Corporate Responsibility Report

Published: May 2019
At SM Energy, our goal is to make people’s lives better by responsibly producing oil and natural gas, contributing to energy security and prosperity, and having a positive impact on the communities where we live, work, and operate. We work to accomplish this by ensuring that our values drive our behavior in everything we do.

As a leader in the oil and natural gas industry, we provide resources that make people’s lives better every day. From our experienced Board of Directors to our highly-skilled team members working hard in our operations in Texas and in our corporate headquarters in Denver, we understand the importance of conducting our business the right way.

We have programs and systems in place that serve to protect the health and safety of our employees and contractors. We are also contributing to our employees’ professional development by providing a company-wide leadership development program.

Our company is focused on being a good steward of shared resources. We are pursuing environmental initiatives that help us minimize our air emissions and hydrocarbon and produced water spills from our operations.

Finally, we are dedicated to supporting improvement in the quality of life in the communities where we live, work, and operate. We develop strong partnerships and understand community needs, so we can make a positive difference, particularly in the areas of education, civic and community service, and health and human services. SM Energy employees are passionate about giving back through volunteer time and financial contributions, and we offer various incentives to encourage personal involvement.

We are proud to share highlights of our corporate responsibility efforts in this second Corporate Responsibility Report, and we are committed to continuing our efforts in the years to come.

Sincerely,

Jay Ottoson
President and Chief Executive Officer
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SM ENERGY OVERVIEW

SM Energy’s strategic objective is to be a premier operator of top-tier assets. Founded in 1908, we are an independent exploration and production company with a longstanding, principled approach to doing business ethically and responsibly. Our company culture drives our behavior and we build open, honest and transparent relationships with our stakeholders. Our goal is to make people’s lives better by responsibly producing oil and natural gas, contributing to energy security and prosperity, and having a positive impact in the communities where we live, work, and operate.

COMPANY STRATEGY

Our strategy is to focus on onshore, Lower 48 oil and natural gas plays with top-tier economic drilling, completion, and production opportunities. We seek to acquire top-tier acreage through leasing and strategic acquisitions. We seek to maximize the value of our assets through the application of the latest technologies and outstanding operational execution, with our employees being our most valuable asset. Finally, we strive to maintain a strong balance sheet through financial discipline and to achieve high returns by efficiently deploying capital to develop our assets.
GENERAL STATEMENTS

Our stakeholders trust us to conduct business in a manner that will protect our reputation, our employees, contractors, and the land on which we operate. We recognize that operating in this industry is a privilege and we take that seriously.

We strive to be top quartile among our industry peers in environmental, health, and safety (EHS) metrics. Annually, our Board of Directors establishes EHS performance goals for us and holds us accountable for our results with quarterly and annual reviews. Our performance against these goals impact the compensation of every employee.

The following sections describe our efforts on various elements of corporate responsibility.
CORPORATE GOVERNANCE

At SM Energy, we have an active and engaged Board of Directors equipped with an effective balance of fresh perspective and industry experience. Our Board is responsible for representing the long-term interests of our stockholders and is focused on ethical behavior and adherence to our core values.

Our Board is comprised of eight independent members, plus one non-independent member, Mr. Ottoson. A number of our independent directors have served as members of senior management of other companies in the oil and gas industry or are currently serving or have served as directors of other public companies. We believe that our independent and experienced directors, the specific experiences and skills that they bring to our Board and to their respective board committees, and the overall leadership of our Board by our Chairman provide great benefit to our Company and our stockholders.

We are committed to sound corporate governance principles. Our Board has adopted charters for its committees, and our Corporate Governance Guidelines, Financial Code of Ethics and Code of Business Conduct, and Conflict of Interest Policy, all of which are available on our website, http://sm-energy.com/aboutus/governance/. Our Board’s oversight focus includes the assessment of major risks and the resulting measures taken to manage such risks, including in the areas of economic growth, cybersecurity, environmental stewardship, and social responsibility.
COMMITMENT TO ETHICAL OPERATIONS

We at SM Energy expect to conduct our business consistent with the highest ethical standards, integrity, and in compliance with applicable laws and regulations.

Our Code of Business Conduct and Conflict of Interest Policy states the standards of integrity and conduct that every SM Energy employee, officer and director is expected to uphold. We conduct trainings on our Code, and require each employee and officer to certify his/her compliance with our Code and inform us of any noncompliance. As a means of promoting reporting and compliance, we support multiple methods of reporting violations and concerns, including anonymous reporting, and we prohibit retaliation against any employee for providing information relating to a violation of law, regulation, or company policy.

SM Energy is committed to preserving, protecting and fostering the culture of trust and integrity that has long defined SM Energy as a company. Doing this requires that every SM Energy director, officer, employee, and contractor voice concerns of any suspected violation of the law or company policy.
At SM Energy, we are committed to providing a rewarding and productive work experience for our employees. We encourage our employees’ personal and professional growth through a number of talent development programs.

Our company vision and culture drive the way we conduct business. Our culture promotes:
• integrity and ethical behavior in the conduct of our business;
• environmental, health and safety stewardship;
• prioritizing the success of others and the team;
• understanding and communicating why we do what we do and how every employee contributes to achieving success;
• being highly collaborative and open to new ideas and technologies that serve business improvement; and
• supporting team members professional and personal development.

DIVERSITY
At SM Energy, we believe that diversity in our workforce helps to promote our culture and more effectively and responsibly conduct our business.

We recruit broadly and have benefit programs to help us build and maintain a diverse workforce, such as paid parental leave, flexible work hours, subsidized continuing education and professional development support.
TALENT DEVELOPMENT

At SM Energy, career development is employee-driven, manager-facilitated, and organizationally supported. It is an ongoing process in which employees and managers partner to map realistic paths to achieve career aspirations and develop goals in alignment with the organization’s objectives.

We believe that leadership is a set of behaviors rather than a position or title. We believe every employee is called to lead every day, and we encourage leadership behaviors consistent with our culture. Leadership at SM Energy is demonstrated through behaviors associated with five core competencies—Building Collaborative Relationships, Living SM Energy Values and Ethics, Servant Leadership, Strategic Perspective, and Leading Change. These core competencies are the foundation for our Leadership Learning Journey, a broad-based leadership development program designed, built, and taught by our executive leadership. This program seeks to provide all employees with a common understanding of our culture and expectations of leadership, as well as the tools to operate effectively and in a manner consistent with our core competencies.
EDUCATIONAL ASSISTANCE PROGRAM
As part of SM Energy’s commitment to its employees’ personal and professional development, full-time employees are eligible to receive tuition reimbursement for course work toward a relevant degree, and training that contributes to their overall competency.

COMPASS PROGRAM
SM Energy’s Compass Program is a two-year development program for technical professionals as they begin their careers with SM Energy. This rotation-based program is designed to provide engineers, geoscientists, and landmen with a multi-disciplinary and experience-based foundation of technical and professional skills. The Compass Program helps these employees get connected, sharpen their skills and jumpstart their journey toward a rewarding career at SM Energy.

SUMMER INTERN PROGRAM
SM Energy offers a robust and impactful summer intern program that provides students with a rewarding work experience during a 10 to 12-week period. Each intern focuses on a key discipline within SM Energy and is challenged with meaningful work and practical learning.

Internship disciplines include drilling, completions, production or reservoir engineering, geology, geophysics, and land management. Not only do interns work on projects with significant value to the Company, they also observe field operations activities and participate in community service events to further their professional and personal development. All interns entering their graduation year conclude their summer experience by presenting a report on some aspect of their work to senior leadership at our corporate headquarters in Denver, Colorado.

COMPASS PROGRAM HIGHLIGHT
Hannah, a Petroleum Engineer from the Colorado School of Mines, is in her second rotation through SM Energy’s Compass Program. Hannah wanted to work for SM Energy because the Compass Program presented her a unique opportunity to better understand all aspects of the oil and gas industry. Hannah spent her first rotation in completions, is currently working for the drilling department, and looks forward to her second year which will be spent on the production and reservoir teams.
EMLOYEE ENGAGEMENT
SM Energy believes that engagement and transparency with its employees is an important part of its culture.

Town Hall Updates
Quarterly, our senior management host a town hall, led by our CEO, which include updates on business and company performance, charitable activities, and safety performance, highlighting key achievements and individuals, followed by a Q&A session. Additionally, throughout the year, officers of the Company travel to different field offices to engage with field employees.

Lunch With Our Leadership
On a frequent basis, members of the senior management team invite a small rotating group of employees to an informal lunch. An update is provided on business initiatives and projects, and employees have an opportunity to engage directly with and ask questions of senior management.
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 EHS management, and our Board sets annual EHS performance goals that impact the compensation of all employees.

We strive to conduct our operations in a manner that demonstrates adherence 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 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) data and benchmark it against American Exploration and Production Council (AXPC) 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.

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<th>Year</th>
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**SAFETY METRICS: TOTAL RECORDABLE INCIDENT RATE (TRIR)**
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 want to work with others 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 own EHS culture and focus, we use a Contractor Management Program which facilitates our use of vendors who report proper 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, and to respect our safety culture and core values. To help ensure that contractors implement their 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.
EMERGENCY MANAGEMENT PROGRAM
We pursue a comprehensive approach to emergency management. 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.

Our incident response plans follow the National Incident Management System (NIMS) guidelines and are designed to expand based on incident size and complexity. Regional 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 perform 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.
We are committed to protecting the environment and being a good steward of shared natural resources. We strive to operate in a safe and environmentally responsible manner, in support of our industry’s efforts to ensure the supply of sustainable, abundant and affordable energy.

We strive to comply with and often exceed air quality standards applicable to our operations, including the Environmental Protection Agency’s (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 greenhouse gas (GHG) emissions to the EPA and on our website.

Consistent with our commitment to environmental stewardship, we believe it is important to control GHG emissions in our operations. In 2018, SM Energy’s total CO₂ equivalent GHG emissions reported to the EPA, in accordance with EPA’s reporting requirements, were approximately 599 thousand metric tons, which was an increase from 2017 emissions, due to growth in activity and production in our Permian assets. In 2018, our gross operated Permian production increased over 100%, while our GHG emissions increased by 38%.
FLARING AND VAPOR RECOVERY
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 completions flowback directly to facilities and pipelines, thereby minimizing releases into the atmosphere.

We seek to limit unnecessary flaring in our operations by capturing and routing our production to pipelines for sale. We generally install vapor recovery units (VRUs), blowers, and/or combustors at our production facilities to control emissions. 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 benefit our stockholders, while reducing GHG emissions.

PNEUMATIC CONTROLLERS
Prior to EPA’s NSPS 0000a regulation, we had adopted a proactive approach to using intermittent or low-bleed gas pneumatics on many of our facilities to further reduce emissions.

Additional methane emissions reductions can be achieved by converting these pneumatic devices to operate on a compressed instrument air system, which replaces the pressurized natural gas with atmospheric air, eliminating methane emissions. These systems have been installed at new facilities in our Permian Region since 2017. In our South Texas Region, we are replacing gas pneumatic devices with solar and wind powered electronic controllers.
LEAK DETECTION AND REPAIR

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 EPA’s NSPS 0000a rules. This program complements state-level LDAR requirements we had already been meeting. In addition, we often 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 our South Texas Region since 2014.

In 2018, we initiated a pilot study using fixed methane detectors in our South Texas operations. Multiple methane sensors were installed at a well site in order to constantly monitor for leaks, quantify volumes, and identify the source. This data is transmitted to our Supervisory Control and Data Acquisition (SCADA) system for real-time monitoring. This technology is designed to enhance our maintenance program through live methane leak detection and response.
SPILL PREVENTION AND WASTE MANAGEMENT PROGRAMS

We are committed to protecting the environment and being a good steward of natural resources. We know that the best way to minimize any impact from spills is to prevent them from occurring in the first instance, so we seek to design and maintain our facilities to prevent spills, and in the event of a spill, contain all fluids on location. When a spill does occur, we work to properly clean-up the affected area, and 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 in each region. This effort, which began in 2013, goes beyond current EPA requirements for Spill Prevention, Control and Countermeasure (SPCC) Plans. Each region employs a Spill Reduction Team, composed of operations personnel, engineers and environmental specialists, who are responsible for analyzing the region’s 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 our operations, on average we spill less than 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.

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 Regional Waste Management Plans specific to our operations. We also maintain an auditing program directed at the review of 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 Resource Conservation and Recovery Act (RCRA) regulations.

Striving to protect the environment and be a good environmental steward includes our efforts to protect and conserve water and other natural resources. We seek to identify and utilize new technologies to help us use water resources wisely, recycle water where feasible, and minimize the amount of water needed for our operations.

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.

We continue to explore new technologies that could provide the opportunity to increase the amount of recycled produced water in our completions operations.
PRODUCED WATER DISPOSAL WELLS

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

When using third-party disposal wells, we periodically audit the operators to ensure they are approved and permitted by applicable governmental agencies and meet our expectations. In addition, we utilize our auditing program in an attempt to confirm that each operator and its wells are in compliance with applicable regulations.

In some areas, we own and operate our own disposal wells in conjunction with our production operations. In 2018, SM Energy installed over 19 miles of pipeline in the Permian to transport produced water from our wells to minimize our environmental impact while improving operating costs. Approximately 95 percent of our produced water from our Rock Ridge assets is transported to our operated disposal wells 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. Our existing well sites were selected by integrated teams of geoscientists and engineers using subsurface imaging and characterization, including multi-attribute analysis from our 3D seismic data and earth modeling for well planning. All of this was done in our efforts to minimize any impact on fault lines and other potential seismic risks.

To monitor potential seismic activity, SM Energy has deployed a fit-for-purpose, real-time seismic monitoring array in the vicinity of our Permian disposal system. We serve on the TexNet Center for Integrated Seismic Research (CISR) Advisory Committee to remain informed about seismicity through science and data-based knowledge and to collaborate with other operators and researchers at the Bureau of Economic Geology in the State of Texas.

Approximately 95 percent of our produced water from our Rock Ridge assets is transported to our operated disposal wells via pipeline, which reduces emissions, truck traffic and operating costs.
GROUNDWATER PROTECTION
We apply stringent specifications in the design and operations of our facilities to better protect groundwater and other natural resources, and we meet the applicable regulatory requirements. Potable water aquifers (permeable rock containing groundwater) in the areas where we operate are located at relatively shallow depths. The oil and gas bearing rock formations that we target for production are often a mile or more below such aquifers, with a thick layer of solid, impermeable rock in between.

Our wells are constructed with multiple layers of steel pipe, called casing, that is cemented into place to provide a barrier between our drilling and production activities and groundwater. The cement must meet certain strength and quality criteria, and extends from the depth of the casing up to the surface.

We separate flowback and produced water from produced hydrocarbons and temporarily store this water in above ground tanks, located within secondary containment barriers. The water is then either recycled or disposed of at permitted disposal sites. We do not send any flowback or produced water to municipal treatment facilities. We have developed a baseline water sampling program for new operating areas to test water from nearby functioning groundwater wells and select surface water bodies prior to beginning operations. Qualified third-party consultants collect water samples, and then accredited third-party laboratories perform baseline evaluations that serve as a reference measurement as our operations develop.

FRACTURING FLUIDS
In general, more than 99 percent of our typical fracturing fluid mix is comprised of water and sand, with the remaining less than one percent a blend of highly diluted special purpose chemicals that are also frequently used at municipal water treatment plants. SM Energy discloses the chemicals used in our fracturing fluids at FracFocus.org in accordance with state regulations.
LAND AND WILDLIFE

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. 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.
API ENVIRONMENTAL PARTNERSHIP

We participate in the API Environmental Partnership, whose programs and initiatives align with our commitment to being a good steward of shared natural resources.

The API Environmental Partnership is a voluntary program, comprised of a growing number of companies in the U.S. oil and natural gas industry committed to improving the industry’s environmental performance and collaborating with one another to achieve the best results. The Partnership’s initial focus is on environmental technologies that are technically feasible, commercially proven, and operationally successful in achieving significant emissions reductions. The Partnership provides a forum for participants to share information, best practices, and technological advancements to help reduce emissions. SM Energy is committed to continued learning about the latest innovations and practices that can further reduce our own environmental footprint.

The Partnership is about taking action, and has identified three initial Environmental Performance Programs in which SM Energy participates. These programs are the Pneumatic Controller Program, the Manual Liquids Unloading Program, and the Leak Detection and Repair Program.

Learn more about The API Environmental Partnership at https://theenvironmentalpartnership.org/. 
We offer our entire organization opportunities to develop and maintain the skills needed to thrive in our current, data-rich environment, including the following:

• Each year, our geoscientists, engineers, and data specialists from around the Company attend a three-day, in-house Technical Conference to learn and discuss innovative technologies and methods being employed across the Company. This sharing ensures that we broadly leverage the most current technologies to efficiently develop our assets.

• Employees are offered training on the latest analytic platforms, and work on data-driven projects that improve operational efficiencies around the organization. In 2018, we introduced two new internal training programs focused on developing the skills needed to work with larger datasets, automate workflows, and leverage machine learning techniques.

We utilize state-of-the-art digital technology in our operations. We are continually seeking innovative ideas to help us reduce our impact on shared natural resources, and striving to utilize the most effective technologies available to operate in an efficient, safe, and responsible manner.
PRODUCTION AND RESERVOIR OPTIMIZATION

As a responsible operator of top-tier assets, we apply innovative technologies to continually optimize production and reservoir performance. Technologies currently being applied or tested in our operations, include:

• fiber optic cable, which is installed to determine frac stage and cluster efficiency and for long-term reservoir monitoring;
• microseismic monitoring, which defines fracture networks and well interference and also aids in benchmarking new technologies;
• electro-magnetic field data, which detects fluid and proppant placement associated with hydraulic fracturing to optimize well spacing; and
• new techniques utilizing borehole waves and unique pressure monitoring methods that may offer a more cost-effective means to measure the characteristics of completions on a stage-by-stage basis.

ANOMALY AND DYNAMIC JOB ROUTING

SM Energy uses anomaly detection algorithms and sensor arrays to identify operating conditions that are outside expected parameters. We leverage machine learning algorithms and supplement our existing pressure and rate sensors with the latest technology to help identify potential issues associated with our field operations. We utilize mobile applications to modernize our field operations, and improve our efficiency and safety by reducing the number of miles driven each day and focusing our activity on the most impactful tasks. We work to monitor our operations and make changes to help improve efficiencies, decrease our spill and emissions rates, and reduce the expense and risk associated with performing unwarranted tasks.
INDUSTRIAL INTERNET of THINGS (IIoT)
SM Energy applies instrumentation and connected sensors to machinery and vehicles in our field operations. We are constantly evaluating new and existing technologies to expand our monitoring and automation capabilities, including applying new technology and communications to bring automation to legacy devices that could only be viewed and controlled on-site in the past. This automation helps us determine when to shut down wells, pumps, and other devices remotely to respond to weather or other unexpected events. In addition to automating devices, we are using video for site safety, security, and analytics. We expect new technologies will allow us to conduct remote field surveillance and receive alarms for equipment failure that could lead to spills or emissions.

LIGHT DETECTION AND RANGING (LIDAR)
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, enabled us to estimate cut and fill for construction projects, increased efficiency and reduced costs in well pad planning and construction, and allowed us to reduce our environmental impact by avoiding drainage features to reduce erosion. This also helps us to anticipate potential obstacles in the field and the project area topography, which can reduce project relocations due to later field observations. We plan to continue to use this technology and implement it at other operating sites.
3D EARTH MODELING

Our digital 3D geomodels provide a more complete understanding of subsurface geology and facilitate economic, efficient and safer development of our assets. The models are used for:
- understanding the 3D distribution of geologic and reservoir properties;
- reservoir mapping and calculations;
- well spotting and planning;
- lateral target selection;
- real-time monitoring of drilling wells; and
- reservoir simulation and well completion activities.
We regularly engage with the communities where we live, work, and operate because we believe that open, honest dialogue with all stakeholders helps make us a good neighbor. 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.
SM Energy is committed to building and maintaining partnerships with our stakeholders by investing in and connecting with the communities where we live, work, and operate. Developing effective partnerships with organizations and our neighbors in these areas helps us to better serve these communities. We are proud of the employee-led charitable giving programs that help us realize this vision.

In addition, we provide a monetary match of our employees’ personal contributions to qualified organizations. We are proud to have so many of our outstanding employees investing their time, talents, and financial resources in their communities. Our approach is to thoughtfully and purposefully invest in the following areas:

**EDUCATION:** We support education programs that focus on science, technology, engineering, and math (STEM), while encouraging students to pursue higher education.

In 2018, SM Energy was the headline sponsor of Texas Tech University Whitacre College of Engineering’s Robotics program for a second consecutive year. This partnership helps cultivate an interest in STEM studies and careers throughout west Texas by serving over 2,500 students, 65 school districts, 118 school campuses, home school organizations, private schools, 4-H organizations, and Boys and Girls Clubs. It also lays the groundwork for SM Energy
to provide meaningful support to schools in the areas where we live, work, and operate.

Working closely with the Big Spring Independent School District and the Big Spring Economic Development Council, we have secured robotics programs for all K-12 students in Big Spring, so that these students have the opportunity to participate in robotics activities on their school campuses.

Our Denver office partners with Junior Achievement (JA) to teach K-12 students to be financially responsible, entrepreneurial and career ready by giving them a realistic view of the working world. Our employees participate in a number of programs, including JA Bowl-A-Thon and JA in a Day. JA in a Day allows SM Energy employees to help students explore the role financial investment plays in their families and communities.

**CIVIC AND COMMUNITY SERVICE:** We are responsive to the needs of our communities and invest in civic and community organizations that serve critical social needs and enhance social and economic conditions.

In 2018, SM Energy launched its partnership with the Big Spring community to bring life back to a historical venue. The Comanche Trail Amphitheater, originally built by the Civilian Conservation Corps (CCC) between the years of 1934 and 1936, is the second largest CCC-built amphitheater in the nation. With SM Energy’s financial contributions, and other support, The Comanche Trail SM Energy Amphitheater will be restored and expanded to host concerts and other community events.

Another example of SM Energy’s civic and community focus is our involvement with New Genesis in downtown Denver. New Genesis helps meet some of the critical needs of those experiencing homelessness. Through this partnership, SM Energy donated office furniture, funds, and volunteer hours to help New Genesis open a new employment center to aid individuals seeking support to prepare, connect, and succeed in employment opportunities.

**HEALTH AND HUMAN SERVICES:** We support organizations and programs that focus on community health and wellness and that place special emphasis on family wellness initiatives and occupational health programs.

SM Energy supports Oilfield Helping Hands (OHH) Houston, Texas Chapter, an organization that assists oilfield families with financial assistance in times of crisis. The funds raised are given, based on need, to members of the Houston-area oilfield family that live and/or work within the greater Houston and surrounding areas. As a sponsor, SM Energy is proud to have contributed to the more than $4.7 million raised and distributed since 2003.
SM Energy is a significant contributor to the economies of the states and communities where we live, work, and operate. The above graph depicts the number of people employed in each region, as well as our company headquarters in Denver, as of Dec. 31, 2018, and state and local taxes paid in 2018.

*This includes total amounts paid on Sales and Usage, Ad Valorem, Franchise, and Production/Severance taxes for 2018.
At SM Energy, we are proud to contribute to the United States energy renaissance. To help our country become energy self-reliant, SM Energy works with industry partners and our legislative representatives to advocate for a secure energy future.

SM Energy does not have a political action committee; however through industry trade associations, including those named below, we participate in the process to inform policymakers and regulators about our industry and advocate for solutions that mutually benefit the communities and states in which we live, work and operate.
Products derived from oil and natural gas are ubiquitous in our everyday lives. Our industry works hard to provide the resources that help create many products that have become essential to us.

Stop for a second. Think about what makes up your world.

Many people do not realize that oil and natural gas is present in our daily lives in ways unnoticed, making many of the things we do today possible and even easier. From the time your alarm sounds to the time you sleep, what makes up your day?

Look Beyond is intended to offer fun and positive insight about the oil and natural gas industry.

SM Energy created Look Beyond as a platform that focuses on authentic and compelling storytelling to help increase consumer awareness and appreciation of the oil and natural gas industry, as well as to help show our industry as essential, forward-thinking and innovative. To learn more, visit LookBeyond.org
REPORTING SCOPE

This SM Energy Corporate Responsibility Report reflects our activities from January 1 through December 31, 2018. The topics addressed have been identified as having a possible impact on our performance in areas important to our stakeholders, as reflected in engagement with various stockholders and other stakeholders on these issues.

In preparing this report, we also considered sector-specific guidelines based on International Petroleum Industry Environmental Conservation Association (IPIECA), American International Petroleum Institute (API), International Association of Oil and Gas Producers (IOGP), Oil and Gas Industry Guidance, and the core level of the Global Reporting Initiative (GRI).

It is our expectation that our Corporate Responsibility Report will continue to evolve and improve over time on these and other relevant issues, as we continue to respond to our stakeholders concerning the type of disclosure that is helpful and important to them.

Information or content available on websites referenced in this report is not incorporated in or otherwise made a part of this report.
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GRI 200: ECONOMIC

Economic Performance

201-3 Defined Benefit Plan Obligations and Other Retirement Plan | | 2018 SEC Form 10-K - https://ir.sm-energy.com |

Anti-Corruption


GRI 300: ENVIRONMENTAL

Materials

301-1 - Materials Unused HS4 - Product Stewardship | | Environment - Responsibility Report 2018 |

306-3 - Waste Management E10 - Waste | | Environment - Responsibility Report 2018 |

Emissions

305-1 - Direct (Scope 1) GHG Emissions E1 - Greenhouse Gas Emissions | | Environment - Responsibility Report 2018 |

305-5 - Reduction of GHG Emissions | | Environment - Responsibility Report 2018 |

GRI 400: SOCIAL

Occupational Health and Safety

401-1 - Health and Safety Committee Participation HS1 - Workforce Participation | | Responsible Operations - Responsibility Report 2018 |

403-1 - Injury HS3 - Occupational Injury and Illness Incidents | | Responsible Operations - Responsibility Report 2018 |

Community Involvement

SE4 - Social Investment | | Community Investment - Responsibility Report 2018 |

Public Advocacy and Lobbying

405-1 - Political Contributions SE 14 - Public Advocacy and Lobbying | | Advocacy and Lobbying - Responsibility Report 2018 |

Diversity

GRI 405-1 – Diversity and Equal Opportunity | | Investing in Our People – Responsibility Report 2018 |

Training and Education

SE16 - Workforce Engagement | | Investing in Our People - Responsibility Report 2018 |

404-2 - Employee Skills and Assistance Program SE17 - Workforce Training and Development | | Investing in Our People - Responsibility Report 2018 |

404-3 - Performance and Career Development Reviews | | All employees receive annual performance and career development reviews. |