

SM|ENERGY

**SUSTAINABILITY
ACCOUNTING
STANDARDS
BOARD REPORT 2019**



FORWARD LOOKING STATEMENTS

SM Energy's Sustainability Accounting Standards Board (SASB) report contains "forward-looking statements" within the meaning of securities laws, including discussion of potential future risks, and the Company's processes, intentions, objectives and expectations in managing potential future risks. These statements involve known and unknown risks, which may cause SM Energy's actual results to differ materially from information expressed or implied by the forward-looking statements. All statements, other than statements of historical fact, included in the SASB report that address processes, intentions, objectives and expectations of SM Energy are forward-looking statements. Such statements are subject to assumptions, risks and uncertainties that are beyond SM Energy's control. 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, 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.

TOPIC

Greenhouse Gas (GHG) Emissions

ACCOUNTING METRIC

Gross global Scope 1 emissions, percentage methane, percentage covered under emissions-limiting regulations

CATEGORY

Quantitative

UNIT OF MEASURE

Metric tons (mT) CO₂e, Percentage (%)

CODE

EM-EP-110a.1

SM RESPONSE

Calendar year 2019 gross global Scope 1 emissions (metric tons CO₂e): 775,678 mT. Comment: As reported per EPA GHG Mandatory Reporting Rule 40 CFR 98 Subpart W. Percentage Methane: (79,419 CH₄ in mT CO₂e/775,678 mT CO₂e) x 100 = 10.2%. Comment: As reported per the Environmental Protection Agency (EPA) GHG Mandatory Reporting Rule 40 CFR 98 Subpart W GWP (IPCC Fourth Assessment Report (AR4 -100 year)). CO₂ GWP of 1. CH₄ GWP of 25. None covered under emission-limiting regulations.

ACCOUNTING METRIC

Amount of gross global Scope 1 emissions from: (1) flared hydrocarbons, (2) other combustion, (3) process emissions, (4) other vented emissions, and (5) fugitive emissions

CATEGORY

Quantitative

UNIT OF MEASURE

Metric tons (mT) CO₂e

CODE

EM-EP-110a.2

SM RESPONSE

Amount of gross global Scope 1 emissions from: 1) Flaring and Venting: 369,037 mT CO₂e; 2) Combustion (other than flaring): 359,174 mT CO₂e; 3) Process emissions: none; 4) Other vented emissions: 32,791 mT CO₂e; 5) Fugitive emissions: 14,677 mT CO₂e. Comment: 1) Flaring and venting of associated gas reported as one source per EPA GHG Mandatory Reporting Rule 40 CFR 98 Subpart W; 4) Other vented emissions includes pneumatic devices and pumps, storage tanks, reciprocating compressors, liquids unloading, completions with and without hydraulic fracturing.

ACCOUNTING METRIC

Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against these targets

CATEGORY

Discussion and Analysis

UNIT OF MEASURE

n/a

CODE

EM-EP-110a.3

SM RESPONSE

At SM Energy, we are combining collaboration among our teams with innovation to identify and solve for ways in which we can reduce emissions. Areas of particular opportunity are through reduced flaring, improved vapor recovery, application of improved controller technology, and increased sophistication of leak detection technology. Our strategy to manage Scope 1 emissions includes actions in each of these areas, which we intend to pursue in the near, mid, and long-term. The scope of emissions control most relevant to our business includes CO₂ and CH₄ emissions. GHG emissions were 12.4 mT CO₂e/MBoe, which beat our internal goal of 14.5 set for the year. Here are examples of some of our efforts:

(CONTINUED)

TOPIC

Greenhouse Gas (GHG) Emissions (CONTINUED)

REDUCING FLARING - SM Energy developed a gas flare reporting tool that provides daily information used to support our operational decision making and ESG goals. The system is linked to a dashboard where members of our operations team can monitor flaring levels and location daily.

The best way to minimize any impact from flaring is to prevent it from occurring in the first place. Accordingly, we seek to design and maintain our facilities to minimize flaring and capture all gas so it can be sold. The Permian Basin has been the focus of significant oil shale growth since 2008, and that growth has strained gas gathering and processing infrastructure. We strive to capture emissions attributable to well completions on all of our assets – a process commonly referred to as green completions – through constructing infrastructure that routes production flowback directly to facilities and pipelines, thereby minimizing releases into the atmosphere. In 2019, the Company collaborated with downstream purchasers on an interconnection project that serves to reduce potential flaring caused by downstream capacity constraints. In addition, at various times, the Company shut-in production of certain wells.

For 2019, methane intensity was 0.05 mT CH₄/MBoe, which was top quartile among industry peers who reported, thereby meeting our internal target, and flaring percentage was 1.3% (gas flared/total production). Further, in the Midland Basin, efforts described above led to a dramatic decline in the flaring intensity for our operations in the area for the second half of 2019, down nearly two-thirds compared with the first half of 2019, and comparing favorably to the benchmark set by the Railroad Commission of Texas.

IMPROVING VAPOR RECOVERY - We seek to reduce emissions by installing vapor recovery units (VRUs) and combustors at our production facilities. VRUs are small compressors that remove valuable vapors and gases from storage tanks at many of our facilities and route them to pipelines for sale. This strategy allows us to capture, recover, and sell regulated air emissions (VOCs), as well as methane, as part of our value chain to increase efficiency while reducing GHG emissions.

UPGRADING CONTROLLERS - Additional methane emissions reductions can be achieved by converting pneumatic controllers. Prior to the EPA's NSPS 0000 regulation, we employed a proactive approach to reducing emissions that utilized intermittent or low-bleed gas pneumatics on many of our facilities. We have converted certain pneumatic devices to operate on a compressed instrument air system, which replaces pressurized natural gas with atmospheric air, eliminating methane emissions. These systems have been installed at our new facilities in our Midland Basin assets since 2017. At our South Texas assets, we are replacing gas pneumatic devices with solar and wind powered electronic controllers. During 2019, we installed nearly 1,000 zero emissions and non-gas pneumatic controllers resulting in a significant reduction in methane emissions.

MORE SOPHISTICATED LEAK DETECTION AND REPAIR TO REDUCE FUGITIVE EMISSIONS - We utilize various techniques, including audio/visual/olfactory inspections (AVO) and optical gas imaging (OGI) cameras, across SM Energy operations to monitor fugitive emissions. Since 2017, we have been using a leak detection and repair (LDAR) program at all new facilities in accordance with the EPA NSPS 0000a rules and undertake voluntary efforts over and above regulatory requirements, such as our use of an OGI camera to conduct LDAR as part of our maintenance program in both our Midland Basin and South Texas assets. In conjunction with our participation in The API Environmental Partnership, the Company sets targets above and beyond regulatory requirements. During 2019, the Company exceeded goals for the implementation of LDAR by implementing the technology at 100% of Midland Basin and 50% of South Texas facilities.

We strive to comply with and often exceed air quality standards applicable to our operations, including the EPA's New Source Performance Standards (NSPS). SM Energy utilizes a variety of technologies to help in our efforts to meet applicable regulatory requirements. We report annual required GHG emissions to the EPA and on our website.

In addition, SM Energy's short-term incentive compensation program is based partially on environmental targets including GHG emissions targets for CO₂ and methane. Short-term incentive compensation is tied to top-quartile performance and certain target metrics. Top-quartile is based on surveyed and/or publicly available data from American Exploration & Production Council (AXPC) members. Additionally, goals include putting systems in place for tracking broader ESG metrics to enable increased reporting in the future and to increase employee awareness.

TOPIC

Air Quality

ACCOUNTING METRIC

Air emissions of the following pollutants: (1) NOx (excluding N2O), (2) SOx, (3) volatile organic compounds (VOCs), and (4) particulate matter (PM10)

CATEGORY

Quantitative

UNIT OF MEASURE

Metric tons (mT)

CODE

EM-EP-120a.1

SM RESPONSE

Air emissions of the following pollutants (each in metric tons): (1) NOx: 1,948; (2) SOx: 376; (3) VOCs: 2,955; (4) PM10: 88.

TOPIC

Water Management

ACCOUNTING METRIC

(1) Total fresh water withdrawn, (2) Total fresh water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress

CATEGORY

Quantitative

UNIT OF MEASURE

Thousand cubic meters (m³), Percentage (%)

CODE

EM-EP-140a.1

SM RESPONSE

(1) Freshwater is only tracked as used/consumed, not withdrawn. (2) Total freshwater consumed: 90,100,000 bbls x 0.16 m³/bbl = 14,416 thousand m³. Comment: No percentage of freshwater consumed in High or Extremely High Baseline Water Stress regions.

ACCOUNTING METRIC

Volume of produced water and flowback generated; percentage (1) discharged, (2) injected, (3) recycled; hydrocarbon content in discharged water

CATEGORY

Quantitative

UNIT OF MEASURE

Thousand cubic meters (m³), Percentage (%), Metric tons (mT)

CODE

EM-EP-140a.2

SM RESPONSE

Volume of produced water and flowback 12,704 thousand m³. (1) 0%, (2) 90.6%, (3) 9.4%

TOPIC

Water Management (CONTINUED)

ACCOUNTING METRIC

Percentage of hydraulically fractured wells for which there is public disclosure of all fracturing fluid chemicals used

CATEGORY

Quantitative

UNIT OF MEASURE

Percentage (%)

CODE

EM-EP-140a.3

SM RESPONSE

100%

ACCOUNTING METRIC

Percentage of hydraulic fracturing sites where ground or surface water quality deteriorated compared to a baseline

CATEGORY

Quantitative

UNIT OF MEASURE

Percentage(%)

CODE

EM-EP-140a.4

SM RESPONSE

0%

TOPIC

Biodiversity Impacts

ACCOUNTING METRIC

Description of environmental management policies and practices for active sites

CATEGORY

Discussion and Analysis

UNIT OF MEASURE

n/a

CODE

EM-EP-160a.1

SM RESPONSE

SM Energy oil and natural gas operations are onshore and limited to five counties in the state of Texas. Our facilities are not located in protected conservation areas or endangered species habitats.

We understand the importance of respecting the land on which we operate. We are thoughtful about where and how we build our facilities and how we conduct our operations, and we strive to meet or exceed regulatory requirements and minimize the impact of our operations. We work with landowners, neighbors, and local community leaders before we begin operations to ensure the proper planning of well locations, service roads, and pipeline routes. Where feasible, we utilize multi-well pads and centralized facilities to help minimize the surface footprint of our operations. Additionally, SM Energy strives to adapt our operations to minimize impacts on wildlife and their habitat. Examples of our environmental management practices include the following:

(CONTINUED)

TOPIC

Biodiversity Impacts (CONTINUED)

LIGHT DETECTION AND AERIAL IMAGERY - In 2016, SM Energy initiated a pilot project by collecting approximately 275 square miles of light detection and ranging (LIDAR) data and aerial imagery over our South Texas operations. This effort provided elevation data for engineering designs, enabling us to estimate cut and fill for construction projects, increased efficiency and reduced costs in well pad planning and construction. This also allowed us to reduce our environmental impact by identifying topographical features, such as drainage features to avoid erosion, and to anticipate potential obstacles in the field. Over the past few years, more than 580,000 acres of high-resolution aerial imagery was flown over our asset portfolio. This high precision imagery data was integrated across various applications to guide surface use and development planning to reduce surface disturbances in the development of access roads, well sites, and facilities.

SPILL PREVENTION, WASTE MANAGEMENT, AND RECYCLING - We know that the best way to minimize any impact from spills is to prevent them from occurring in the first place. We design and maintain our facilities to prevent spills, but in the event of a spill have safeguards intended to contain all fluids on location. When a spill does occur, we work to properly clean-up the affected area, dispose of any recovered fluids and, as necessary, remediate any contaminated soil or water. For each spill, we determine the source and the cause to analyze spill trends, and work to implement new procedures and practices to mitigate future occurrences.

SM Energy has implemented a voluntary Spill Reduction Planning effort across the Company. This effort, which began in 2013, goes beyond current EPA requirements for Spill Prevention, Control and Countermeasure (SPCC) Plans. A Spill Reduction Team, comprised of operations personnel, engineers, and environmental specialists, are responsible for analyzing common spill sources and causes, and developing mitigation strategies to reduce leaks and spills. We benchmark our spill performance against AXPC peer companies using the spill metric of Total Produced Fluid Spill Rate, which is the ratio of the total barrels of produced fluids that are spilled to the total barrels of produced fluids. In 2019, our spill rate was 1.5 barrels of produced fluid per 100,000 barrels of fluids produced. Much of this spilled fluid is captured within secondary containment built to protect the land and environment.

In 2019, SM Energy took on multiple activities to reduce produced water spills totaling nearly \$9 million, which included:

- Tank, vessel and pipeline inspections, and replacement as necessary;
- Extra manpower to help prevent spills, which include flowback crews and night lease operators; and
- Projects to increase automation and associated maintenance to help reduce spills and leaks.

We strive to manage produced waste in our operations as part of our commitment to our corporate values and goals. We continually look for new opportunities and technologies to minimize environmental impacts from our operations through reduction and/or the reuse/recycling of produced waste streams.

We maintain a Corporate Waste Management Program, as well as Operations Waste Management Plans specific to our operations. We also maintain an auditing program directed at reviewing third-party operated waste disposal facilities. Most of the products/resources from our operations are not classified as a hazardous waste at end use by the EPA Resource Conservation and Recovery Act (RCRA) regulations.

ACCOUNTING METRIC

Number and aggregate volume of hydrocarbon spills, volume in Arctic, volume impacting shorelines with ESI rankings 8-10, and volume recovered

CATEGORY

Quantitative

UNIT OF MEASURE

Number, Barrels (bbls)

CODE

EM-EP-160a.2

SM RESPONSE

Number of spills: 20; Aggregate volume of hydrocarbon spills: 253 bbls. Volume recovered: 192 bbls. Comment: All spills to soil, none to water. Hydrocarbon spill data includes produced/crude, not refined, oil. No spills in Arctic, or impacting shorelines with ESI index 8-10.

TOPIC

Biodiversity Impacts (CONTINUED)

ACCOUNTING METRIC

Percentage of (1) proved and (2) probable reserves in or near sites with protected conservation status or endangered species habitat

CATEGORY

Quantitative

UNIT OF MEASURE

Percentage (%)

CODE

EM-EP-160a.3

SM RESPONSE

None of our operations are located in such areas. However, the very southern end of our South Texas field in Webb County is adjacent to the portion of the Rio Grande River that is in the USFWS range of the Endangered Texas Hornshell Mussell.

TOPIC

Security, Human Rights & Rights of Indigenous Peoples

ACCOUNTING METRIC

Percentage of (1) proved and (2) probable reserves in or near areas of conflict

CATEGORY

Quantitative

UNIT OF MEASURE

Percentage (%)

CODE

EM-EP-210a.1

SM RESPONSE

0%

ACCOUNTING METRIC

Percentage of (1) proved and (2) probable reserves in or near indigenous land

CATEGORY

Quantitative

UNIT OF MEASURE

Percentage (%)

CODE

EM-EP-210a.2

SM RESPONSE

0%

TOPIC

Security, Human Rights & Rights of Indigenous Peoples (CONTINUED)

ACCOUNTING METRIC

Discussion of engagement processes and due diligence practices with respect to human rights, indigenous rights, and operation in areas of conflict

CATEGORY

Discussion and Analysis

UNIT OF MEASURE

n/a

CODE

EM-EP-210a.3

SM RESPONSE

n/a

TOPIC

Community Relations

ACCOUNTING METRIC

Discussion of process to manage risks and opportunities associated with community rights and interests

CATEGORY

Discussion and Analysis

UNIT OF MEASURE

n/a

CODE

EM-EP-210b.1

SM RESPONSE

SM Energy operates in five counties in the state of Texas and none are on Federal or indigenous lands.

We are committed to building and maintaining partnerships with our stakeholders by investing in and connecting with the communities where we live and work. We regularly engage with our local communities and maintain open, honest dialogue with all stakeholders. By proactively engaging with local officials, landowners, and emergency responders, we are able to quickly identify and address concerns related to our operations. For example, SM Energy field tours have become a part of the annual curriculum for the Chamber of Commerce’s Leadership course in Big Spring, Texas. Educating leaders in the community about our business gives them a better understanding of our industry and the positive contributions SM Energy has on their community. Community investment includes developing effective partnerships with organizations and our neighbors, and it includes numerous employee-led charitable giving programs across communities for local education, community service, and health and human services.

SM Energy is also a significant contributor to the economies of the states and communities where we live and work. The importance of our business to the local communities is underscored by more than \$100 million per year paid in state and local taxes.

TOPIC

Community Relations (CONTINUED)

ACCOUNTING METRIC

Number and duration of non-technical delays

CATEGORY

Quantitative

UNIT OF MEASURE

Number, Days

CODE

EM-EP-210b.2

SM RESPONSE

n/a

TOPIC

Workforce Health & Safety

ACCOUNTING METRIC

(1) Total recordable incident rate (TRIR), (2) fatality rate, (3) near miss frequency rate (NMFR), and (4) average hours of health, safety, and emergency response training for (a) full-time employees, (b) contract employees, and (c) short-service employees

CATEGORY

Quantitative

UNIT OF MEASURE

Rate, Hours (h)

CODE

EM-EP-320a.1

SM RESPONSE

1) TRIR: Employees: 0.15; Contractors: 0.53. 2) Fatality Rate: Employees: 0; Contractors: 0. NMFR: Employees: 0.62; Contractors: 1.17. Hours of health, safety, and emergency response training per worker: Employees: 3.8; Contractors: We do not train contractors.

(CONTINUED)

TOPIC

Workforce Health & Safety (CONTINUED)**ACCOUNTING METRIC**

Discussion of management systems used to integrate a culture of safety throughout the exploration and production life cycle

CATEGORY

Discussion and Analysis

UNIT OF MEASURE

n/a

CODE

EM-EP-320a.2

SM RESPONSE

We are proud of our strong safety culture at SM Energy. We conduct our business in a manner that focuses on safeguarding the environment and protecting the health and safety of all. We strive to achieve performance excellence in environmental, health, and safety (EHS) management, and our Board of Directors sets annual EHS performance goals that impact a portion of the compensation of all employees.

We strive to conduct our operations in a manner that adheres to high ethical standards, the proper stewardship of natural resources, compliance with applicable laws and regulations, and commitment to operational excellence. We have a "Stop Work Authority" directive at all of our sites that empowers any employee or contractor to stop any work they believe is being conducted in an unsafe manner.

Our facilities are regularly inspected by SM Energy employees and consultants, and periodically by regulatory officials. We also routinely conduct safety, health, and environmental meetings with our employees and contractors to help ensure compliance with applicable laws, regulations, and policies.

SAFETY METRICS - We track and record our employee and contractor total recordable incident rate (TRIR) and benchmark our performance against AXPC peer companies and the Permian Basin Petroleum Association peer companies. We use TRIR as an indicator of safety performance and expect our contractors to maintain their safety performance to the same levels we expect in our EHS program. We review these statistics with our employees and Board of Directors at least quarterly.

CONTRACTOR MANAGEMENT PROGRAM - We recognize the valuable role our independent contractors play in our operations and the important contributions they make to the success of our Company. We strive to work with contractors who share our commitment to health and safety and the proper stewardship of shared natural resources. To help confirm that our independent contractors are aligned with our culture and EHS focus, we use a Contractor Management Program that facilitates our selection of vendors with effective EHS programs, and allows monitoring of contractor performance.

Since 2008, SM Energy has utilized ISNetworld (ISN) to facilitate the collection, maintenance, and verification of contractor information. Contractors are required to submit their safety and training programs, safety performance data, and proof of insurance information to ISN, who independently verifies the information and consolidates the results for SM Energy's use. Contractors are graded on the strength of their EHS management systems and training programs, as well as their performance. Contractors are generally selected based on their performance against defined benchmarks, and the use of each contractor is approved by Company representatives involved in the work to be performed. We maintain a list of qualified contractors and generally only those contractors are permitted to work in our operations.

We expect all of our contractors to comply with their respective EHS programs, state and federal regulations, and to respect our safety culture and core values. To help ensure that contractors implement their respective safety programs and provide proper training, we conduct periodic audits of a sampling of our contractors at both the corporate and field level. Contractors are selected for these reviews based on the risks attendant to the work to be performed, activity level, past performance, and other factors.

TOPIC

Reserves Valuation & Capital Expenditures

ACCOUNTING METRIC

Estimated carbon dioxide emissions embedded in proved hydro carbon reserves

CATEGORY

Quantitative

UNIT OF MEASURE

Metric tons (mT) CO₂e

CODE

EM-EP-420a.2

SM RESPONSE

45,723,102 mT

ACCOUNTING METRIC

Amount invested in renewable energy, revenue generated by renewable energy sales

CATEGORY

Quantitative

UNIT OF MEASURE

Reporting currency

CODE

EM-EP-420a.3

SM RESPONSE

42 wind/solar systems for approximately \$300,000. This is operational support equipment with no associated revenue generated.

ACCOUNTING METRIC

Discussion of how price and demand for hydrocarbons and/or climate regulation influence the capital expenditure strategy for exploration, acquisition, and development of assets

CATEGORY

Discussion and Analysis

UNIT OF MEASURE

n/a

CODE

EM-EP-420a.4

SM RESPONSE

Capital investment decisions are based on projected returns that incorporate long-term futures market commodity prices. Futures prices inherently "price in" market perceptions of supply and demand as well as factor in enhanced regulations. Our financial planning models incorporate estimates of costs and expenses required to meet or exceed all regulations. We also factor in potential restrictions on development. For example, we believe that future regulation could restrict oil and natural gas development on federal lands. The potential for this regulation is among reasons that caused our Company to divest of federal acreage positions. All of our operations are onshore and limited to the state of Texas.

TOPIC

Business Ethics & Transparency

ACCOUNTING METRIC

Percentage of (1) proved and (2) probable reserves in countries that have the (2) lowest rankings in Transparency International's Corruption Perception Index

CATEGORY

Quantitative

UNIT OF MEASURE

Percentage (%)

CODE

EM-EP-510a.1

SM RESPONSE

0%

ACCOUNTING METRIC

Description of the management system for prevention of corruption and bribery throughout the value chain

CATEGORY

Discussion and Analysis

UNIT OF MEASURE

n/a

CODE

EM-EP-510a.2

SM RESPONSE

SM Energy's headquarters is located in the state of Colorado and our operations are located in the state of Texas. Our suppliers are predominantly regionally based or have regional offices that are subject to federal and applicable state laws.

At SM Energy, we have a Code of Business Conduct and Conflict of Interest Policy that in part sets forth our values and expectations for employee and corporate conduct, which includes complying with all laws and regulations, and, coupled with other policies and initiatives, promotes our culture of doing what is right. Certainly, corruption and bribery are contrary to those values and expectations. We train employees on our expectations and culture. We seek to do business with qualified business partners generally known in the industry, and particularly in the areas of our operations, to have reputations consistent with our own and the values we promote within our Company, and terminate relationships found to fall short. We maintain a confidential reporting hotline available for anyone to report a suspected violation. Our legal department leads the investigation of all asserted legal, regulatory, code, or policy violations reported through the hotline or otherwise. Executive management and our Board of Directors are informed and involved as appropriate, and any confirmed violations result in discipline up to and including termination. We also have a system requiring key employee certifications of quarterly legal and regulatory compliance.

TOPIC

Management of the Legal & Regulatory Environment**ACCOUNTING METRIC**

Discussion of corporate positions related to government regulations and/or policy proposals that address environmental and social factors affecting the industry

CATEGORY

Discussion and Analysis

UNIT OF MEASURE

n/a

CODE

EM-EP-530a.1

SM RESPONSE

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 API Environmental Partnership, to inform its business and operational decisions related to the legal, regulatory, and social environment in which the industry and the Company operates, including sustainability related issues. The Board of Directors is kept abreast of these matters through reports from management to the Board and its committees. Management considers risks that could potentially impact the Company's business through its Enterprise Risk Management Committee (ERM) and individual employee involvement in legal and regulatory matters related to specific operating and functional discipline areas. Risks include those concerning emissions, water and other resource stewardship, health and safety and protection of the environment. See the Company's discussion of risk factors impacting its business in the Company's most recent Form 10-K and 10-Q filings, for a more complete description of these risks. The governing legal and regulatory regime changes continuously and is always subject to the goals of the political parties in control of the presidency and Congress, but also subject to local and state impacts. These continuous changes result in a lack of consistency and predictable interpretation and application; increasingly more demanding and complex regulatory regimes; and ever increasing compliance costs. The Company will remain focused on compliance with applicable laws and regulations, the development of new and improved technologies and services, and the improvement of its processes and procedures designed to manage business risks and opportunities, all to drive stockholder value and serve all stakeholders and the Company's role in the communities impacted by its activities. The Company will adjust its business strategies and structures as appropriate to meet these objectives. The Company believes that its focus and goals are in substantial alignment with those of the industry's trade groups and the Company's peers.

TOPIC

Critical Incident Risk Management**ACCOUNTING METRIC**

Process Safety Event (PSE) rates for Loss of Primary Containment (LOPC) of greater consequence (Tier1)

CATEGORY

Quantitative

UNIT OF MEASURE

Rate

CODE

EM-EP-540a.1

SM RESPONSE

OSHA Process Safety Management regulations do not apply to our operations. Therefore, we do not track PSE rate.

TOPIC

Critical Incident Risk Management (CONTINUED)**ACCOUNTING METRIC**

Description of management systems used to identify and mitigate catastrophic and tail-end risks

CATEGORY

Discussion and Analysis

UNIT OF MEASURE

n/a

CODE

EM-EP-540a.2

SM RESPONSE

The policy of the Company's ERM Committee 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. Impact is graded into five categories from minimal to major, with an assigned dollar value range for each category. The ERM committee evaluates, monitors and mitigates (where possible) those risks. Emerging risks and trends are also considered. The top ranked risks are reviewed at the Committee's periodic meetings along with a presentation provided by a selected risk owner discussing their risk evaluation metrics and currently employed risk mitigation strategies. We develop a risk matrix that describes the risk, tracks the mitigation strategy, and ascribes a risk owner and whether the risk is part of the E&P life cycle or related to business partners.

Specific to emergency management policies, we pursue a comprehensive approach. Our emergency management framework consists of Emergency Response Action Plans, Corporate Response Plans, and Business Continuity Plans. SM Energy's preparedness framework attempts to:

- secure and protect the environment, our employees and contractors, and the public;
- quickly and effectively identify, respond to, manage, and recover from an incident;
- minimize any potential impacts on people, the environment, and our facilities; and
- maintain business continuity throughout the incident.

In addition, the Company has implemented incident response plans aligned with the National Incident Management System (NIMS) guidelines that are designed to expand based on incident size and complexity. Field and area level plans are supported by the SM Energy Corporate Response Plan that is intended to guide our response to consider impacts beyond the immediate incident. We routinely conduct training drills that include tabletop and field-based scenarios to test our emergency preparedness. These drills are specifically designed for each department, including but not limited to drilling, completions, and production. Additionally, we often include local first responders and law enforcement in our drills to improve emergency responsiveness.

One area of increasing focus has been cybersecurity and information security, which are efforts undertaken to protect the confidentiality, integrity, and availability of information. As is increasingly apparent, failure to maintain the confidentiality, integrity, or availability of the information facilitating our business activities can result in critical failures in our ability to realize our corporate vision and strategic plans. Moreover, we believe cybersecurity plays a critical role in our core sustainability practices because information and communications technologies increasingly support our traditional sustainability activities. To this end, we value and support cybersecurity efforts across all levels of our organization from quarterly meetings with the Board of Directors; to building a culture of appropriate cybersecurity awareness and behaviors for all our employees. We believe that incorporating elements of sustainability management into our cybersecurity efforts will help reframe the perceptions of cybersecurity from fear, uncertainty, and doubt to a more proactive belief of awareness, confidence, and responsible behavior. This shift, we believe, will in turn lead to improved cybersecurity practices for all our stakeholders and ultimately a more secure, resilient, and enduring technology ecosystem to sustain SM Energy and our stakeholders.

The Board annually reviews the Company's risk management philosophy and practices. The Board also considers potential risks to the Company's strategic initiatives. More broadly, environmental, health, and safety risks and opportunities are part of daily operations under the oversight of the SVP of Development and Environmental, Health and Safety and SVP of Operations.

TOPIC

Production of: (1) oil, (2) natural gas, (3) synthetic oil, and (4) synthetic gas

CATEGORY

Quantitative

UNIT OF MEASURE

Thousand barrels per day (MBbl/day); Million standard cubic feet per day (MMscf/day)

CODE

EM-EP-000.A

SM RESPONSE

In 2019, the Company reported full year sales volumes of approximately 59.9 MBbl/day crude oil, 300.8 MMcf/day natural gas, and 22.2 MBbl/day natural gas liquids.

TOPIC

Number of offshore sites

CATEGORY

Quantitative

UNIT OF MEASURE

Number

CODE

EM-EP-000.B

SM RESPONSE

One non-operated: 15% working interest, 13.125% net revenue interest. 0.1% of total oil and gas revenue in 2019.

TOPIC

Number of terrestrial sites

CATEGORY

Quantitative

UNIT OF MEASURE

Number

CODE

EM-EP-000.C

SM RESPONSE

As of December 31, 2019, the Company had working interests in 807 gross (758 net) productive oil wells and 519 gross (487 net) productive gas wells.