ranges from $37 million to $173 million per year, respectively, and is undiscounted over the period. This range of increased revenue is driven by the higher IEA APS price assumptions in future years compared to the assumptions used by the Company's (1) lead bank and (2) internal forecast of long-term market prices.

Under this IEA STEPS scenario, the total impact over the 10-year analysis period using (1) price assumptions used by our lead bank, and (2) internal long-term pricing assumptions, implies a ten-year average potential **increase** to revenue that ranges from $212 million to $349 million per year, respectively, and is undiscounted over the period. This range of increased revenue is driven by higher IEA STEPS price assumptions in future years compared to the assumptions used by the Company's (1) lead bank and (2) internal long-term market prices.

Description of Response and Explanation of Cost Calculation

This risk involves changes in global oil and gas pricing, which is an external factor outside of the Company's direct control. While a significant reduction in oil and gas prices could have a material impact on our profitability, there are typically correlative changes in capital costs, and we employ certain strategies in our long-term planning to mitigate this risk. For example, our year-end 2023 proved reserves on an energy equivalent basis are approximately an even split between oil and gas. This allows us to reallocate capital between our oil and gas basins as commodity prices shift. The Company does not anticipate the need to make a strategic shift in its business model as a response to this risk, but does foresee the possibility of making tactical decisions related to capital investment, that could decrease associated financial risks. The cost of the response to the risk is estimated at $650,000. This is based on the estimated one-time cost to move a drilling rig between the Company's two Texas basins to react to relative price changes between oil and natural gas commodities.

Supply and demand for oil, natural gas, and natural gas liquids are affected by a broad range of global factors, and assessment of three IEA scenarios provides a wide range of potential risks and outcomes. The many variables under both of these scenarios are impossible to estimate with accuracy and the outlook for oil and natural gas economics is further impacted by national energy security, energy affordability, safe and reliable energy sources, the global emissions benefits of liquified natural gas ("LNG") further replacing coal, emerging technologies, and consumer behavioral changes, all of which play a role in the long-term pathway for energy sources.

Risk - Access to Water for Operations

The Company's ability to produce oil, gas, and NGLs economically and in commercial quantities could be impaired if we are unable to acquire adequate supplies of water for our drilling and/or completions operations, or if we are unable to dispose of or recycle the water we produce at a reasonable cost and in accordance with applicable environmental rules. Further discussion of these risks is included in SM Energy's 2023 Form 10-K.

Response to Risk

Our business is heavily dependent on the ability to source water for drilling and completions operations and dispose of water produced in our operations. Ninety-one percent of our South Texas operations and 77% of our Midland Basin operations are located in areas considered to have extremely high baseline water stress. We have not experienced, nor do we anticipate, water sourcing challenges in the near future; however, we recognize the need to mitigate physical risks associated with water stress in our areas of operations.

SM Energy engages in responsible water management and seeks to recycle produced water where feasible to minimize the amount of water withdrawn from local sources and the amount of produced water injected for disposal. As part of our water management strategy, we employ new technologies in our operations and collaborate with nearby operators and our local communities.

Water Conservation

In the Midland Basin, SM Energy prioritizes the use of produced water in operations. In 2024, we set an internal sustainability goal for recycled water utilization. To help us make progress toward this goal, we explore new technologies and regularly review our completions schedule to understand changes in our completions design, water requirements, and recycled water availability and infrastructure.

Our teams also collaborate with neighboring operators and midstream companies in the Midland Basin to recycle produced water, reducing both fresh water use and produced water disposal volumes by the Company and other operators. SM Energy works with a third party Midland Basin sustainable water management company that enables us to purchase and source additional recycled water for our oil and gas operations in North Martin County.

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

Safe Transportation and Disposal of Water

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

When using third-party disposal wells, we periodically audit operators to determine if they meet our expectations and to ensure they are approved and permitted by government agencies and their wells are in compliance with applicable regulations.

In some areas, we own and operate our own disposal wells in conjunction with our production operations. SM Energy has installed more than 90 miles of pipeline in the Midland Basin to transport produced water from our wells, thereby minimizing our environmental impact while improving operating costs. More than 95% of produced water from our Howard County assets is transported via pipeline, which reduces emissions, truck traffic, and operating costs. We carefully plan the location of our disposal wells in an attempt to ensure that our operations minimize any potential environmental impacts.

Climate- Related Opportunities

We have identified the following transition opportunities with the potential to have a substantive financial or strategic impact on our business.

Opportunity 1 – Markets – Access to New Markets

In support of a less than 2-degree climate-change pathway, rapid de-carbonization of global power supply is expected to result in increased demand for LNG exports from the U.S. in order to meet future power sector demand, particularly as a substitute for coal or fuel oil-fired electricity, or for new capacity in areas that rely on harmful biomass fuels. Macro-economic analysis of increased LNG export capacity from the Gulf Coast estimates a 6 billion cubic feet ("Bcf") per day increase would result in a $0.10/MMBtu to $0.22/MMBtu increase in commonly used lower-48 index prices (such as Henry Hub or Houston Ship Channel), depending upon proximity to the Gulf of Mexico. SM Energy's operations in its Midland Basin and South Texas assets are located in regions that are already connected to pipelines that can supply existing liquefaction plants that service overseas LNG markets.

The opportunity to realize a price premium on Texas regional natural gas production as a result of overseas LNG demand was spot-lighted by foreign energy security needs in 2022 following the Russian invasion of Ukraine. Recent global natural gas outlooks support an increase in short- and medium-term LNG demand through 2030 as European markets diversify away from Russian gas and as gas demand grows in China and South and Southeast Asia. However, reports indicate a LNG oversupply based on FID-approved LNG export projects, with capacity forecasting to exceed global exports by 2030. This may place downward pressure on global LNG prices and limit upside pricing potential for LNG.

The rapid increase in data processing centers associated with the build out of artificial intelligence applications is expected to significantly increase incremental power requirements needed for specialty servers. Recent economic outlooks are forecasting an increase in natural gas demand in the short and medium-term in order to meet the projected increase in power requirements. Over the next year, SM Energy plans to forecast demand growth and the financial impact tied to this opportunity including whether the demand tied to this opportunity is additive or a substitute to the projected LNG demand described above.

The Company referenced materials from: Enervus Intelligence Research, Inc. J.P. Morgan, and Wood Mackenzie from May 2024, June 2024, and June 2024, respectively, to support the assumptions described above.

RISK DETAILS	
Value Chain	Downstream
Financial Impact	Increased revenues through access to new and emerging markets
Time Horizon	Short-term
Likelihood	Likely
Magnitude	Medium-low
Potential Financial Impact Figure	$15 million to $30 million per year

Explanation of Financial Impact Figure

Situation: There is a medium to high likelihood that LNG exports from the Gulf of Mexico will grow as a result of global climate awareness given the lower emissions associated with natural gas power generation compared to other non-renewable alternatives such as coal.

Calculation Methodology and Assumptions: For this opportunity, SM Energy assumed a $0.10/MMBtu price increase as the minimum impact and a $0.22/MMBtu price increase as the maximum impact on natural gas production for the period from 2024 through 2033.

Results: The result of modeling this opportunity is an estimated benefit to our base plan ranging between $15 million and $30 million per year, undiscounted. These figures represent the per year financial impact over the ten-year period 2024 to 2033.

Cost Calculation

The annual cost of the response to the opportunity is estimated at $250,000. This estimate captures additional administrative costs as well as non-recurring contracting and transactional costs.

Strategy to Realize Opportunity

The transition to a lower carbon economy presents an opportunity for increased LNG exports from the U.S. Gulf Coast as a substitute on a global scale for coal or fuel oil-fired electricity, or for new capacity in areas that rely on harmful biomass fuels. Substituting natural gas for coal or other carbon intensive fuels is an important component of the clean energy transition. New markets for LNG offer an opportunity for SM Energy to provide lower-emission products, which are differentiated in the market. SM Energy is well positioned to capitalize on this opportunity due to anticipated demand for LNG, the geographic location of our assets in relation to LNG export sites, and ample existing transportation capacity.

SM Energy's strategy to realize this opportunity is to continue maintaining and building strong partnerships and agreements with midstream providers and purchasers capable of maximizing the value of the natural gas we produce and deliver. Our contracts with these midstream providers and purchasers are structured such that we maintain exposure to pricing indices that could be positively impacted by increased demand associated with LNG exports.

Opportunity 2 – Energy Source –Use of New Technologies

SM Energy foresees several opportunities to leverage new technologies that will foster reduced emissions and either reduce operating costs or hold costs flat. One example of a technology being utilized in operations are dynamic gas blending ("DGB") fleets, which allow for the substitution of diesel fuel with natural gas. SM Energy has historically used diesel as the fuel source for the majority of its drilling and completion operations and grid power or natural gas fuel for most of its production operations. Starting in 2020, the Company pilot tested DGB frac fleets, electric frac fleets, dual fuel drilling rigs, electric gas lift compressors, and started investigating the feasibility of using solar power for certain field production operations. Pilot testing and additional analysis indicated that we could likely reduce emissions and reduce costs with dual fuel frac fleets.

In 2023, the Company expanded the use of DGB technologies in completions operations by increasing substitution rates in the Midland Basin. In 2024, the Company continued the use of DGB in the Midland Basin before adding an electric fleet in mid-2024 and implemented DGB technology into South Texas operations. This opportunity models the expanding use of these technologies into the future and includes consideration of the incremental cost and financial benefit of substituting diesel fuel with natural gas in South Texas. We modeled a 40% substitution rate and increased to a 70% substitution rate by 2026. The financial figures exclude the opportunities already realized in our business, including the electric fleet picked up in mid-2024. We will continue to assess the viability of these lower emission technologies within our operations.

RISK DETAILS	
Value Chain	Direct operations
Financial Impact	Reduced indirect (operating) costs
Time Horizon	Short-term
Likelihood	Very likely
Magnitude	Low
Potential Financial Impact Figure	$4 million per year

Explanation of Financial Impact Figure

Situation: This opportunity involves the application of dual fuel technology for frac fleets used in well completion activities. The financial impacts represent a reduction in diesel fuel. The modeling for this opportunity considered the time period from 2024 through 2033 so the Company could focus on new technologies on the horizon and the key expected innovations they would bring.

Results: The potential financial impact of this opportunity resulted in a decrease in diesel fuel cost of approximately $4 million per year, undiscounted, for the years 2024 through 2033 based on the scenario assumptions described for modeling the impact of this risk. It appears likely that technology suppliers in the oil and gas sector will accelerate deployment of emission reducing technologies and emphasize innovations that reduce carbon intensity. The medium magnitude of impact is possible because the speed of deployment/innovation could be somewhat slower, or the marginal contribution of the new technologies to reducing carbon intensity could be less than anticipated.

Cost Calculation

DGB fleets, which have lower emissions than fleets powered solely by diesel fuel, continue to be utilized by SM Energy on a routine basis. We expect the impact of this opportunity to further expand in the future as more dual fuel equipment becomes available and the technology increases the ratio of natural gas usage compared to diesel usage. The estimated additional cost of $3.7 million per year represents the premium that is expected to be charged for dual fuel frac pumps versus conventional diesel pumps in South Texas.

Strategy to Realize Opportunity

SM Energy continued the use DGB fleets for fracturing operations in 2023 and 2024. We increased our natural gas substitution rates between 2022 and 2024 in the Midland Basin and started using DGB fleets in South Texas in the third quarter of 2024. In utilizing a dual fuel frac fleet in the Permian Basin in 2023, the Company reduced diesel fuel consumption by ~2.8 million diesel gallons, which offset emissions by ~7,600 mT CO_2e. Given the successful application of this technology, we have included DGB and/or electric fleets as part of our long-range plan, which extends through 2033, with the assumption this technology will continue to be available, is not replaced with a lower emissions alternative, or does not become cost prohibitive.

B. TCFD Recommended Disclosure: Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.

Impact of Climate-Related Risks and Opportunities on Strategy

The following describes how climate-related risks and opportunities have influenced SM Energy's strategy.

- Products and services: SM Energy explores for, produces, and sells crude oil, natural gas and associated natural gas liquids. SM Energy does not provide services. The Company models scenarios of its forward financial and operating plans using forward strip commodity prices as well as models for higher and lower commodity price scenarios for short-, medium-, and long-term planning. Futures prices inherently incorporate macro-economic supply and demand trends and market perceptions of future supply and demand. The Company also performed a scenario analysis using three IEA lower carbon scenarios as described herein. The analysis reflects the potential impact of climate change-related supply and demand on commodity prices under each specific scenario. Please reference Risk 3- Market - Changing Customer Behavior.

  Independent of the IEA scenario analysis, the Company conducts in-depth macro-economic reviews with its Board and evaluates potential long-term influences to the supply of and demand for its products, and therefore long-term pricing implications. Examples of such topics have included the potential for increased demand for LNG as a cleaner alternative to coal, increased demand for electric vehicles (which may reduce demand for oil and increase the demand for power generation), and other environmental subjects.

The Company's long-term strategy is to maintain a portfolio of top-tier assets that are more resilient to lower commodity prices, and to operate those assets in a manner that optimizes capital efficiency. The Company also maintains a portfolio with a diversified mix of oil, natural gas and NGLs to best adapt to potential changes in demand and pricing patterns.

- Supply chain and/or value chain: SM Energy engages with its supply chain on broader EHS efforts and specifically on climate risks and opportunities, as reducing GHG and methane emissions are among the most relevant ways the industry can contribute to mitigating climate-related risks. Examples of this have included:
  - SM Energy is employing various completions technologies in our operating areas, including utilization of DGB and electric fleets when appropriate, which allows for use of natural gas in place of diesel fuel. In 2023, the Company expanded the use of DGB technologies in completions operations by increasing substitution rates in the Midland Basin. During 2024, the Company continued the use of DGB in the Midland Basin before adding an electric fleet in mid-2024 and implemented DGB technology in South Texas operations.
  - SM Energy continued its use of non-methane emitting process controls for all new facilities, conducted OGI camera leak detection surveys on all EPA OOOOa facilities, continued participation in The Environmental Partnership as well as contracted directly with a 3rd party for aerial LiDAR technology for methane detection, and continues to utilize high destruction efficiency flares.

- We have also converted certain gas lift compressors in the field to electric, which eliminates Scope 1 emissions and can generate lower total emissions than those powered by natural gas. These actions represent a coordinated effort with our value chain to further reduce emissions.
- SM Energy continues to use 100% local sand in the Permian region, which is estimated to reduce emissions from sand transport by 70% compared with northern US sources used prior to 2019.

- Investment in R&D: Example of technologies directed at reducing emissions include:
  - Upgrading controllers - In 2023, the Company converted 560 intermittent gas pneumatic controllers with non-gas emitting devices, which reduced methane emissions by approximately 7,900 mT CO_2e, and installed 350 air powered pneumatic controllers at new facilities, which resulted in an estimated reduction in methane emissions of approximately 7,400 mT CO_2e in 2023.
  - Vapor recovery units - Installation of vapor recovery units ("VRUs") at production facilities - VRUs provide at least 95% vapor recovery, removing valuable vapors and gases from storage tanks and routing them to pipelines for sale. This allows the capture, recovery and sales of regulated air emissions and methane.
  - Leak detection - SM Energy has invested in technologies to monitor fugitive emissions and ultimately drive the reduction in fugitive emissions. This has included audio/visual/olfactory inspections and optical imaging cameras across SM Energy's areas of operation.
  - LiDAR- Additionally, SM Energy is a participating member with The Environmental Partnership ("TEP") and, in 2023 SM Energy conducted LDAR at all Midland Basin and South Texas production facilities.
  - OSR – In 2023, SM Energy set up a Midland Basin Operations Surveillance Room ("OSR") that allows for 24/7/365 monitoring by our Operations Specialists. In addition to enhanced monitoring, this technology allows for real time notification with alarms to field personnel to improve our response time to unsafe, hazardous, or downtime events. The OSR has provided significant benefit to SM Energy and the communities in which we operate by advancing our ability to proactively respond to equipment irregularities, and to identify and provide timely response to spill and emissions events, safety concerns, and theft.

Overall, SM Energy continues to explore new technologies aligned with identifying, reducing and preventing emissions associated with production operations including cameras, point detection, satellite surveillance and internally developed algorithms.

- Operations: Potential risks and opportunities associated with climate change are identified, evaluated in financial and operational planning and certain opportunities are integrated into operations as appropriate. We are committed to exceptional safety, health, and environmental stewardship; making a positive difference in the communities where we live and work; and transparency in reporting on our progress in these areas. We set annual goals for our environmental, health and safety program focused on reducing the number of safety related incidents and the number and impact of spills of produced fluids. We also set annual goals for GHG emissions intensity and methane emissions as a percentage of total methane produced.

  In order to drive our performance with respect to these metrics through our operations, SM Energy's 2023 STIP provided an annual cash bonus opportunity for all employees tied to environmental and safety targets, including air emissions, (specifically greenhouse gas intensity, methane emissions as a percentage of methane produced, and methane intensity), as well as spill volumes per 1,000 barrels of liquids produced and TRIR. Please see the TCFD Core Element- Governance - Executive and Employee Compensation tied to ESG Metrics for further discussion. In 2023, the Company achieved its targets for GHG intensity, methane emissions, and spill volumes.

Impact of Climate-Related Risks and Opportunities on Financial Planning

Financial planning elements that have been influenced: Revenues; Direct costs; Capital expenditures; Capital allocation; Access to capital.

SM Energy incorporates a variety of factors and scenarios into its financial planning process that relate to potential climate-related risks and opportunities, several of which are described above. Our core long-term strategy is to be a premier operator of top-tier assets. Accordingly, our portfolio offers comparatively strong margins versus other operators, providing resilience to potential climate-related risks, specifically lower commodity prices or increased costs. In addition, commodity diversification offers opportunity for changes in capital allocation.

The Company engages regularly with the investment community to gather input and feedback on ESG-related policies and disclosures. Investor engagement is reviewed with the Company's Board of Directors, which influences our future strategic direction and is incorporated into our annual financial planning process.

SM Energy's long-term strategic planning process incorporates: scenario analysis applying a range of future commodity prices to test cyclical highs and lows; scenario analysis using the IEA SDS, IEA APS and IEA STEPS; additional potential climate change-related risks and opportunities specific to our business as identified by our Management ESG Committee; emissions reduction targets set by the Company; and, long-term projections of our Scope 1 and Scope 2 emissions pathway that incorporate planned projects within our technology and operational teams to further detect and prevent emissions.

Resilience of Strategy

SM Energy has a transition plan that aligns with a 1.5°C world, which is not currently available to the public. We do not currently identify spending or revenue projections aligned with a transition to a 1.5°C world. We will continue to monitor global changes in reporting requirements under the International Sustainability Standards Board ("ISSB") and the SEC's proposed climate disclosure rules.

We conduct an annual engagement process with stakeholders to collect insight and feedback on relevant ESG-related issues. Feedback we receive through our annual engagement process has been an important reference point for discussion and decision making. We share externally our annual disclosures, including ESG disclosures, and request input from stakeholders on the disclosures and course of action by the Company. Stakeholders are given the opportunity to respond or engage in further discussion with our executive management team. In addition, in the normal course of business, the Company routinely discusses ESG issues with various stakeholders for ongoing feedback and communication.

Increased transparency and disclosure is an ongoing effort in response to investor feedback. In 2024, we continued disclosing through the SASB and TCFD frameworks. These disclosures may be found on our website along with the annually updated letter from our CEO and Performance Highlights and Quick Reference Metrics. SM Energy did not report results under the CDP framework in 2024 due to the delayed release of CDP's updated questionnaire, which did not align with our internal process and timeline for completion of assurance, leadership review and publication.

Our long-term strategic planning process incorporates scenario analysis as described in the previous section.

The Management ESG Committee includes the President and CEO, CFO and Treasurer, General Counsel, Chief Accounting Officer, and officers who lead the Company's HR, EHS, Operations, Technology/Data, and Investor Relations and ESG Stewardship departments, along with advisement from a third-party consultant that is an expert in helping conduct ESG scenario analyses.

Identified climate-change related transition risks are incorporated into our long-term plan and reviewed with the Board as part of the annual strategic planning process. This process includes consideration of a broad range of potential effects, such as climate change regulation, changes in supply and demand for commodities and new technologies, along with important and relevant global factors such as energy security, energy safety and energy affordability. As a result of transition analysis and stakeholder feedback, the Company publicly announced in late 2021 a set of emissions reduction targets and goals through 2030.

Climate-Related Scenario Analysis

CLIMATE-RELATED SCENARIO	SCENARIO ANALYSIS COVERAGE	TEMPERATURE ALIGNMENT
Transition scenario - IEA SDS	Company-wide	1.5 to 1.6 degrees
Transition scenario - IEA APS	Company-wide	1.5 to 2.1 degrees
Transition scenario- IEA STEPS	Company-wide	1.5 to 2.6 degrees
Physical scenario- Bespoke	Company-wide	Unknown

Parameters, Assumptions, Analytical Choices for Transition Scenarios

The Company models scenarios of its forward financial and operating plans using strip commodity prices as well as higher and lower commodity price scenarios for short-, medium-, and long-term planning. Futures prices inherently incorporate macro-economic supply and demand trends and market perceptions of future supply and demand. The IEA SDS, IEA APS, and IEA STEPS analyses performed by the Company employ the respective IEA pricing assumptions in 2030 through 2033, reflecting the potential impact of climate change-related supply and demand on commodity prices under that specific scenario. We also used the three low carbon scenarios to evaluate the impact of a carbon pricing mechanism on our business. Please see Risks 1 and 3 for additional detail.

Parameters, Assumptions, Analytical Choices for Bespoke Physical Scenario

As part of the Company's ERM process, physical risks and business impacts associated with extreme weather events are evaluated annually. In 2023, the business interruption potential due to extreme weather events was discussed with the ERM Committee and was also presented to the Board of Directors along with the Company's mitigation strategy. Parameters and assumptions are derived from past severe or extreme weather events that affected Company operations. Examples used to evaluate business impacts and to help set future responses included hurricane activity, severe cold temperatures, and extreme high temperatures that had a direct impact on the Company's ability to continue operational activities.

For each of these physical environmental risks, the Company had and continues to have immediate response plans to promote the health and safety of our employees and contractors, protocols to minimize environmental impacts, and plans for restoring normal operations to minimize downtime. These physical scenarios based on past events, have been critical to improving and maintaining our ability to respond and operate during times of extreme weather conditions. Even during these major weather events, our operations were resilient, and we are confident in our ability to continue operating in those environments.

Scenario Analysis Results

Focal questions: The Company incorporates scenario analysis into its planning process on a regular basis and has applied the assumptions of the IEA SDS, IEA APS and IEA STEPS to its medium- to long-term plans. Key strategic questions addressed in this analysis include:

1. In the event future commodity prices reflect changes in supply and demand for our products related to climate-change, can the Company maintain sustainable profitability?

2. Certain regions and countries have implemented carbon pricing mechanisms. In the event a carbon pricing mechanism was implemented in areas where SM Energy produces, what would be the impact to our long-term economics and strategy in regards to both carbon costs and/or carbon mitigation practices?

3. The oil and natural gas industry is highly regulated from Federal to local levels. The Company anticipates the potential expansion of regulation related to methane emissions and flaring. While the Company meets or exceeds current regulation and strives to be top-tier among its peers in emissions metrics, expanded regulation may cause the Company to incur additional costs for mitigation and the potential need to shut-in production. What is the potential financial impact of potential regulation and what actions can the Company be taking in the interim to get ahead of new rules?

Results of the climate-related scenario analysis with respect to the focal questions:

1. The Company routinely runs a range of commodity price scenarios through its short-, medium-, and long-term plans. While profitability is sensitive to changes in commodity prices, the Company has a high-quality asset base and flexibility to allocate capital towards varying combinations of oil and natural gas production levels. The result of running the IEA SDS commodity prices against our 10-year plan resulted in an impact that averaged between $41 million and $177 million per year from 2023 to 2032, undiscounted. The cost of moving a rig to re-allocate capital between higher oil content or higher gas content areas of production, is estimated at $650,000, which is not significant to the Company's overall capital program.

2. The Company considers a carbon pricing mechanism in its medium- and long-term plans and has included in its analysis the assumptions under IEA SDS, IEA APS, and IEA STEPS in its 10-year plan against its projected Scope 1 and 2 emissions. The forecast cost of compliance with this assumed carbon pricing mechanism scenario averaged $25 million to $35 million per year, undiscounted, over the 10-year period. While the Company's high-quality asset base maintains financial profitability under this scenario, the Company is taking measures to reduce emissions on several fronts. This includes the strategic decision to set targets for our Texas operations to reduce GHG intensity by 50% by 2030 (from base year 2019), have zero routine flaring and total flaring not to exceed 1% by full year 2023, and to maintain or improve our already low annual methane intensity at 0.04 mT CO_2e per MBoe. Capital cost of mitigation, which includes a variety of efforts already initiated, is estimated at $15.5 million.

3. The Company's strategy is to be a premier operator, which we believe includes stewardship of our shared natural resources and achieving top-tier performance in certain ESG categories including methane intensity. Evaluation of stricter methane regulations or flaring limitations included increased production downtime to avoid flaring and additional costs with expanded methane controls. The cost of additional downtime is estimated to be $9 million per year (reduced revenues plus operating costs), undiscounted, over the 10-year plan period. Further, to reduce exposure to this risk, the Company estimated $15.5 million in additional capital costs that would be needed to eliminate all gas pneumatic control devices and installation of additional control devices on oil storage tanks (plus an estimated additional annual operational and maintenance costs of $4.0 million per year). The Company strives to remain top-tier in methane intensity and expects to incur these capital costs as part of projects already under way.

Given all of the above, SM Energy recognizes the importance of climate resilience. The Company's long-term strategy is to operate top tier assets and hold low break even drilling inventory to enable sustainable profitability in a lower price environment. We believe our strategy remains resilient in the scenarios described above.

TCFD Core Element – Risk Management

Risk Management	Recommended disclosures
Disclose how the organization identifies, assesses, and manages climate-related risks.	a. Describe the organization's processes for identifying and assessing climate-related risks.
	b. Describe the organization's processes for managing climate-related risks.
	c. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.

A. TCFD Recommended Disclosure: Describe the organization's processes for identifying and assessing climate-related risks.

The following describes the Company's process for identifying, assessing and responding to climate-related risks and opportunities.

Value Chain stage covered	Direct operations Upstream Downstream
Risk management process	Integrated into multi-disciplinary company-wide risk management process
Frequency of assessment	More than once a year
Time horizon(s) covered	Short-term Medium-term Long-term

Description of Process

The process for identifying, assessing, and responding to climate-related risks and opportunities involves the multi-disciplinary Management ESG Committee, the ERM Committee, Board-level oversight of the ESG Committee and review by the Board. Each of these committees meet regularly during the year with formal scenario analysis conducted annually in conjunction with a third party ESG reporting consultant. Top ranked risks are reviewed annually by the Board.

In 2023, the Management ESG Committee met three times (plus one additional sub-committee meeting with the ERM Committee), the Board-level ESG Committee met five times, and the ERM Committee met five times (including detailed review of scenario analysis). During the year, the Board received five reports from management, which regularly include review of management's dashboards that monitor key ESG performance metrics such as GHG emissions, methane emissions, OOOOa monitoring, flaring, safety, spills and water stewardship as well as performance against short-to-medium term climate targets, the status and plans for the Company's operational initiatives, updates on public disclosures and benchmarking to industry peers.

The Management ESG Committee consists of certain members of management, including the President and CEO, CFO and Treasurer, General Counsel, Chief Accounting Officer, and corporate officers who lead the Company's HR, EHS, Operations, Technology/Data, and Investor Relations/ESG Stewardship departments. This multi-disciplinary team meets regularly (approximately quarterly) and works closely to identify, monitor, and evaluate ESG-related policy, regulatory, and legislative risks and developments in the United States. Members of the Management ESG Committee establish cross-functional action items to respond to identified ESG risks, emerging regulations, ESG disclosure requirements and Company established ESG goals and targets. The Management ESG Committee considers

emerging regulations such as a carbon pricing mechanism and increased emissions reduction regulations, as well as long-term effects such as potential changes in supply and demand for our products, and then models the impact through climate change scenario analysis. The Management ESG Committee reports to the ESG Committee regularly (approximately quarterly) with routine updates to the Board regarding environmental performance, status of major initiatives, and to discuss strategy related to climate-related risks and opportunities.

Certain members of the Management ESG Committee are also on the ERM Committee. Climate-related risks and opportunities are considered as part of the Company's ERM Policy, which sets forth a process whereby risks are identified, assessed, and reviewed in consideration of the likelihood of the risk to occur, the potential impact of the risk, and the timeframe of the risk. The ERM process is primarily focused on short- to medium-term risks related to our direct operations as well as our upstream and downstream value chain. Longer-term risks are also discussed during the ERM risk evaluation process for direct operations as well as our upstream and downstream value chain. Results of scenario analysis are reviewed annually and considered within the ERM matrix framework. The risk process incorporates risks disclosed in the Risk Factors section of SM Energy's most recent Form 10-K, as well as considers potentially relevant risk factors disclosed in peer companies' Form 10-K SEC filings, emerging risks discussed in the World Economic Forum's annual Global Risk Report and other potential risks associated with ESG policies, including specifically identified climate-related risks and opportunities that could have a substantive financial or strategic impact.

Risk Impact is graded into five categories from minimal to major, with an assigned dollar value range based on the expected impact to Adjusted EBITDAX (as defined in the Company's most recent Form 10-K) and equity value for each category. Risk Likelihood and Timeliness have a scoring range of "almost certain" to "rare" and "very low" to "immediate", respectively. The risks are evaluated using a weighting of Impact at 50% and Likelihood and Timeliness at 25% each. ESG associated risk dependencies can lead to ancillary financial impacts due to reputation destruction resulting in equity value impacts.

The ERM Committee evaluates, monitors, and mitigates (where possible) those risks by appointing risk owners who define the active risk mitigation strategies, and the approach used to monitor risk activity. Emerging risks and trends are also considered. The top ranked risks are reviewed at the ERM Committee's quarterly meetings along with a presentation provided by a selected risk owner discussing their risk evaluation metrics and currently employed risk mitigation strategies. Top ranked risks are annually reviewed by the Board in conjunction with a report from the Company's Internal Audit Department who reviews the overall ERM processes. The report from Internal Audit verifies the ERM Committee properly monitors and addresses existing and emerging risks and trends facing the Company and that the appropriate people, processes, and systems are in place to manage such risks. In addition, the Board annually reviews the Company's risk management philosophy and practices and considers potential risks to the Company's strategic initiatives as part of this process.

Transition and Physical Risks

Climate-related risks are considered within the framework of the ERM process. The ESG Committee and Management ESG Committee review and evaluate a wide range of topics that present potential transitional and physical risks and opportunities.

Transition Risk

Situation: An example of a transition risk identified in 2020, with continued evaluation through 2023, relates to the increasing likelihood that a carbon pricing mechanism will be implemented in the United States. Task/Action: While the form and cost of new regulations are unknown, the Company considered hypothetical scenarios in its financial and operational business planning process to consider a range of effects from a carbon pricing mechanism. Collaboration across departments, including operations, EHS/regulatory, and corporate planning, was employed to develop potential pricing, timing, and calculations to feed various scenarios to evaluate the potential impact of this potentially emerging regulation. These results were then reviewed with the Board of Directors during the Company's normal strategy and planning process.

Result: As a result of this analysis, it was determined that, due to the strong operating margin of SM Energy's assets as projected in long-term plans and based on the results of the hypothetical scenarios considered to date, the

Company would likely be able to absorb the additional cost and maintain profitability. In addition, this analysis was expanded by employing IEA SDS, IEA APS and IEA STEPS scenario analysis assumptions that consider annually increasing carbon emissions costs and a longer time frame. The results and potential action items resulting from this analysis were reviewed by Management and the ESG Committee.

Physical Risk

For managing physical risks, the Company maintains an emergency response plan that details procedures for emergency scenarios. Potential scenarios include weather events that could impact our operations, such as extreme temperatures. We believe that hot weather is not a threat to operations as we routinely operate in very warm climates, and the Company's operations are diversified, such that a localized weather event would affect only a portion of operations. SM Energy does not foresee physical risk due to climate change affecting its business any more than the current environment in either the short, medium, or long-term time frames. Oil and gas extraction operations have been successful in extreme environments around the world, and we are confident in our ability to continue operating in those environments. Further, our operations are located onshore and inland, therefore we are not exposed to potential physical risks associated with coastal or offshore locales.

TCFD Core Element – Metrics and Targets

Metrics and Targets	Recommended disclosures
Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	a. Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.
	b. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.
	c. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

A. TCFD Recommended Disclosure: Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.

Energy Consumption Data and Metrics

In 2023, SM Energy engaged in the following energy-related activities: consumption of fuel (excluding feedstocks); consumption of purchased or acquired electricity and; consumption of electricity, heat, steam and cooling. During the reporting year, ~6% of operational spend was related to energy activities. SM Energy's total energy consumption (excluding feedstocks) was 1,965 GWh.

Water Management Metrics

We report various water management metrics in our Sustainability Accounting Standards Board ("SASB") Report, as well as our 2023 Performance Metrics Highlights. Please refer to those reports for additional disclosure on water.

Additional Metrics

Net Production Volumes

The following table details SM Energy's net liquid and gas hydrocarbon production for the reporting year.

NET PRODUCTION VOLUMES:	2023
Oil (MMBbl)	23.8
Gas (Bcf)	9.7
Natural Gas Liquids (MMBbl)	132.4
Equivalent (MMBOE)	55.5

Hydrocarbon Reserves

SM Energy's estimated total net 1P reserves as of December 31, 2023, is 604.9 MMBoe. The Company does not publicly disclose 2P and 3P reserves.

BREAKOUT OF NET PROVED RESERVES:

Crude oil/condensate	38%
NGLs	20%
Natural Gas	42%

Our internal controls over the recording of estimated net proved reserves are structured to objectively and accurately estimate our reserve quantities and values in compliance with the SEC's regulations. Our process for managing and monitoring our estimated net proved reserves is delegated to our corporate reserves group and is coordinated by our Corporate Engineering Manager, subject to the oversight of our management and the Audit Committee of our Board of Directors, as discussed below. Our Corporate Engineering Manager has worked in the energy industry since 2008 and has been employed by the Company since 2010. He holds a Bachelor of Science degree in Petroleum Engineering from Montana Technological University and is a Registered Professional Petroleum Engineer in the states of Texas, Wyoming, and Montana. He is also a member of the Society of Petroleum Engineers. Technical, geological, and engineering reviews of our assets are performed throughout the year by our staff. Data obtained from these reviews, in conjunction with economic data and our ownership information, is used in making a determination of estimated net proved reserve quantities. Our asset teams' engineering technical staff do not report directly to our Corporate Engineering Manager; they report to either their respective asset technical managers or directly to the Senior Vice President of Exploration, Development and EHS. This design is intended to promote objective and independent analysis within our asset teams in the proved reserves estimation process.

Ryder Scott is an independent petroleum engineering consulting firm that has been providing petroleum engineering consulting services throughout the world since 1937. Ryder Scott performed an independent audit using its own engineering assumptions, but with economic and ownership data we provided. Ryder Scott audits a minimum of 80 percent of our total calculated proved reserve PV-10. In the aggregate, the estimated proved reserve amounts of our audited properties determined by Ryder Scott are required, per our policy, to be within 10 percent of our estimated proved reserve amounts for the total Company, as well as for each respective major asset. The technical person at Ryder Scott primarily responsible for overseeing our reserves audit is a Senior Vice President who received a Bachelor of Science degree in Petroleum Engineering and a Business Foundations Certificate from The University of Texas at Austin in 2002. She is a licensed Professional Engineer in the State of Texas and a member of the Society of Petroleum Engineers.

In addition to a third-party audit, our estimated net proved reserves are reviewed by management with the Audit Committee of our Board of Directors. Our management team, which includes our President and Chief Executive Officer, Executive Vice President and Chief Financial Officer, and Senior Vice President of Exploration, Development and EHS, is responsible for reviewing and verifying that the estimate of net proved reserves is reasonable, complete, and accurate. The Audit Committee reviews a summary of the final reserves estimate in conjunction with Ryder Scott's results and also meets with Ryder Scott representatives, separate from management, from time to time to discuss processes and findings.

Carbon Price

We use an internally generated cost of carbon of $30 per mT of CO_2e for budget and planning purposes. The Company also evaluates the financial impacts of the cost of carbon using the IEA SDS, IEA APS, and IEA STEPS scenarioss. See Risks and Opportunities above for further discussion.

B. TCFD Recommended Disclosure: Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks.

Scope 1 and 2 Emissions Data and Metrics

The following table details SM Energy's gross global Scope 1 and Scope 2 emissions in mT CO_2e by area of operations. Our areas of operations in 2023 were located in the state of Texas in the United States of America.

	UNIT	SOUTH TEXAS	PERMIAN	TOTAL
Gross global Scope 1 emissions[1] [3]	mT CO_2e	110,101	374,391	484,493
Gross global Scope 2 emissions (location-based)[2] [3]	mT CO_2e	207	108,007	108,214

(1) As reported per EPA GHG Mandatory Reporting Rule 40 CFR 98 Subpart W.

(2) Electric utility emissions.

(3) Relates to upstream activities

There are no sources (e.g. facilities, specific GHGs, activities, geographies, etc.) of Scope 1 and Scope 2 emissions that are within our reporting boundary which are not included in our disclosure.

Description of Gross Global Scope 1 and 2 Emissions

The following table details gross global Scope 1 and 2 emissions intensity for the reporting year in mT CO_2e per thousand barrels of oil equivalent.

Scope 1 Emissions Intensity	mT CO_2e/MBoe	6.96
Gross global Scope 1 emissions	mT CO_2e	484,493
Gross Annual Production[2]	MBoe	69,604

Scope 2 Emissions[1] Intensity	mT CO_2e/MBoe	1.55
Gross global Scope 2 emissions	mT CO_2e	108,214
Gross Annual Production[2]	MBoe	69,604

Scope 1 + 2 Emissions[1] Intensity	mT CO_2e/MBoe	8.52
Gross global combined Scope 1 and 2 emissions	mT CO_2e	592,707
Gross Annual Production[2]	MBoe	69,604
% change from PY		4%
Direction of change		Increased

(1) Scope 2 figure used: location-based

(2) Production volumes adjusted for divestitures and acquisitions during the year.

Scope 1+2 Emissions Intensity (mT CO_2e/MBoe) reason for change: The 4% increase in emissions intensity in 2023 compared with 2022 was due primarily to increased Scope 1 and Scope 2 gross emissions of ~6% in 2023 compared with 2022, offset by a slight increase in total gross production volumes. The primary driver behind the increase in Scope 1 and Scope 2 emissions intensity in 2023 is increased combustion for drilling, completions, and production operations.

The following table details methane intensity in mT CH_4 per thousands barrels of oil equivalent, methane emissions in mT CH_4, and methane emissions in mT of CH_4 as percentages of natural gas and hydrocarbon production:

Methane emissions intensity	mT CH_4/MBoe	0.035
Methane emissions	mT CH_4	2,450
Gross Annual Production(2)	MBoe	69,604
Est. total CH_4 as a % of natural gas production:		0.06%
Est. total CH_4 as a % of total hydrocarbon production:		0.03%

(2) Production volumes adjusted for divestitures and acquisitions during the year.

Coverage is company-wide for U.S. onshore operations including all basins reporting GHG to EPA per GHG Mandatory Reporting Rule (40 CFR 98 Subpart W).

Scope 1 Emissions Breakdowns

The following table breaks down our total gross global Scope 1 emissions by greenhouse gas type and source of each used greenhouse warming potential (GWP).

GREENHOUSE GAS	SCOPE 1 EMISSIONS (MT CO_2E)	GWP REFERENCE
CO_2	422,707	40 CFR 98 Subpart W U.S. EPA GHG Reporting Rule
CH_4	61,255	GWP of 25 per 40 CFR 98 Subpart W U.S. EPA GHG Reporting Rule
N_2O	531	GWP of 298 per 40 CFR 98 Subpart W U.S. EPA GHG Reporting Rule
Total	484,493	

The following table breaks down our total gross global Scope 1 emissions from oil and gas value chain production activities by greenhouse gas type.

EMISSIONS CATEGORY	VALUE CHAIN	GROSS SCOPE 1 CO_2 EMISSIONS (MT CO_2)	GROSS SCOPE 1 METHANE EMISSIONS (MT CH_4)
Combustion[1][4]	Upstream	352,148	213
Flaring[2][4]	Upstream	70,498	278
Venting[3][4]	Upstream	56	1,799
Fugitives	Upstream	23	161

(1) Excludes flaring

(2) Includes flaring of associated gas and storage tank vapors

(3) Sources for vented emissions includes pneumatic devices and pumps, liquids unloading, well venting with hydraulic fracturing, gas well venting without hydraulic fracturing, and reciprocating compressors.

(4) Unable to disaggregate product

Scope 3 Emissions

The following table details Scope 3 emissions for business travel, employee commuting, and upstream leased assets.

CATEGORY	EMISSIONS IN REPORTING YEAR (MT CO_2E)
Business Travel[1]	679
Employee Commuting[2]	337
Upstream Leased Assets[3]	1,946

(1) Spend from business travel (airfare, ground transportation, lodging) multiplied by EEIO GHG kg/$ emission factors.
(2) Total mileage from employee (passenger) vehicles multiplied by mass/mile GHG emission factors.
(3) Total mileage from leased Company vehicles (light duty trucks) multiplied by mass/mile GHG emission factors.

A significant portion of emissions for purchased goods and services and fuel- and energy-related activities are captured in the Company's Scope 1 and Scope 2 emissions calculations as they are included as a direct component of the Company's drilling, completion, and operational activities. Capital goods, upstream and distribution activities, waste generated in operations, business travel, employee commuting, upstream leased assets are not considered to be a significant source of Scope 3 emission for our Company. The Company does not have direct involvement in downstream transportation and distribution activities and processing sold products.

According to IPIECA's 2016 guidance document Estimating Petroleum Industry Value Chain (Scope 3) Greenhouse Gas Emissions, the use of sold products category of Scope 3 emissions typically represents over 80% to 90% of total emissions relating to oil and gas companies. The Company agrees with these estimates, and therefore, only reports category 11 "use of sold products" as relevant at this time. However, we do not estimate Scope 3 emissions for category 11 at this time due to the following: complexity of the calculation; unreliability of input data from tracking emissions from customers across multi-tier value chains; estimations and assumptions required for modeling that can render results less useful or incomparable; inconsistency of data across reporting companies; lack of control over downstream emissions; and, overstating of data given multiple entities in the value chain reporting the same emissions, causing the potential for misleading reports.

Third Party Verification

The Company engaged a third party, ERM Certification & Verification Services Incorporated, for the reporting period of January 1, 2023 to December 31, 2023, to provide limited assurance of the following metrics:

- Total Scope 1 GHG emissions (mT CO_2e)
- Total Scope 1 GHG emissions intensity (mT CO_2e /MBoe)
- Total Scope 2 GHG emissions (location-based) (mT CO_2e)
- Total Scope 2 GHG emissions intensity (location-based) (mT CO_2e /MBoe)
- Total Scope 1 and 2 GHG emissions (location-based) (mT CO_2e)
- Total Scope 1 and 2 GHG emissions intensity (location-based) (mT CO_2e /MBoe)
- Total methane emissions (mT CH_4)
- Total methane emissions intensity (mT CH_4/MBoe)

ERM CVS Limited Assurance Report

Methane Reduction Activities

Methane emissions during natural gas production has become an area of focus for the oil and gas industry as production of natural gas has increased with the emergence of shale gas. In 2016, the U.S. Environmental Protection Agency (the "EPA") finalized regulations related to fugitive methane emissions. In 2020, the EPA revised some of those regulations, and in 2024, the EPA finalized additional rules for new/modified facilities (OOOOb) and existing facilities (OOOOc).

One of the methane sources included in the series of EPA OOOO rulemakings are natural gas pneumatic controller devices. In the original EPA New Source Performance Standard OOOO regulations in 2011, continuous high-bleed gas pneumatic controllers were outlawed at new and modified facilities. SM Energy was ahead of that rulemaking and had already discontinued using continuous high-bleed devices at new facilities, and had de minimis numbers at existing facilities. In early 2018, SM Energy became one of the earliest participants in TEP, which includes a program focused on gas pneumatics. SM Energy has focused on installing zero emissions and non-gas pneumatic controllers on all new facilities and converting pneumatic controllers to non-gas emitting devices on existing facilities.

In West Texas, we continue to convert certain pneumatic devices on existing facilities to operate on a compressed instrument air system, which replaces pressurized natural gas with atmospheric air, eliminating methane emissions. We are also testing the use of nitrogen as a replacement to natural gas within our controllers. As of 2023, we have converted 90% of our Midland Basin pneumatic controllers.

In South Texas, we continue to convert pneumatic devices to zero-emissions electronic devices powered by renewable energy. We have adopted emerging technologies in our off-grid powered instrumentation, including a new solar power design that increases solar cell charging efficiency and battery back-up capacity using batteries similar to those found in some electric cars. The improved design enables continuous operations during inclement weather and significantly outlasts the lifespan of traditional batteries and reduces waste.

The following represents a timeline of our non-gas controller Installation and upgrade project:

- In 2019, SM Energy's baseline year for reporting, 114 intermittent or low-bleed gas pneumatic controllers were either removed from service or replaced with non-gas emitting devices, and 872 zero-emission controllers were installed at new facilities. These activities resulted in approximately 37,536 mT CO_2e less methane emissions in 2019.
- In 2020, 535 zero-emission controllers were installed at new facilities. These activities resulted in approximately 21,283 mT CO_2e less methane emissions in 2020.
- In 2021, 90 intermittent or low-bleed gas pneumatic controllers were either removed from service or replaced with non-gas emitting devices, and 730 zero-emission controllers were installed at new facilities. These activities resulted in approximately 10,342 mT CO_2e less methane emissions in 2021.
- In 2022, 183 intermittent or low-bleed gas pneumatic controllers were either removed from service or replaced with non-gas emitting devices, and 366 zero-emission controllers were installed at new facilities. These activities resulted in a reduction in methane emissions of 19,414 mT CO_2e in 2022. Costs for these activities in 2022 were approximately $787,250.
- In 2023, the Company converted 560 intermittent gas pneumatic controllers with non-gas emitting devices, which reduced methane emissions by approximately 7,900 mT CO_2e, and installed 350 air powered pneumatic controllers at new facilities, which resulted in an estimated reduction in methane emissions of approximately 7,400 mT CO_2e in 2023.

The compensation structure for all employees incorporates annual ESG performance targets that include reducing GHG emissions intensity, and maintaining a low methane emissions intensity, as discussed in TCFD Core Element - Governance.

Methane Leak Detection and Repair Methods

Predominant frequency of inspections: semi-annual for EPA OOOOa facilities and quarterly for EPA OOOOb facilities, with additional annual voluntary efforts; methodologies employed: hand-held OGI camera following EPA 40 CFR 60 NSPS OOOOa and OOOOb.

According to the 2019 IEA Global Methane Tracker, fugitive emissions were believed to account for approximately 20% of upstream methane emissions during the year. In 2016, the U.S. Environmental Protection Agency (EPA) finalized regulations related to fugitive methane emissions. In 2020, the EPA revised some of those regulations, but are again undergoing review for additional rulemaking for new/modified facilities and existing facilities.

- In 2019, in response to potential increased regulation of fugitive emissions, the executive team and operations team set a goal to implement LDAR at 50% of facilities. This goal exceeded EPA OOOOa regulations and demonstrates the Company's commitment to TEP, which sets targets far beyond regulatory requirements. During 2019, SM Energy exceeded this goal by implementing LDAR at 100% of Midland Basin and 50% of South Texas facilities. The approximate cost to implement LDAR at these facilities was $650,000. This successful project resulted in an estimated 10,004 mT CO_2e of reduced methane emissions during the year.
- In 2020, SM Energy continued to focus on LDAR at our production facilities in both the Midland Basin and South Texas. Our executive team and operations team set a goal to implement LDAR at 50% of facilities in 2020. This goal exceeded EPA OOOOa regulations and demonstrates the Company's commitment to TEP, which sets targets far beyond regulatory requirements. During 2020, SM exceeded this goal by implementing LDAR at 60% of Midland Basin and 60% of South Texas facilities. The approximate cost to implement LDAR at these facilities was $765,000. This successful project resulted in an estimated 12,252 mT CO_2e of reduced methane emissions during the year.
- In 2021, in response to potential increased regulation of fugitive emissions, our executive team and operations team set a goal to implement LDAR at 100% of facilities. This goal exceeded EPA OOOOa regulations and includes the Company's commitment to TEP, which sets targets far beyond regulatory requirements. In 2021, SM Energy met this goal by implementing LDAR at 100% of Midland Basin and 100% of South Texas facilities. The approximate cost to implement LDAR at these facilities was $500,000. This successful project resulted in an estimated 26,031 mT CO_2e of reduced methane emissions during the year.
- In 2022, SM Energy implemented LDAR at all EPA OOOOa facilities in the Midland Basin and all South Texas facilities. SM Energy achieved this by implementing LDAR at 100% of Midland Basin and 100% of South Texas facilities. The approximate cost to implement LDAR at these facilities was $500,000. This successful project resulted in an estimated 26,031 mT CO_2e of reduced methane emissions during the year. The approximate cost to implement LDAR at these facilities was $606,000 This successful project resulted in an estimated 24,889 mT CO_2e of reduced methane emissions during the year.
- In 2023, SM Energy conducted LDAR at all Midland Basin and South Texas production facilities resulting in an estimated 29,600 mT CO_2e of reduced methane emissions during the year.

In addition to traditional OGI, despite achieving comparatively low methane emissions intensity levels, the Company continues to pilot new technologies designed to better identify, quantify and address methane emissions. SM Energy is a participating member with TEP and in 2023 continued a pilot project with a third party to conduct aerial LiDAR flyovers specific to methane detection. The technology employs Gas Mapping LiDAR (GML). The GML technology is selective to methane and can operate over a wide range of environmental conditions and wind speeds. An additional benefit of this technology is that it acquires concurrent digital aerial photography and LiDAR mapping of the surface height, which is used for identification of surface equipment and height of the emission source. Data from this airborne platform is geo-registered to a common global coordinate system. The stated emission rate detection sensitivity is 150 scfh with a 95% detection probability. An advantage to this technology is that it provides a calculated leak rate and provides a strong correlative location to leak source.

In 2023, SM Energy contracted directly with the same third party being used in TEP, to complete LiDAR flyovers in the Midland Basin over OOOOa facilities. The flyover surveys were conducted monthly through August 2023, and effective September 2024, the flyover surveys are conducted on a bi-monthly basis.

Flare Reduction Activities and Targets

Minimizing flaring is a key component of SM Energy's emissions reduction strategy, which is pursued through the establishment of flaring targets, flare reporting tools, identification of new opportunities and following business practices that support this objective. We engage in the following practices to minimize flaring:

- collaboration with our midstream gas purchasers to install gas offloads and interconnecting pipelines, which allows gas to be delivered to multiple purchasers during planned and unplanned downstream capacity constraints;
- development and utilization of flare reporting tools, which provide daily information to support operational decision making and measure results of annual flaring goals;

- evaluation of well performance to shut-in lower value gas wells in areas impacted by temporary downstream constraints; and
- identification of alternative opportunities to sell our gas in areas of limited infrastructure, including the sale of gas to companies to provide power for large data processing centers.

SM Energy is also a member of The Environmental Partnership and Texas Methane and Flaring Coalition, both of which are focused on reducing flaring. Further, the Company has set targets around flaring as discussed under Organization Targets below.

Organization Targets

In late 2021, SM Energy set forth three, company-wide, short- and medium-term targets that relate to our Texas operations. These public commitments are in line with the goals of the Paris Agreement. These goals are tracked on operations dashboards, reported to executive management monthly, and reported to the ESG Committee and Board at regular meetings. Compensation programs are tied to ESG targets (as described above), which drives awareness and engagement across the Company:

1. Zero routine flaring 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 the full year average.
2. A 50% reduction in Scope 1 and 2 GHG emissions intensity by 2030 with 2019 as the base year.
3. Maintaining its already very low methane emissions intensity at the Company's 2020 level of 0.04 (mT CH_4/MBoe) or better going forward.

Progress toward target: Zero routine flaring 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 the full year average.

In 2023, the Company was well below the goal of non-routine flaring not to exceed 1% of natural gas production, with 0.44% total flaring, and no routine flaring, based on the full-year average.

Progress towards target: A 50% reduction in Scope 1 and 2 GHG emissions intensity by 2030 with 2019 as the base year.

INTENSITY TARGET DESCRIPTION	
Target Coverage	Company-wide
Scope(s)	Scope 1 & Scope 2
Scope 2 Accounting Method	Location-based
Intensity Metric	mT CO_2e per MBoe
Base Year	2019
Target Year	2030
Targeted reduction from base year	50%
% change anticipated in absolute Scope 1+2 emissions	50%

PROGRESS TOWARDS TARGET	2023	2019 (BASE YEAR)
Greenhouse Gas Intensity - Scope 1	6.96	12.65
Greenhouse Gas Intensity - Scope 2	1.55	1.38
Greenhouse Gas Intensity - Scope 1+2	8.52	14.04
% Change in Scope 1+2 Intensity Relative to Base Year	(39)%	
% of Target Achieved Relative to Base Year	79%	
Target status in reporting year	On track to be achieved	

This is not a science-based target and we do not anticipate setting one in the next two years.

The coverage of this target is Company-wide for U.S. onshore operations including all basins reporting GHG to EPA per GHG Mandatory Reporting Rule (40 CFR 98 Subpart W).

Scope 1 emissions intensity is calculated by taking all Scope 1 emissions (measured in mT CO_2e) divided by gross MBoe production volumes (adjusted for divestitures and acquisitions per EPA rules during the year). For 2023, Scope 1 emissions were 484,493 mT CO_2e and gross MBoe production volumes (adjusted for divestitures and acquisitions) were 69,604 MBoe, resulting in a Scope 1 emissions intensity of 6.96 mT CO_2e/MBoe.

Scope 2 emissions intensity is calculated by taking all Scope 2 emissions (measured in mT CO_2e) divided by gross MBoe production volumes (unadjusted for divestitures or acquisitions during the year). For 2023, Scope 2 emissions were 108,214 mT CO_2e and gross MBoe production volumes (unadjusted for divestitures and acquisitions during the year) were 69,604 MBoe, resulting in a Scope 2 emissions intensity of 1.55 mT CO_2e/MBoe.

Scope 1 and Scope 2 emissions intensity for 2023 was 8.52 mT CO_2e/MBoe.

As of 2023, the Company has achieved 79% of its 2030 intensity target for Scope 1 and Scope 2 emissions and intends to meet its 2030 GHG intensity target for Scope 1 and Scope 2 emissions by accomplishing our flaring reduction targets, continuing to invest in zero-emission controllers, maintaining a robust LDAR program, utilizing dynamic gas blending and electric fleets when appropriate, leveraging solar power applications to power field equipment, and continuing to evaluate new technologies such as LiDAR, continuous multi-spectrum laser detection for methane, satellite surveillance, and other technologies that align with our short-, medium-, and long-term emission reduction objectives.

Our previously reported Scope 1 intensity figure for 2019 of 12.65 mT CO_2e/MBoe (above) and 2020 of 8.04 mT CO_2e/MBoe (previously reported) were retroactively calculated using the revised conversion ratio used by our trade organization for converting natural gas volumes to barrels of oil equivalents. For 2019 and 2020, this ratio was 5.8 Mcf to 1 Boe. In 2021, this ratio changed to 6.0 Mcf to 1 Boe. The Company made this change to align with the revised ratio used by the AXPC that was adopted in 2021 and aligns with how the Company will report Scope 1 emissions information going forward. Previously reported Scope 1 intensity for 2019 and 2020 was 12.41 mT CO_2e/MBoe and 7.87 mT CO_2e/MBoe, respectively, which represents an approximate 2% change from intensities calculated under the prior conversion method.

Progress towards target: Maintaining its already very low methane emissions intensity at the Company's 2020 level of 0.04 (mT CH_4/MBoe) or better going forward.

INTENSITY TARGET DESCRIPTION

Target Coverage	Company-wide
Intensity Metric	Methane emissions (mT CH_4) per thousand barrels of oil equivalent (MBoe)
Base Year	2020
Target Year	2023
Figure or percentage in target year	0.04
Figure or percentage in reporting year	0.04
Target status in reporting year	Achieved

The coverage of this target is Company-wide for U.S. onshore operations including all basins reporting GHG to EPA per GHG Mandatory Reporting Rule (40 CFR 98 Subpart W).

This climate-related target is part of a Company-wide initiative to proactively reduce methane intensity from operations and to track, communicate, and drive awareness of key ESG metrics. SM Energy has achieved this goal annually since it was set in 2021.

In 2023, the Company utilized dynamic gas blending in its completion operations, which substituted diesel fuel with natural gas to lower combustion emissions. The Company continued its use of non-methane emitting process controls for all new facilities, conducted OGI camera leak detection surveys as required by EPA OOOOa, voluntarily conducted monthly aerial LiDAR surveys for methane detection, and continues to utilize high destruction efficiency flares.

TCFD – Other Disclosures

Supplier and Value Chain Engagement

SM Energy engages with its suppliers and customers on climate-related issues. Our supplier engagement strategy includes running engagement campaigns to educate suppliers about climate change, directly working with suppliers on exploring corporate renewable energy sourcing mechanisms, and running campaigns to encourage innovation to reduce climate impacts on products and services. The Company earned an A- Supplier Engagement score from the CDP for Supplier Engagement based on the 2022 and 2023 CDP Climate Change questionnaires. The details of our engagement strategy are described below.

TYPE OF SUPPLIER ENGAGEMENT	% SUPPLIERS ENGAGED	% OF TOTAL PROCUREMENT SPEND	% OF SUPPLIER-RELATED SCOPE 3 EMISSIONS
Engagement and Incentivization	49%	81%	—%
Innovation and collaboration	1%	11%	—%

Supplier Engagement Strategy

The following sections describe the details of our climate-related supplier engagement strategy.

1) Type of Engagement: Engagement & incentivization (changing supplier behavior)

Description of Engagement: At the present time, engagement with suppliers is primarily related to encouraging awareness of climate-related issues and is supported by our additional queries about vendors ESG programs during significant competitive bidding events and through our contractor engagement clearinghouse. SM Energy added an ESG scorecard to our contractor engagement clearinghouse in 2022 that allows us to delve further into a supplier's ESG tracking and performance and enables us to work with them on possible improvements. As of year-end 2023, the scorecard has been rolled out to 39 of our top spend suppliers and encompassed 64% of our 2023 spend. The scorecard will be progressively rolled out to more suppliers in small, focused groups.

SM Energy incurred expenditures with 1,140 suppliers in 2023. More than half of these suppliers (587), and most of the significant suppliers are members of the clearinghouse mentioned above, and SM Energy is a long-time subscriber to this service. This clearinghouse includes 700 hiring clients and 76,000 contractors and tracks safety statistics, training and insurance information since 2001. In the last two to three years the clearinghouse has pursued the addition of ESG to their services and developed a questionnaire that includes 56 questions related to environmental policies and KPI tracking. 556 of SM Energy's vendors have completed at least 75% of the questions in the survey, which covers all aspects of ESG. The clearinghouse also provides extensive training resources to their subscribers. These 556 suppliers are associated with 81% of SM Energy's spending in 2023. This level of engagement is primarily awareness related at this time and is supported by our additional queries about vendor's ESG programs during significant competitive bidding events. Increased awareness of suppliers and attempting to influence their behavior by ensuring they understand that ESG and climate change are priorities for their clients and that their performance is being tracked.

Impact of engagement, including measures of success: Ninety-five percent participation in the ESG questionnaire in 2023 for our 587 clearinghouse subscribers exceeds our expectations. The clearinghouse and their subscribers are now working on the next steps to further engage vendors and set criteria to develop ESG scorecards that can be used to rate vendors. Our goal is to maintain more than 90% participation in the ESG questionnaire from our vendors that subscribe to the clearinghouse going forward as we continue to reinforce the importance of ESG awareness and commitment by our suppliers.

2) Type of Engagement: Innovation & collaboration (changing markets)

Details of Engagement: Run a campaign to encourage innovation to reduce climate impacts on products and services

Description of Engagement: SM Energy continues to partner with critical suppliers to take advantage of opportunities to reduce emissions. Examples include partnering with completions vendors to utilize and expand the use of DGB fleets, engagement with midstream partners to develop redundant outlets for gas sales, utilizing ultra-high destruction efficiency flares, collaboration with our compression vendors on large electric gas lift compressors, and working with our power consultant to evaluate solar development opportunities.

The rationale for this engagement is to participate in advancing technologies with the potential to reduce emissions and reduce costs.

Impact of engagement, including measures of success: During 2023, a DGB fleet was used, and reduced diesel consumption by ~2.8 million gallons (compared to ~2.5 million gallons of diesel avoided in 2022 using dual fuel frac fleets). This expanded effort for DGB completion technology reduced our emissions by ~7,600 mT of CO_2e in 2023 compared to using only diesel for these operations. High efficiency flares reduced methane emissions by ~2,650 mT CO_2e. Electric gas lift compression is expected to reduce emissions by ~5,800 CO_2e per year by 2024. Efforts on developing alternative gas sales outlets have prevented the flaring of ~9.7 Bcf of gas (as of year-end 2023) since this program was adopted in 2018, and had these interconnects not been in place for 2023, our Permian flaring rate would 2 to 3 times higher than our actual results.

Customer Engagement Strategy

The following sections describe the details of our climate-related customer engagement strategy.

TYPE OF CUSTOMER ENGAGEMENT	% CUSTOMERS ENGAGED	% OF SUPPLIER-RELATED SCOPE 3 EMISSIONS
Collaboration and innovation	100%	—%

1) Type of engagement: Collaboration & innovation

Description and Scope of Engagement: We have engaged all five companies that gather our gas production in the Midland Basin to work collaboratively with us and with each other to be able to accept gas for processing in the event the primary gatherer is experiencing an outage. These relationships allow for gas that otherwise may need to be flared if one gatherer is having system issues to be diverted to other systems with the capacity to deliver these volumes for processing and sales.

Impact of engagement, including measures of success: We have experienced reduced flaring as evidenced by our flaring percentage relative to gas production in the Midland Basin. In 2023, total Company flaring was 0.46% of total natural gas production. These system redundancies have contributed to an overall reduction in flaring of 81% from 2023 as compared to 2019.

Policy, Law and Regulation Engagement

SM Energy engages in activities that could either directly or indirectly influence policy, law, or regulation that may impact climate. These activities include our membership in national trade associations or coalitions.

Trade Memberships

SM Energy maintains memberships in the following national trade associations and coalitions: AXPC, TEP, and Texas Oil and Gas Association ("TXOGA"). Our Company's position on climate change policy is in alignment with policies of these trade associations and we have publicly promoted their current position.

Trade Association: American Exploration & Production Council

AXPC is a national trade association representing the largest independent oil and natural gas exploration and production companies in the U.S. American oil and gas producers have an irreplaceable role in meeting the challenge of global climate change. AXPC supports innovative, collaborative solutions that lower greenhouse gas emissions while meeting the world's growing need for abundant, low cost, reliable energy. Successful public policy must recognize that oil and gas underpins our standard of living and American oil and gas is critical to our national security and economic prosperity. AXPC works with regulators and policymakers to better educate them on our operations so that they will be able to create sound fact-based public policies that result in the safe, responsible exploration and production of America's vast oil and natural gas resources.

Oil and gas companies routinely report on ESG performance, demonstrating their accountability for addressing challenges and risks affecting the industry, the environment, and our commitment to sustainable operations. Robust ESG reporting is important to both companies and stakeholders, and while there are a number of frameworks available, there has been no standardized framework for reporting consistent metrics with consistent methodologies for the upstream oil and gas industry.

To provide investors and the public with transparency and consistency for key upstream ESG indicators, the AXPC launched the AXPC ESG Metrics Framework and Template in February 2021. The template is available for use on a voluntary basis in sustainability reporting beginning in 2021. The AXPC's ESG Metrics and Framework centers around five key metrics groupings that AXPC members believe are essential to capture in promoting more consistent reporting across its members companies – GHG Emissions, Flaring, Spills, Water Use and Safety.

The following principles will guide the AXPC's climate advocacy efforts, including policy that:

- Facilitates meaningful GHG emissions reductions
- Balances economic, environmental and energy security needs
- Promotes innovation

SM Energy's membership in the AXPC is active, and our President and CEO serves on the AXPC Board of Directors. We also participate on certain AXPC committees and various workgroups in support of deriving safety and emissions metrics most relevant to the oil and natural gas industry to best support increased and comparative disclosures.

We funded the association approximately $200,000 USD to maintain an active membership and participation in AXPC member peer benchmarking for ESG data.

Trade Association: The Environmental Partnership

TEP and its members commit to delivering solutions that reduce the risks of climate change while meeting society's growing energy needs. TEP supports global action that drives GHG emissions reductions and economic development. The oil and natural gas industry plays a vital role in advancing human and economic prosperity that is essential to extending the benefits of modern life. One way the industry accomplishes this is by developing and deploying technologies and products that continue to reduce GHG emissions.

TEP will lead by providing platforms for industry action to:

- Reduce GHG emissions through industry-led solutions, and
- Actively work on policies that address the risks of climate change while meeting the global need for affordable, reliable and sustainable energy.

As a small to mid-cap company with finite resources, SM Energy largely relies on peer data and its participation in industry trade groups and programs, such as the TEP, to inform its business and operational decisions related to the legal, regulatory, and social environment in which the industry and the Company operates, including climate-related issues.

Funding figure your organization provided to this trade association in the reporting year (currency as selected in C0.4): $0

Trade Association: The Texas Oil and Gas Association

The Texas Oil and Gas Association is a trade association whose members represent the entire value chain of the Texas oil and natural gas industry, which account for nearly half of the nation's total oil supply and one-quarter of natural gas production. TXOGA states that its members enrich human lives throughout Texas and the world by providing affordable, reliable energy to consumers. TXOGA supports and encourages its members to prioritize environmental stewardship and collaboration in developing innovative solutions and breakthrough technologies to meet the energy demands of today and the future.

As the world seeks to address climate change, TXOGA members continue to have an essential role to play by delivering meaningful greenhouse gas emission reductions and innovative solutions. To further achieve climate progress, greenhouse gas emission-reduction efforts are a global responsibility with participation from all sectors and industries. TXOGA supports public policy that recognizes oil and natural gas are indispensable, facilitates meaningful GHG emissions reductions, and balances economic, environmental, energy and national security needs while promoting innovation. TXOGA seeks to be part of the solution to climate change.

SM Energy's membership with TXOGA is active, and our President and CEO serves on its Board of Directors. We funded the association approximately $100,000 USD to maintain an active membership and involvement with TXOGA.

Additional Sustainability reports are published to our website at www.sm-energy.com/sustainability and include the following:

- Letter from our CEO to Stakeholders
- 2024 Corporate Sustainability Report
- Performance Highlights and Quick Reference Metrics
- 2024 Sustainability Accounting Standards Board Report
- 2024 Proxy Statement