



# 2022 Corporate Sustainability Report





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## CEO and Chairman Letter

On behalf of our Board of Directors and the entire Centennial Team, we're pleased to present Centennial's second annual Corporate Sustainability Report. As we reflect on the events that have shaped Centennial's journey from our formation in 2016 through the end of 2021, we cannot overstate how proud we are of the organization that Centennial has become. When our journey began, Centennial was producing approximately 8,000 barrels of oil equivalent per day from 63 operated horizontal wells located on approximately 42,000 net acres in Reeves, Ward, and Pecos Counties in West Texas. Since then, we've optimized our asset base through strategic acquisitions and divestitures and acreage trades, increased our operated leasehold position from 80% to 97%, and expanded our footprint into New Mexico. This has resulted in our ownership of a leasehold position of exceptionally high-quality properties providing more than 15 years of high return inventory at our current drilling pace.

Over that time, we've weathered the ups and downs of the volatile commodity price cycle including the unprecedented disruptions arising from the 2020 oil price war between Russian and Saudi Arabia and the tragic emergence of the COVID-19 pandemic that immediately followed. As a testament to the remarkable talent, resolve, and resiliency of the Centennial team, we have emerged from those challenges as the much stronger business that we are today. Through the execution of our strategic and operational initiatives supporting our focus on generating sustainable free cash flow and improving our balance sheet, in 2021 we delivered \$207 million in free cash flow and achieved a leverage position which lowered our net debt-to-LTM EBITDAX ratio to 1.4x. This performance demonstrates the impressive maturity of Centennial as a company, represents substantial year-over-year progress, and serves as the foundation and momentum for additional improvements, including further balance sheet strengthening and a shareholder return program announced in the first quarter of 2022.

Together with these accomplishments, we've realized equally impressive outcomes from our environmental, social and governance ("ESG") initiatives, and our ESG program has demonstrated continuous improvement and notable performance. The following pages illustrate those results, communicate our approach to our ESG program, and demonstrate that Centennial's business is built on a solid foundation of high-quality assets that are operated by a remarkably talented team committed to our culture of excellence and continual improvement. We believe this Report ultimately demonstrates the nature of the outstanding business that we've created. We have many things to be proud of and are excited to tell that story, and we're pleased to highlight a few of our more notable 2021 ESG accomplishments.

- **Corporate Governance:** We welcomed Vidisha Prasad as our newest board member expanding the Board's skill sets and furthering the Board's diversity objectives. We also introduced ESG metrics into our compensation program, demonstrating our commitment to these initiatives.
- **Sustainability Management and Reporting:** We established a dedicated Corporate Sustainability Team consisting of a Vice President and a Sustainability Engineer focused solely on ESG matters and routinely reporting to the Board's NESG Committee. Also, in this year's Corporate Sustainability Report, we introduce our alignment with the Task Force on Climate-Related Disclosures (TCFD) framework, including the publication of GHG and Methane intensity reduction targets, expand our emission reporting to include Scope 2 disclosures and express our commitment to the World Bank's initiative to eliminate routine flaring by 2030.





- **Environmental Performance:** With an expanded focus on our leak detection and repair program, we improved the performance of our production facilities and reduced fugitive emissions. We completed the installation of our electric substation in Reeves County, Texas. This allowed us to expand the use of electric power in our production facilities and reduce our usage of diesel and natural gas generated power, and their associated emissions. Notably, we reduced our flaring intensity by 83% from our 2019 performance. Together, all of these accomplishments led to significant reductions in Scope 1 emissions compared to a 2019 baseline, including reducing our GHG intensity by 49% and reducing our Methane intensity by 31%.
- **Our Greatest Asset, Our People:** We continued our comprehensive training programs to ensure the continuing development of our workforce. We expanded our Diversity and Inclusion commitment by partnering with The Equity Project, a consulting firm, to help heighten our internal awareness around diversity and inclusion and to expand our unconscious bias training efforts. Because of these initiatives and many others, we're proud to report that Centennial's Denver office was selected as one of Denver's Top Places to Work in 2022.
- **Supporting Our Communities:** Centennial strives to be a thoughtful contributor to the communities where we live and work, and to create meaningful and positive impacts in those communities. To that end, we continued our charitable giving efforts supporting numerous causes in 2021. In 2022, we formed the Centennial Community Program to consolidate various internal employee-driven and external community efforts under a single guiding philosophy—to make a positive impact on the lives of our employees as well as in the communities where we live and work. The Centennial Community Program includes various sub-programs including our employee Culture Committee, our Diversity and Inclusion Committee, our Caregiver Support Group, our Employee Wellness Plan, and our Charitable Giving, Volunteering, and Community Outreach programs.

All of these accomplishments will be further discussed in the following pages, and those noted here represent only a small sample of the many ways we've improved our company, demonstrated and delivered on our commitments, and expressed the values that represent who we are as an organization. We are committed to ensure that the oil and gas we produce are among the cleanest, safest, and most environmentally sound of that produced anywhere else in the world. Recent geopolitical events and the resulting global disruption to commodity markets serve to highlight the importance of this commitment. We feel privileged to be a part of the Permian Basin and United States oil and gas industry, and to be a part of the solution. This Report demonstrates the way that we approach our business, our ability to produce and deliver our products in a socially and environmentally responsible way, and ultimately demonstrates the sustainability of our company.

Looking forward, we're excited about the continued growth and development of our organization. A significant step in that direction will be achieved upon closing Centennial's announced merger with Colgate Energy that is anticipated to occur in the second half of this year. The combined entity represents the continuation of the culture of excellence that we've implemented at Centennial, joined together with the equally impressive performance and committed culture that defines Colgate. We are confident that the combined entity will be a fine example of the whole being greater than the sum of its parts, and we look forward to the continued and remarkable success of the Permian Basin's newest powerhouse.

Sean R. Smith  
Chief Executive Officer

Steven J. Shapiro  
Chairman of the Board



# Sustainability Performance Metrics

OPERATIONS OVERVIEW	Unit	2019	2020	2021
Total Net Production <sup>1</sup>	MBoe/d	76.1	67.2	60.9
Producing Wells (Gross Operated) <sup>2</sup>	#	381	413	423
Completions (Gross Operated)	#	84	31	42
ENVIRONMENTAL PERFORMANCE	Unit	2019	2020	2021
<b>Air Emissions<sup>3</sup></b>				
Gross Global Scope 1 GHG Emissions	Metric Tons CO2e	772,063	527,489	335,991
Gross Global Scope 1 GHG Intensity Rate	Metric Tons CO2e/MBOE	23.6	17.7	12.1
By Constituent				
Methane, Volume	Metric Tons CO2e	129,438	102,334	76,024
Methane, Percentage	%	17	19	23
Nitrous Oxide	Metric Tons of CO2e	141	185	245
By Source				
Flaring	Metric Tons CO2e	429,959	249,215	59,116
Combustion	Metric Tons CO2e	186,490	171,190	189,865
Vented Emissions	Metric Tons CO2e	25,368	26,280	22,127
Fugitive Emissions	Metric Tons CO2e	18,662	20,540	22,377
Methane Intensity	Metric Tons CO2e/MBOE	4.0	3.4	2.7
Scope 2 Emissions	Metric Tons CO2e	39,838	60,136	95,044
Scope 1 and 2 Emissions	Metric Tons CO2e	811,416	587,749	430,789
<b>Flaring</b>				
Percent of Gas Produced	%	7.1	4.4	1.2
<b>Water Management</b>				
<b>Usage</b>				
Fresh Water Intensity	MBBL/MBOE	1.08	0.28	0.64
Total Water Usage	MBBL	38,303	13,241	19,794
Total Recycled Water Usage	MBBL	3,024	4,804	5,608
Fresh Water Usage	MBBL	5,405	507	6,334
<b>Production</b>				
Total Produced Water Volume <sup>4</sup>	MBBL	85,519	68,159	66,717
By End-Use				
Disposed into third-party system <sup>5</sup>	%	55	47	52
Injected <sup>6</sup>	%	38	44	45
Recycled	%	4	7	3
Discharged	%	0	0	0
<b>Land Stewardship</b>				
<b>Spill Prevention and Management</b>				
Oil Spill Events (> 1 BBL)	Amount	72	85	47
Oil Spill Volumes (> 1 BBL)	BBLS	452	562	648
Oil Spill Rate	BBL/BBL	0.002	0.003	0.006
Recovered Oil	BBLS	303	336	435
Produced Water Spill Events (> 1 BBL)	Amount	117	68	97
Produced Water Spill Volumes (> 1 BBL)	Amount	9,928	9,711	2,060
Produced Water Spill Rate	BBL/BBL	0.012	0.014	0.006
Recovered Produced Water	BBLS	7,841	4,261	1,406

<sup>1</sup> Represents total net equivalent production, which includes operated and non-operated volumes; unless noted otherwise, the remaining calculations in this Data Tear Sheet represent gross, operated figures

<sup>2</sup> As of December 31, 2021; all other data representative of the full year

<sup>3</sup> Emissions data calculated and reported to the Environmental Protection Agency on an annual basis in accordance to the Greenhouse Gas Reporting Protocol. The process utilizes emissions factors to estimate Scope 1 and Scope 2 inventories based on component counts, fuel and electricity usage. Flaring statistics account for high pressure flare volumes.

<sup>4</sup> Includes disposed, injected and recycled produced water volumes, in addition to produced water that remains in Company storage; as a result, the sub-categories below may not sum to 100%

<sup>5</sup> Disposed of through third-party sources; unknown if injected or sold for recycling purposes by third-party

<sup>6</sup> Injected via CDEV owned / operated Class II Injection wells; does not account for produced water disposed of through third party sources





## Sustainability Performance Metrics (continued)

HEALTH AND SAFETY <sup>2</sup>		Unit	2019	2020	2021
<b>Incident Rate</b>					
Total Recordable Incident Rate (TRIR)					
Employee	Incidents/200,000 Hours		0.00	0.00	0.00
Contractor	Incidents/200,000 Hours		0.58	0.60	0.70
Total Workforce	Incidents/200,000 Hours		0.53	0.50	0.56
Fatality Rate					
Total Workforce	Incidents/200,000 Hours		0.00	0.00	0.00
Near-Miss Frequency Rate					
Employee	Incidents/200,000 Hours		ND	0.00	0.00
Contractor	Incidents/200,000 Hours		ND	0.86	0.11
Total Workforce	Incidents/200,000 Hours		ND	0.69	0.09
Lost Time Incident Rate (LTIR)					
Employee	Incidents/200,000 Hours		0.00	0.00	0.00
Contractor	Incidents/200,000 Hours		0.10	0.00	0.00
Total Workforce	Incidents/200,000 Hours		0.09	0.00	0.00
SOCIAL <sup>2</sup>		Unit	2019	2020	2021
<b>Workforce Diversity</b>					
Total Number of Employees	#		195	151	147
Percentage of Female Employees					
Board Level	%		11	11	22
Manager Level	%		34	34	32
Company-wide	%		41	38	37
Percentage of Ethnic Minority Employees					
Board Level	%		0	0	11
Manager Level	%		9	11	9
Company-wide	%		32	24	21
Employee Voluntary Turnover	%		7	5	10
<b>Economic Impact</b>					
Severance Taxes <sup>7</sup>					
Texas	\$MM		\$32.1	\$15.0	\$28.1
New Mexico	\$MM		\$13.9	\$13.1	\$31.4
Ad Valorem Taxes <sup>7</sup>					
Texas	\$MM		\$16.9	\$11.1	\$7.2
New Mexico	\$MM		\$0.3	\$0.2	\$0.5
Royalties					
Texas	\$MM		\$23.0	\$13.0	\$16.7
New Mexico	\$MM		\$20.8	\$32.4	\$52.3
Federal	\$MM		\$4.5	\$2.3	\$8.6

<sup>2</sup> As of December 31, 2021; all other data representative of the full year

<sup>7</sup> Represents net dollar amounts incurred in severance & ad valorem taxes





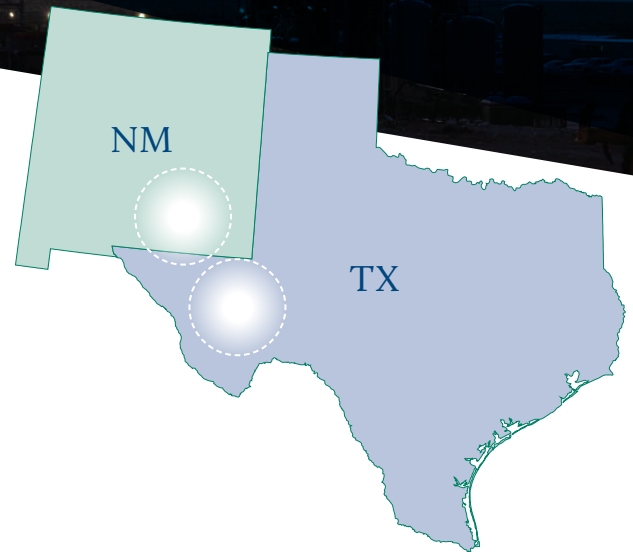
# Introduction

## About Centennial

Centennial Resource Development, Inc. ("Centennial" "we" "us" "our") (NASDAQ: CDEV) is an independent oil and natural gas company focused on the development of oil and natural gas reserves in the Delaware Basin, a sub-basin of the Permian Basin. Since our formation in 2016, Centennial has successfully grown its asset base through the efficient development of its properties and the cost-efficient acquisition of oil and gas assets in highly productive areas. As of year end, Centennial's properties consist of approximately 73,500 net acres located in Lea County, New Mexico and Reeves and Ward Counties, Texas.

We believe the Delaware Basin represents one of the most attractive operating areas in the United States due to its favorable regulatory environment, rural setting, low operating costs, stacked pay potential, high oil content, historically high drilling success rates, extensive infrastructure base, and significant service supplier network. Centennial is headquartered in Denver, Colorado with additional offices in Midland and Pecos, Texas and Eunice, New Mexico. As of December 31, 2021, we employed 147 full time employees here in referred to as "the Team" or "our Team".

Our core values include attracting and retaining top-tier talent, operating high-quality assets, operational excellence, safety and execution, including a commitment to environmental stewardship, conducting our business with the highest standards of ethics and integrity, and ensuring the sustainability of our enterprise.

**60,939 MBOE/D**

2021 Average Production

**73,675 Net Acres**Across New Mexico and Texas  
As of December 31, 2021**305,204 MBOE**Estimated Net Proved Reserves  
As of December 31, 2021**147 Employees**Across Colorado, New Mexico  
and Texas  
As of December 31, 2021



## About This Report

Centennial's 2022 Corporate Sustainability Report is our Environmental, Social and Governance ("ESG") program's second annual publication. The Report describes our 2021 ESG programs, initiatives, and performance. Where noted, the Report also describes some of the ways that our program has continued to evolve since the end of 2021, and through 2022 to date. The Report illustrates the sustainability of Centennial's business through our ESG program and performance, and demonstrates our commitment to continual improvement in everything we do.

The focus areas of this Report reflect our effort to disclose information deemed material to our stakeholders and establish a reporting profile relevant to our business. That effort is principally informed by internal research, peer review and benchmarking, topics considered material by ESG ratings agencies, feedback from our stakeholders. It also includes the culture and values that are important to our company. This Report builds on our 2021 inaugural effort and reflects our commitment to improve our ESG reporting and respond to evolving stakeholder interests. This 2022 Report adds the following features not included in the 2021 Report:

- TCFD reporting framework
- GHG and Methane intensity reduction targets
- Commitment to end Routine Flaring
- Scope 2 emissions reporting
- Increased focus on Human Rights
- Expanded Community Engagement Commitment

The Report is informed by the following voluntary reporting frameworks including:

- The Sustainability Accounting Standards Board ("SASB") disclosure framework for independent oil and gas exploration and production companies which was adopted to guide disclosures primarily related to our environmental performance.
- Selected Global Reporting Initiative ("GRI") disclosures to guide an expansion of the Report's coverage to certain governance and workforce related matters.
- Disclosures recommended by the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) related to Governance, Strategy, Risks, Metrics and Targets.

The SASB, GRI, and TCFD standards and disclosures include topics, quantitative accounting and qualitative activity metrics, and technical protocols. This Report includes information that we believe is important and informative to our stakeholders. We acknowledge the potential to include additional or different information, data, and disclosures in the future as ESG trends and reporting standards evolve.

The Company is committed to continually improving its ESG reporting, transparency, and performance and is interested in receiving feedback on this Report to further that effort. Comments, suggestions, and questions about this Report may be submitted to:

**Centennial Resource  
Development, Inc.**

Attn: Investor Relations  
1001 17th Street, Suite 1800  
Denver, Colorado 80202

or:

[ir@cdevinc.com](mailto:ir@cdevinc.com)  
(832) 240-3265







## ESG Mission Statement

Centennial is committed to producing oil and natural gas in a way that creates long term value for our stakeholders, which includes the commitment to achieve peer leading financial performance and to do so in an ethical, practical, and environmentally and socially responsible way. The core mission of Centennial's ESG effort is to identify, implement, manage, and improve procedures, systems, and policies that continually advance Centennial's ESG performance, to further the long-term sustainability of our business, and to report that performance to our stakeholders in a clear, transparent, and measurable way.

### 2021 ESG Highlights

**Flaring Intensity**

83% Reduction vs 2019 Baseline

**GHG Intensity**

49% Reduction vs 2019 Baseline

**Methane Intensity**

31% Reduction vs 2019 Baseline

**Increased recycled water usage**

by 17% year-over-year

**Reduced use of natural gas and diesel driven generators in Texas**

by 93% vs a 2019 baseline

**Formed dedicated ESG Team****Added new highly qualified board member****Implemented TCFD Reporting Framework****Established Centennial Community Program**

### Goals And Commitments

**Zero Routine Flaring by 2030**

Alignment with the World Bank's Initiative

**GHG Intensity Reduction Goal**

57% by 2025 vs a 2019 Baseline

**Methane Intensity Reduction Goal**

70% by 2025 vs a 2019 Baseline

**Expanding D&I Recruiting Efforts**





## Message from the Chairman of the NESG Committee

It is a privilege to serve as the Chair of Centennial's Nominating, Environmental, Social, and Governance ("NESG") Committee. Centennial's formal sustainability program began in the spring of 2020 with the formation of the ESG Senior Management Committee and the restructuring of the Nominating and Corporate Governance Committee to include ESG oversight. Since that time, Centennial's sustainability efforts have continually evolved. These efforts include the publication of our inaugural Corporate Sustainability Report in the spring of 2021 and the formation of our dedicated Corporate Sustainability Team later that year. Additionally, with the appointment of Vidisha Prasad in 2021, we expanded the Board's and NESG Committee's areas of expertise and furthered the Board's diversity objectives.

The Board and the NESG Committee acknowledge that creating a sustainable enterprise is a continually evolving journey. In addition to the associated changes made within our organization, we recognize that our corporate governance, strategy, and risk management efforts must continuously address emerging regulations, changing consumer and investor preferences, evolving environmental performance expectations for oil and gas producers, and climate-related risks and opportunities. In recognition of that duty, and consistent with the continued evolution and improvement of our ESG efforts, this year we're expanding our sustainability reporting to align with the Task Force on Climate-Related Financial Disclosures ("TCFD") framework. Building upon the risk management efforts integrated into our corporate strategy and viewing them in the context of changing energy markets and commodity prices, we expect our company to continue yielding strong economic results in a dynamic energy landscape.

Speaking for the NESG Committee and the Board, I look forward to the continued evolution of our ESG program, including Centennial's next exciting chapter as we merge with Colgate Energy. We look forward to joining forces with the impressive organization that they've built, and continuing our commitment to operational excellence, safety, environmental stewardship, top-tier talent, and sound corporate governance that define our dedication to corporate sustainability.

**Matthew G. Hyde**

Chairman of the NESG Committee







# TCFD Analysis and Emission Targets

## Resiliency in a Changing World

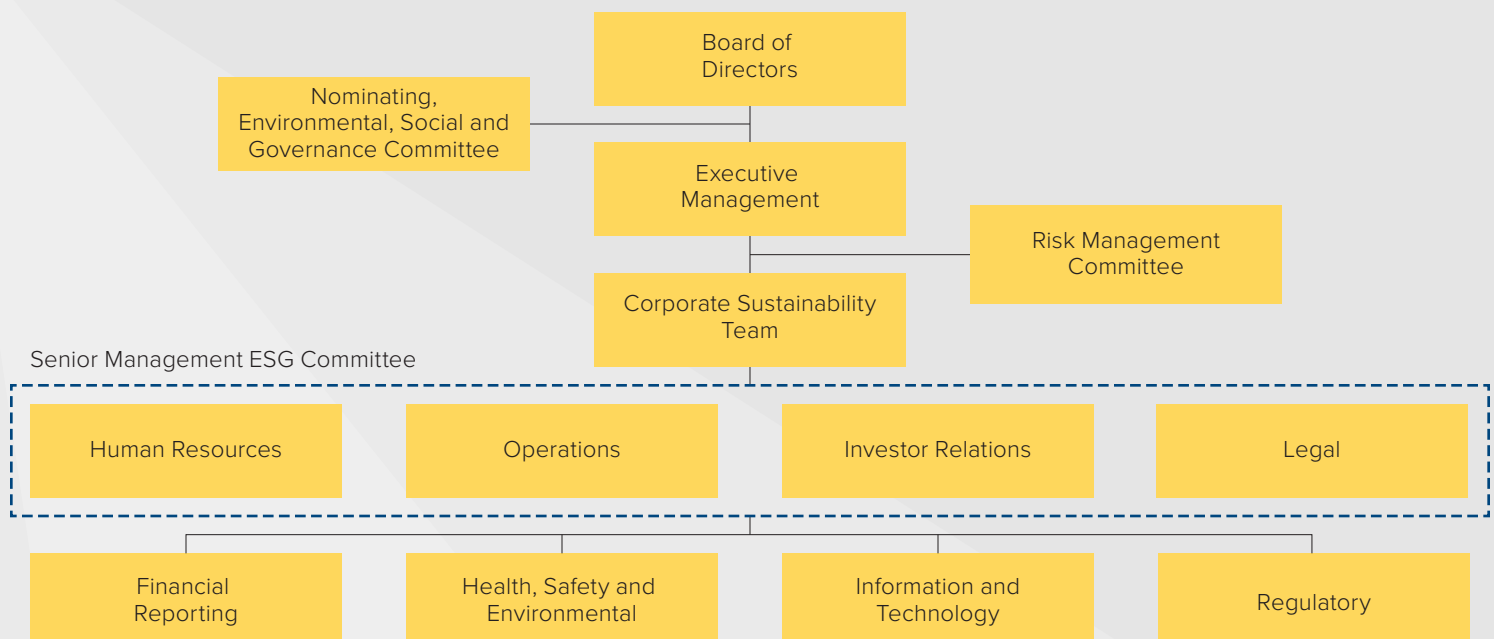
Centennial is proud to help supply the world with reliable, affordable, and readily available energy. We acknowledge that global supply and demand for our products may be affected by many factors, some of which are risks associated with climate change.

Those risks include the expanded use of alternative energy sources, changing investor and consumer views and behavior, and shifting carbon related regulatory and policy approaches. Accordingly, we believe that the consideration of climate-related risks and opportunities is an important element of how we operate our business and plan for the future. To address these concerns, beyond our commitment to continually improve our environmental performance across our operations, we also examine how

potential financial impacts arising from an evolving energy market could affect our company. As an element of our maturing Sustainability Program, we are introducing the integration of the Task Force on Climate-Related Disclosures (TCFD) framework in this year's Corporate Sustainability Report. This section of the Report illustrates Centennial's approach to climate-related risks and opportunities, how those considerations have been integrated into our corporate strategy and planning, and identifies potential impacts that a changing climate might have on our enterprise.

Centennial's Board of Directors is principally responsible for the oversight of ESG matters and enterprise risks, including climate-related risks. The Nominating, Environmental, Social and Governance Committee (NESG Committee) assists the Board in fulfilling its oversight duties related to ESG, reviews and monitors the Company's associated policies, controls, and systems, as well

### Oversight and Management of Climate-Related Risks and Opportunities







as broader ESG trends, and makes recommendations to the Board on related matters. The NESG Committee Charter is located on our website with other corporate governance materials.

Our Senior Management Team is responsible for the day-to-day management of Centennial's enterprise risks. Additionally, we have a Risk Management Committee comprised of our Chief Financial Officer, Chief Operating Officer and General Counsel, and such other officers and employees as may be appointed from time to time by the Committee. The Risk Management Committee meets regularly to identify, assess, and manage our risk exposures, including climate-related risks, and periodically reports significant risk exposures to the Board or one or more of the Board's committees.

Our Board, directly and through its committees, oversees our management of risk exposures. Specifically, our Board is responsible for ensuring that the risk management processes designed and implemented by our management are adequate to identify, address, manage, and mitigate the risks we face. Accordingly, during the course of each year, the Board:

- Reviews and approves management's operating plans and considers any risks that could affect operating results;
- Reviews the structure and operation of our various departments and functions; and
- Reviews related risk analyses and mitigation plans in connection with its review and approval of particular transactions and initiatives.

In 2021, Centennial established a dedicated Corporate Sustainability Team consisting of a Vice President and a Sustainability Engineer. The Team focuses entirely on ESG matters and regularly reports to the NESG Committee. The Sustainability Team regularly meets with Centennial's Senior Management ESG Committee consisting of senior level managers from Human Resources, Operations, Investor Relations and Legal as well as front-line employees from additional key disciplines, including Financial Reporting, Information Technology and Regulatory. The ESG Committee advises the Sustainability Team on discipline specific ESG matters and assists in communicating our ESG objectives to their respective teams ensuring a comprehensive ESG focus across the organization and building a culture of ESG excellence. Representation across multiple disciplines ensures a coordinated, Company-wide approach to our ESG efforts.

## Oversight and Management of Climate-Related Risks

Centennial's risk management practices address potential risks the Company faces including the following categories and examples of climate-related risks, as defined by the TCFD framework. These risks, together with broader categories of enterprise risks, are addressed and further discussed in our Annual Report.

### Policy and Legal

- Laws and regulations both domestically and abroad might impact the demand for our products
- Emerging regulations governing environmental performance could affect or impede future development
- The adoption of a carbon tax could result in additional operational costs

### Technology

- Expanded development and deployment of low or no-carbon technologies could reduce demand for the products we produce

### Market

- Adding to the historical volatility of oil and gas, evolving customer preference for alternative energy sources and away from hydrocarbons could create additional uncertainty and volatility in long-term pricing

### Reputation

- Centennial's classification as an oil and natural gas producer, failure to comply with regulatory requirements, and failure to adequately align our environmental performance with that of our peers could negatively affect stakeholder perceptions of Centennial

### Physical Risks

- Changing climate patterns could lead to extended droughts affecting the water supply for both our operations and in the communities where we operate

While we acknowledge the reality of these risks, we believe that Centennial is well positioned to navigate associated challenges due to our commitment to operational excellence, responsible environmental stewardship, identifying and implementing best practices, our performance as a low-cost operator, and our innovative and dedicated company culture. Accordingly, recognition of these concerns are material considerations as we continue to deliver the outstanding financial and operational performance that defines our organization.





## Opportunities and Long-Term Strategy

Our Risk Management Committee, together with our Board of Directors and its committees, has developed a strategy to manage Centennial's enterprise risk exposure, including climate-related risks.

This collaborative effort, in conjunction with our focus on top-tier talent, high-quality assets, and commitment to operational excellence, safety and execution has shaped our core strategy designed to deliver on our objective of being a low-cost, low-emission, free cash-flow generating company.

The elements of that strategy include:

- Maintaining a strong balance sheet
- Directing efforts to high rate-of-return projects
- Driving capital efficiency
- Maintaining low operational costs
- Promoting innovation and identifying and deploying best practices
- Building free cash flow while growing production volumes
- Operating in a socially and environmentally responsible way
- Pursuing operational and environmental excellence
- Delivering long-term sustainable value to our stakeholders

## Environmental Targets

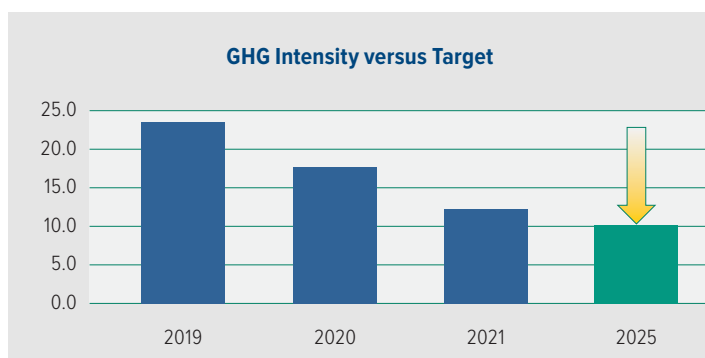
In our pursuit of operational and environmental excellence, and recognizing certain opportunities to continually improve our performance, in the first half of 2022 Centennial developed environmental performance targets related to GHG and Methane intensity reductions. These targets apply to Centennial's existing assets and reflect current development assumptions. These targets are subject to change due to the planned merger with Colgate Energy in the second half of 2022; however, they serve as a foundation for the continued commitment to environmental performance and improvement anticipated in the combined company. We acknowledge that the integration of the Colgate assets will involve different environmental performance histories, facility designs, future development plans, and other factors that could result in variations to the performance of the combined entity. Accordingly, we anticipate that future environmental targets for the combined entity may be different from those provided here, perhaps significantly. We reserve the right to adjust or change these targets in magnitude or timing. We note that Colgate's commitment to environmental excellence is aligned with Centennial's, and they have demonstrated admirable environmental performance across their operations. We anticipate

a post-merger continuation of the pursuit of ESG excellence. The following environmental performance targets have been recognized and adopted as elements of Centennial's corporate strategy:

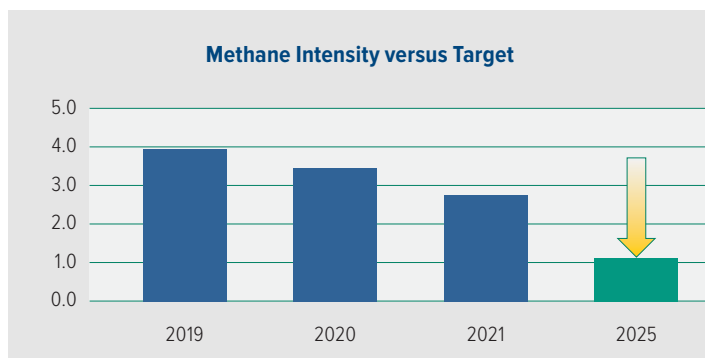
### • Continued alignment with the World Bank's Zero Routine Flaring Goal

- We coordinate with our midstream providers to ensure that takeaway is available for existing wells and ready prior to producing new wells. This joint effort allows the gas to be sold instead of being sent to flare as part of routine operations.

### • 57% Reduction in GHG intensity versus a 2019 baseline by 2025



### • 70% Reduction in Methane intensity versus a 2019 baseline by 2025



Not only do these targets reflect our commitment to continued operational excellence and sound environmental stewardship, they also represent the opportunity for Centennial to continue to operate as a low-emissions supplier of low-cost, oil and natural gas. Reducing our emissions intensities and continuing to limit or eliminate natural gas flaring not only ensures revenue from our produced gas, but also mitigates our exposure to changing consumer and investor preferences, potential carbon-related regulatory or policy changes that could limit our ability to access or operate our properties, and potential carbon taxes that could increase our operational costs.





## Attracting and Retaining Talent

Our Team members are our most valuable asset and Centennial recognizes the importance of developing and maintaining a talented and diverse workforce in achieving exceptional financial and operational performance. In pursuit of that objective, we have expanded our recruiting efforts to partner with organizations supporting employment opportunities for racial minorities and women. We have also expanded our training programs to include additional hands-on training experiences to better prepare our Team for their roles, and to continue providing the exceptional performance that defines our organization.

## Scenario Analysis

In connection with our alignment to the TCFD framework, and recognizing the necessity of evaluating the resiliency of our business in evolving energy markets, we conducted a stress test of our assets against pricing and demand scenarios developed by the International Energy Agency (IEA). That analysis reveals that our business is positioned to remain competitive and generate profitable returns through 2050 even in a market aligned with the climate goals of the Paris Agreement where oil prices can drop as low as \$50/bbl. We conducted our analysis based on two scenarios provided by the 2021 IEA's World Energy Outlook. Details of those forecasts are provided below:

### Sustainable Development Scenario (SDS)

The SDS illustrates the pathway toward a global temperature of "well below 2° C", outlined in the Paris Agreement. This scenario assumes that developed economies will reach net-zero GHG emissions by 2050, although oil and gas will continue to be an important energy source, this scenario predicts a decrease in demand for those products. The IEA's resulting assumed oil price is as follows:

YEAR	Oil Price (USD/BBL)
2030	56
2050	50

We have adopted the SDS scenario as a conservative pricing forecast in our portfolio resiliency analysis.

### Stated Policies Scenario (STEPS)

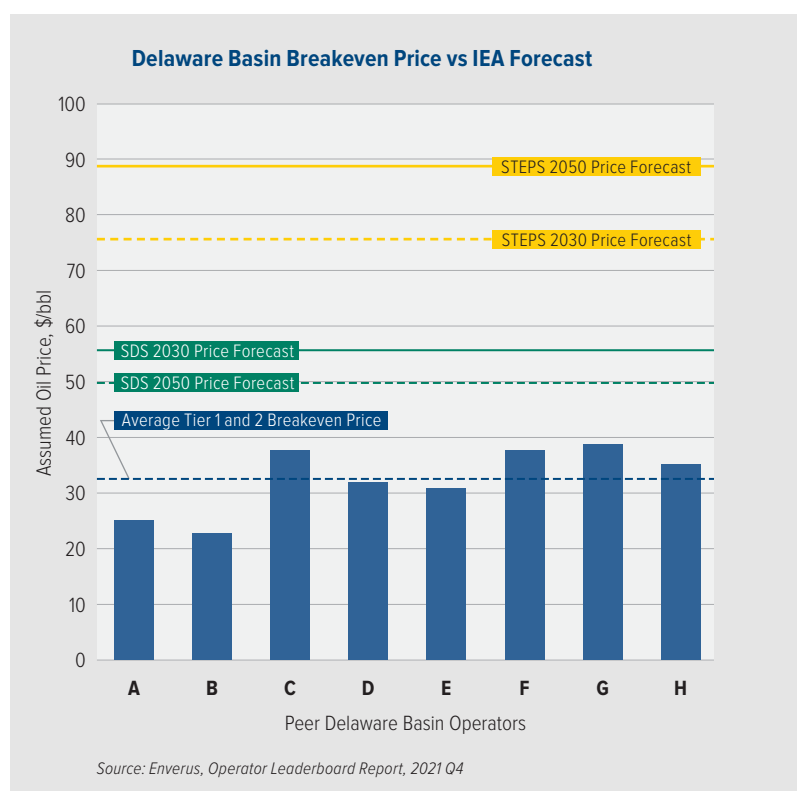
The STEPS scenario accounts for current and proposed climate-related policies and evaluates the impact of these policies over time. This scenario assumes that oil demand slowly decreases beginning in the 2030s through 2050. Due to higher demand assumptions in this analysis, the STEPS scenario forecasts oil prices higher than those in the SDS scenario:

YEAR	Oil Price (USD/BBL)
2030	77
2050	88

We recognize the dynamic nature of the climate-related regulatory and policy environment; however, Centennial has adopted this scenario for our analysis to represent a more realistic demand and pricing forecast.

## Results and Discussion

In performing our portfolio analysis, Centennial conducted an internal reserves review comparing the resiliency of our portfolio to the STEPS and SDS pricing scenarios. That process revealed that the quality of our portfolio and our operational capital efficiency result in an anticipated Centennial breakeven price well below the commodity prices forecasted by the scenarios. Because our breakeven pricing is confidential, the data provided here reflects analysis prepared by the energy advisory firm Enverus. Based on Enverus' Permian Basin-wide analysis, our half-cycle breakeven prices—the price needed to recover capital expenditures (excluding sunk capital), operating costs, royalties, and taxes and earn an acceptable return on investment—are aligned with or below Tier 1 and Tier 2 breakeven prices of Delaware Basin peers included in the Enverus study, and illustrated below:



Furthermore, our breakeven price positions us below the IEA's forecasted SDS and STEPS commodity prices. Even as regulatory, policy, and market forces change, our analysis reveals that Centennial will continue to produce strong financial results in face of those changes. We feel confident that our concentrated Delaware Basin asset base provides our shareholders with an attractive and valuable business that can sustain expected regulatory and policy changes and evolving market conditions.





# Environmental

## Our Operations

### Environmental Overview

Centennial operates in the Delaware Basin in West Texas and Southeast New Mexico. This area is home to multiple land uses and a diverse ecosystem including mountain, desert, and semi-desert habitats, important water resources, native grasslands and shrublands, and various wildlife species, including some that are threatened or endangered.

The area is also home to communities where many of our team members and their families and friends live and call home. As a Delaware Basin operator, Centennial recognizes its responsibility to preserve the unique natural resources of this region. That responsibility extends to protecting the health and safety of our employees, contractors and those others that may be impacted by our operations. As we conduct our operations, we remain mindful of our core values of ethics, integrity, and operational excellence—simply stated as doing the right thing, in the right way, for the right reason, in everything we do.

In line with our goal of operational excellence, in 2020 and 2021, we developed and implemented the programs that form Centennial's Health, Safety and Environmental Management Systems ("HSEMS"). HSEMS is a collection of programs that include policies, practices, procedures, and associated training designed to ensure that our operations are safe for our employees and contractors and are designed to reduce or eliminate harmful impacts on the environment. We're committed to compliance with all local, state, and federal laws, rules, and regulations that govern our operations and activities. We also work to be leaders in our industry and continually look for ways to improve our operational practices. In many cases, to be discussed in the following pages, we choose to go above and beyond these threshold requirements and identify and to adopt evolving best practices in an effort to contribute to the continual improvement of our company and our industry. These practices, together with our HSEMS programs

and our commitment to sound financial management, provide the framework to achieve our goal of operational excellence and provide the basis for the continued growth and sustainability of our enterprise.

### A Culture of Safety and Environmental Stewardship

Centennial's commitment to environmental stewardship underlies all of our operations. The programs that form our Environmental Management System and our commitment to legal and regulatory compliance define our areas of focus. We work to build a culture of environmental excellence and empower our Team to remain mindful of ways that we can improve our operational practices. Our Environmental Management System, a subset of our HSEMS, includes the following programs:

- Air Quality Compliance
- Avian Protection
- Hazard Assessment and Communication Programs
- Reclamation Program
- Emergency Response Plans
- Spill Prevention and Reporting
- Waste Management
- NORM Management

The programs include other initiatives designed to address operational safety and are further detailed in the Health & Safety section of this Report.





## Planning to Ensure Success

When planning our operations, Centennial engages in a rigorous planning process designed to reduce operational risk, ensure that we meet our environmental responsibilities, and identify potential opportunities to adapt our operations for increased success. This process is designed to identify and assess potential risks and hazards, including subsurface seismic hazards. It enables us to identify, evaluate, select, and implement solutions to improve our operations, mitigate our environmental impact, and any landowner concerns. Operations are commenced only after this process is complete. Where feasible, we utilize a multi-well pad development approach which further minimizes our environmental footprint, consolidates our facilities into more localized and manageable locations, and isolates our development from environmentally sensitive areas, all while increasing the economic efficiency of our operations.

We design our operations with a focus on the following principles and goals:

<b>Quality Design</b>	➡	We design our wellbores, wellheads, and facilities using a prevention through design methodology to avoid unplanned environmental releases
<b>Elimination of Routine Flaring</b>	➡	We aim to reduce or eliminate routine flaring events where feasible and set targets regarding flaring reductions
<b>Utilization of the Best Equipment</b>	➡	We utilize the best available control technology to manage and limit excess and fugitive emissions
<b>Increased Water Recycling</b>	➡	We continue to increase the amount of recycled produced water used in our drilling and completions operations
<b>Utilization of Pipelines</b>	➡	We utilize pipelines, whenever possible, to transport our oil, natural gas, and associated water
<b>Facility Evolution</b>	➡	We continue to look for ways to improve our facility design such as fully lined containment and VRU's on knockout vessels

## Doing The Right Thing

Centennial continuously evaluates and modifies its operations as necessary to improve its health, safety, and environmental processes and procedures. We take pride in delivering on our commitment to protect our Team, protect the environment, and to be a good member of the local communities and a good neighbor to our landowners, and neighboring operators. We continue to pursue excellence as we actively refine our processes and seek out new ways to improve our operational, safety, and environmental performance, all while remaining mindful of our role in the communities and areas where we operate. Seeking continual improvement in everything we do is who we are, it's our culture, and our pride.

## Checking Ourselves

Centennial employs a system of checks and balances in every aspect of our operations. From property acquisition through pad development and site remediation, our Team works to ensure that we are properly aligned to ensure the maximum environmental, health, and safety protections. We utilize staged safety checks with our operations groups at each phase of operations to identify hazards and risks, environmental concerns, design flaws, or other operational conditions that need to be addressed. Once identified, issues are either avoided or remedied in a safe and efficient manner.

## A Reasonably Prudent Operator

Once our development plans are established, we act to ensure that they are implemented to meet our targets, maintain operational efficiency, and eliminate harm to both people and the environment. We act quickly to identify, mitigate and resolve incidents, and to respond safely and efficiently to emergencies. Additionally, we constantly evaluate our performance against our peers with the objective of continual improvement. We are focused on growth and sustainability, and seek the best talent, technologies, and methodologies to compete and lead in this challenging industry.





## Air Quality Management

Centennial takes pride in providing low-cost, low-emission, and responsible energy. Managing our air quality impacts play a central role in how we achieve that objective. Since 2019, Centennial has demonstrated notable improvement in air quality performance:

- ▶ **83% decrease in flaring intensity**
- ▶ **49% decrease in GHG intensity**
- ▶ **31% decrease in methane intensity**

We are proud of our progress and are committed to the continual improvement of our air quality and broader environmental impacts.

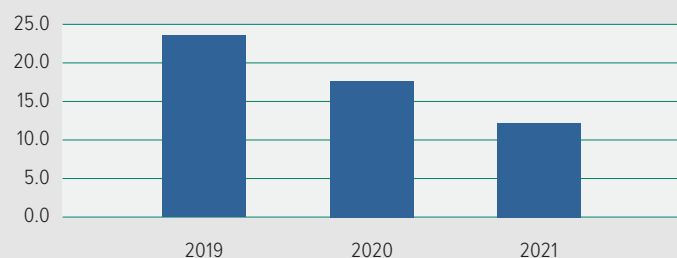
Our greenhouse gas management and reduction program currently includes the following initiatives:

- Robust Leak Detection and Repair (LDAR) program
- Phase out of high-bleed pneumatic controllers
- Improved facility designs
- Expanded, holistic approach to emissions management including management, technical staff, and field personnel
- Ongoing evaluation of emissions monitoring technologies

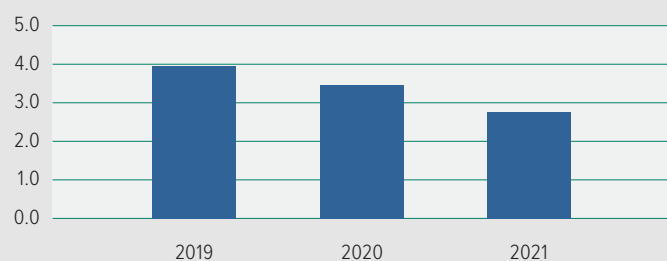
These programs provide the foundation of our past success and will support continual improvements to our environmental performance.

As a demonstration of our dedication to continued air quality improvement, this year we've committed to GHG and Methane intensity reduction targets that can be found in the TCFD Analysis section of this Report. In addition, all of our operated production facilities are connected to natural gas infrastructure, and we collaborate with our midstream partners to install permanent takeaway options for production from new wells. This practice prevents Routine Flaring, as defined by the World Bank, and aligns with the World Bank's Zero Routine Flaring Initiative designed to eliminate routine flaring by 2030. We remain committed to continuing these practices to remain in alignment with the initiative and continuing to demonstrate our commitment to air quality.

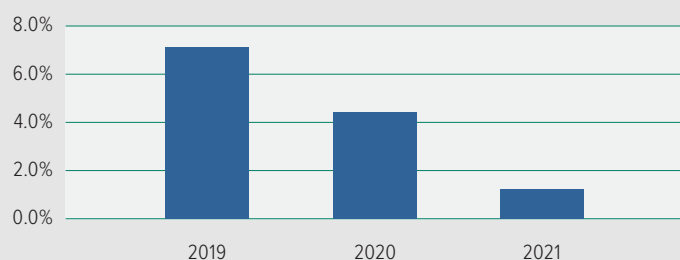
**GHG Intensity, mt CO<sub>2</sub>e/MBOE**



**Methane Intensity, mt CO<sub>2</sub>e/MBOE**



**Flared Gas Volumes, % Produced**



## Expanding Emissions Monitoring

In 2021, Centennial collaborated with a safety sensor vendor on a pilot ground-level, continuous monitoring program. The partnership resulted in the successful detection of facility leaks and serves as a foundation for future continuous monitoring applications on our assets. Emissions monitoring technologies are rapidly evolving; and we will continue to trial other technologies as we find the right fit for our operations.

In addition to ground-level continuous monitoring pilots, Centennial has joined The Environmental Partnership and participated in their flyover program. In 2021, three different aerial verification passes were conducted over sections of our acreage. The data collected by these flyovers was then used by our operations team to identify potential improvement areas.





## Maturing LDAR Program

Centennial complies with all regulatory facility inspection requirements to identify and repair leaks. Consistent with our commitment to continual improvement, our Leak Detection and Repair (LDAR) program continues to evolve beyond compliance requirements. In 2021, we introduced our Find-It-and-Fix-It program, which empowers every member of our operations team to actively participate in identifying potential facility issues, such as fugitive emission incidents, and report them for inspection and repair. This approach results in more frequent inspections than those required by regulations, and illustrates to our commitment to operational excellence.

By supplementing required LDAR inspections with voluntary surveys we have improved first-pass inspection rates at our facilities. First-pass rate is defined as the percentage of initial inspections that do not detect fugitive emissions. We use the metric internally as an indicator of our emission control performance. Over the past year, we have seen an improvement in first-pass rate.

We are committed to expanding our LDAR program and plan to increase our formal LDAR inspection frequency in 2022.

## Emissions-Focused Facility Optimization

Evolving facility designs play a key role in our commitment to environmental improvement with enhanced emissions control at the forefront of the design changes. We focused on implementing efficient designs and investing in innovative technologies to reduce GHG, methane, and other emissions.

Highlights of our facility optimization initiatives include:

- Designing and improving storage tank and tank vent systems
- Installing remote pressure relief device monitoring allowing for real time observation of facility performance
- Increased Vapor Recovery Unit utilization

We closely monitor the emissions performance of our new facility design and continuously strive for additional improvements.

## Managing High-Emission Sources

Combustion, flaring and fugitive emissions have been identified as principal sources of Scope 1 emissions in oil and gas operations. We have taken the following steps to minimize these emissions:

- The continued electrification of our gas lift compressors
- Continuing dual-fuel capabilities within our drilling and completions fleets
- Improving efficiencies in drilling and completions to minimize time on site and associated emissions
- Replacing high-bleed pneumatic devices with less environmentally impactful components
- Collaborating with our midstream providers to ensure takeaway solutions reducing flaring and delayed production, ensuring the completion of gas takeaway prior to first production
- Routing flowback production to permanent facilities

These initiatives are examples of our emissions reduction efforts, and Centennial is committed to aligning with industry best practices, continued innovation, and the adoption of additional measures to further improve our air quality performance. To this end, our Team actively participates in The Environmental Partnership and the Texas Methane and Flaring Coalition, to further industry efforts to minimize air quality impacts and ensure that we consistently align with the latest industry best practices.







## Water Management

We acknowledge that adequate water supplies are a necessity for our drilling and completions operations; however, we are sensitive to the need to protect local water resources. Our operations in the Permian Basin are in an area of medium to extremely high-water risk per the World Resource Institute Water Risk Atlas. Accordingly, Centennial has worked to optimize its water transportation and usage.

### Responsible Water Sourcing

Centennial aims to minimize the use of fresh water wherever feasible given our operations and land surface use agreements. The company differentiates between fresh and brackish water as follows:

CLASSIFICATION	Total Dissolved Solids
Fresh	< 1,000 TDS
Brackish	1,000 to 10,000 TDS

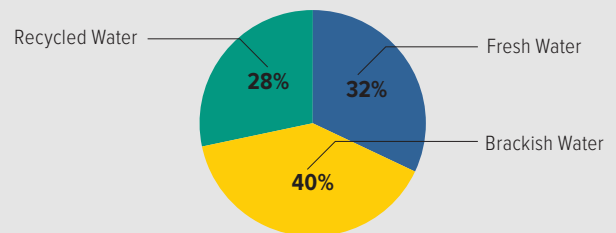
In 2021, most of Centennial's water usage in completion operations consisted of purchased brackish water and recycled water sourced from our own facilities.

Utilizing brackish and recycled water in lieu of fresh water minimizes the stress on local water sources. Our commitment to minimizing fresh water use dates back to 2018 and since the inception of our water recycling program in 2019, Centennial's fresh water intensity has decreased over 40%. We define fresh water intensity as MBBLS of fresh water used per MBOE of production.

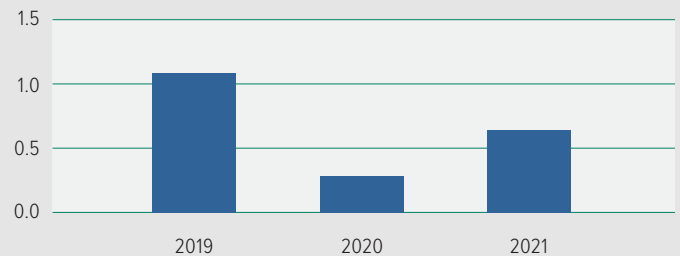
Decreasing the reliance on fresh water provides protection against overuse of local fresh water resources, as well as against the water sourcing risks associated with climate change, such as extended droughts and periods of high temperatures, which could create additional stress on water resources in our areas of operation.

Increasing the use of recycled water will continue to be part of Centennial's operations.

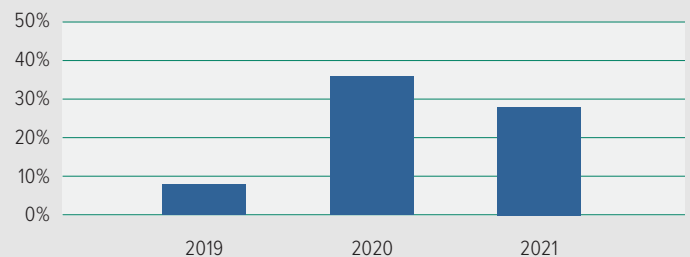
2021 Water Usage in Completions, by Category



Fresh Water Intensity



Recycled Water Usage Over Time







## Commitment to Water Recycling

Water recycling is not just a part of Centennial's operations, it is also an area of particular interest to our Team.

Our Water Resource Manager, J.D. McGuire, is a prime example. In addition to his internal role of designing, managing and expanding our water recycling program and related infrastructure, J.D. also serves as the President of the Water Recycling Committee of the Permian Basin Water Management Council.



*"Efficient and sustainable water management is a core pillar of Centennial's business, not only in our daily operations, but also in our aspirations to be industry leaders in this space. Our interdisciplinary water team participates in all aspects of our business, from drilling, and completions, to production, facilities and land. We constantly implement innovative solutions to expand our water recycling efforts while maintaining strong economics and the highest regard for the environment."*

*Our internal approach to water management rather than a reliance on third-party providers allows us to rapidly evolve our program, a differentiator in the industry. Beyond establishing stringent KPIs for our recycled water quality, we also utilize our existing buried infrastructure to both supply recycled water to our completions crews and transport it back to our recycling facilities. This circular approach to water transport minimizes environmental impact of our program and maximizes our capital efficiency"*

**J.D. McGuire**, Water Resources Manager

## Optimizing Completions Water Usage

Our commitment to responsible water usage extends beyond utilizing recycled water and has been incorporated into our completions operations. Hydraulic fracturing, while necessary to extract hydrocarbons from our unconventional plays, requires extensive amounts of water.

Within the last year, the volume of water used per foot in our completions has decreased 8%, without sacrificing well performance. We will continue to find ways to reduce fluid loading without sacrificing well productivity where applicable.

## Efficient Water Infrastructure

Transporting water throughout our acreage requires a balance of logistics and environmental awareness. Over the past year, Centennial has identified a way to address this challenge by transporting recycled water using our existing infrastructure instead of installing new, temporary water lines.

As a result we have significantly reduced the risk of leaks and soil contamination and other environmental impacts from temporary infrastructure, and we maximize our economic efficiency by using our gathering system two to three times more than without this approach.



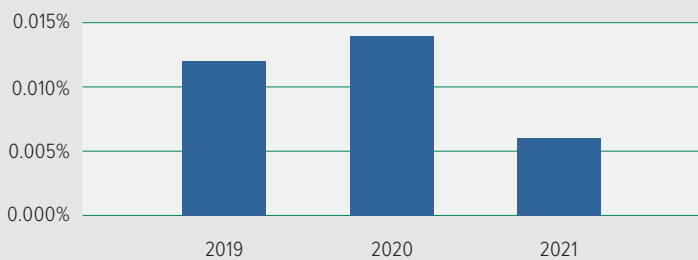




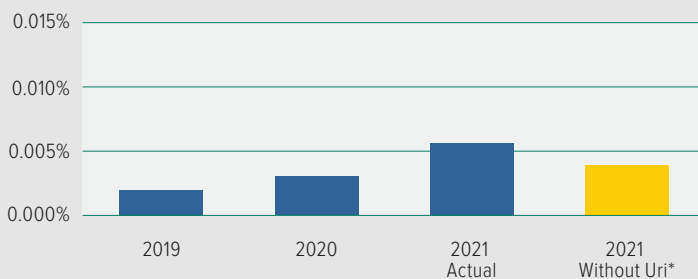
## Spill Management

Spill management and prevention are a part of our commitment to environmentally conscious operations. Tracking spill performance is engrained in our routine operational reviews, with results discussed in our weekly company-wide operations meetings. Our commitment to minimizing spills is illustrated by our 50% decrease in water spill rate since 2019, and we are dedicated to achieving similar results in our oil spill rate performance.

**Water Spill Rate, % of Volume Produced**



**Oil Spill Rate, % of Volume Produced**



\* Centennial experienced higher than average spill rates due to historic winter storm Uri. Without this unprecedented event, our spill rate would have been approximately 30% lower than the reported value.

## Preventing Spills

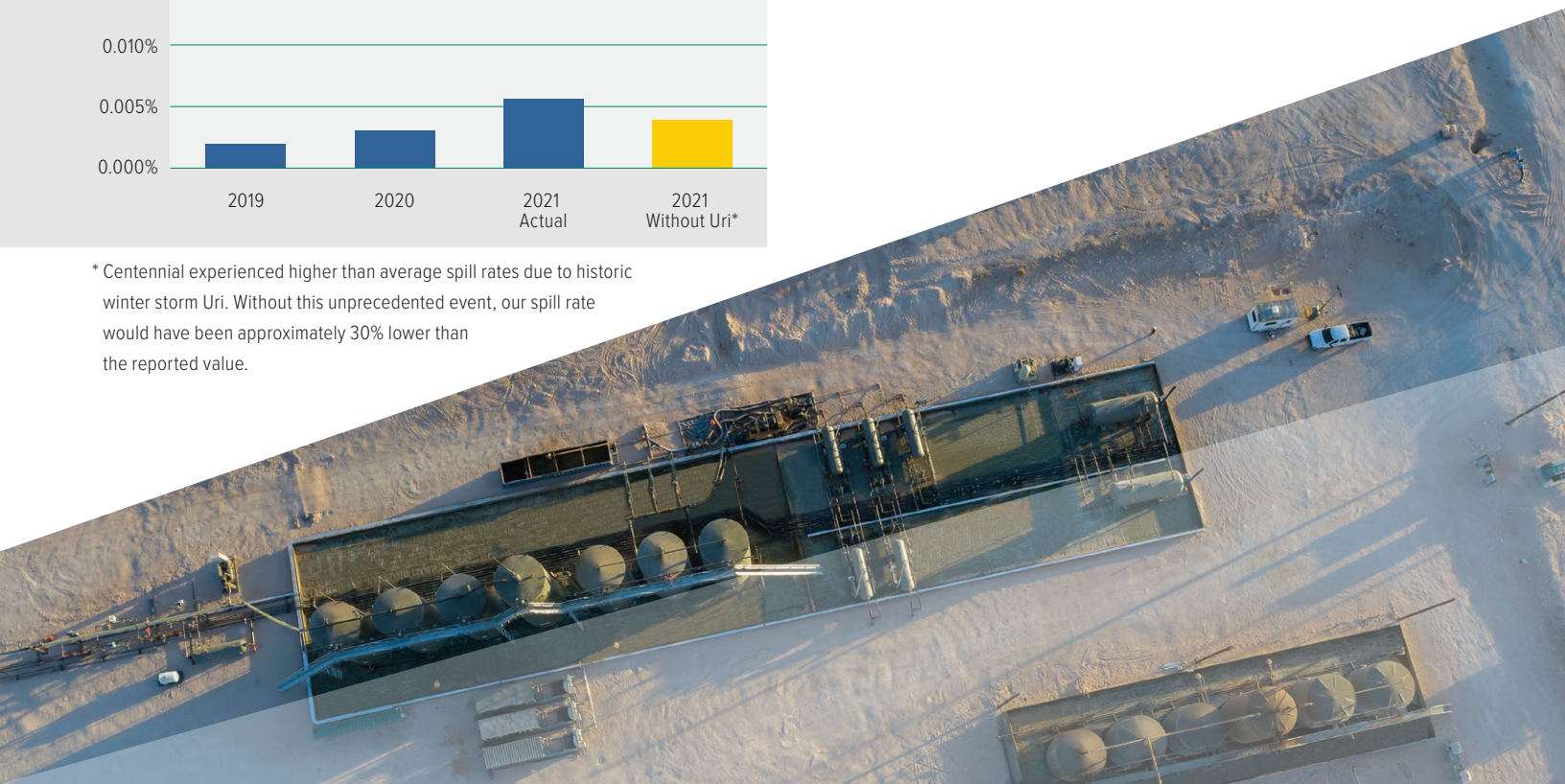
Preventing spills starts with the design of our facilities. We have expanded the use of high-level sensing alarms and kill switches on transfer pumps. Should spills happen despite these measures, our most recent production facility design incorporates increased containment to minimize the impact of any spills. In addition to primary containment for our tanks, we have expanded the secondary containment of certain pieces of equipment such as jet pumps.

Our operations team has expanded our preventative maintenance program through the introduction of our Blue Flag Project. A collaboration between our field operations leadership and the air quality team, the Project empowers personnel across the organization to identify and request repair of equipment at higher-risk for spills or leaks. The equipment is identified with a blue flag and repaired to minimize the possibility of a fluid release.

These programs will continue to evolve as we strive to improve upon our historical spill rate performance.

## Voluntarily Exceeding Requirements

Centennial has voluntarily based its spill prevention program on the EPA's Spill Prevention, Control and Countermeasure Program. Although not required due to our distance from federally protected national waters, our operations team has embraced this inspection program to ensure that our containment can sufficiently withstand unexpected releases. We plan on continuing these voluntary inspections as part of our commitment to minimizing spill rates.







# Land Stewardship and Biodiversity

## Our Commitment

Centennial recognizes and appreciates the unique value of the natural environment in which we operate. Maintaining the environment's integrity for current and future generations is a priority for Centennial. We are committed to the conservation of the biodiversity and natural resources in our areas of operation. Not only do many Centennial employees and their families live and work in communities near these areas, but the responsible stewardship of these natural resources is simply another expression of our foundational commitment to operational excellence, best practices, and sustainability.

## Planning

Effective land stewardship begins with robust operational planning. That process prioritizes collaboration with affected stakeholders, including surface landowners, our neighbors and off-set operators, as well as federal, state, and local regulators. We also conduct pre-drilling evaluations of potential drilling locations to identify any issues created by topography, local flora and fauna, existing surface and sub-surface facilities, and other infrastructure or other items that may pose operational obstacles. Through careful design and comprehensive planning, we identify and avoid or minimize surface disturbance and the impacts of our activities on the surrounding environment, including any environmentally sensitive areas, potentially affected species and their habitat, and crucial water resources. This process also helps avoid the increased costs of operational delays associated with surface issues.

## Implementation

To reduce the impact of our operations and provide other operational efficiencies, we have successfully expanded the use of multi-well pad development, longer horizontal wells, centralized tank batteries, and consolidated utility corridors. Increased lateral lengths allow us to access more of our oil and gas reserves through a lower well count, reducing disturbance at surface. Increasing the number of wells that we drill on each well pad further reduces that impact. Centennial's goal is to locate and drill a minimum of three wells on each well pad during initial development, continuing with additional development for a total of nine wells on the pad. This objective reduces our total land use per well by 62% by avoiding more than eight acres of surface use for every three wells we drill.

Our impact on the land and environment is further reduced by combining the facilities and infrastructure necessary to service and produce our wells. We reduce our operational impact and preserve the integrity of the land by maximizing the use of centralized tank batteries, designing our operations to utilize consolidated utility corridors limiting the number of roadways, pipelines, overhead electric lines, and production facilities that are necessary for our operations.

## Good Neighbors

Centennial is committed to being a good neighbor during the life of our operations. From engaging with landowners during site selection before wells are drilled, to maintaining clean sites and fixing issues such as damaged fences and cattle guards during a well's life, through restoring the land to its original condition upon concluding our operations, being a mindful neighbor is part of our operational standard. Our experienced surface management personnel strive to maintain good relationships with surface landowners, manage Centennial's impact on the local environment, and conserve the ecology of the surface on which we operate. This team develops and implements procedures to protect ecologically sensitive areas, including those with significant biodiversity or hydrological significance, to remove unused oilfield facilities, and to clean, restore and reseed and reclaim disturbed areas. We take pride in our relationships with surface owners and our reputation as good stewards of the land and the preservation of the environmental quality of the areas where we operate.

## Always Improving

At Centennial we are always seeking ways to improve our operational practices as they relate to land stewardship and biodiversity. As part of this effort, we participate in certain voluntary programs administered by the U.S. Fish and Wildlife Service (USFWS) designed to mitigate impacts to at-risk species and their habitats in our operating areas. We are also evaluating partnerships with other agencies, landowners, and non-governmental organizations engaged in habitat preservation and remediation efforts. We also continually seek to participate in volunteer and sponsorship opportunities in an effort to create positive, direct impacts on the land, environment, and communities in which we operate.





## Lesser Prairie Chicken

The USFWS plans to list the Lesser Prairie Chicken as an Endangered Species in the summer of 2022. Some of our New Mexico operations overlap with the Lesser Prairie Chicken habitat, and the area will generally become subject to certain regulatory requirements and restrictions designed to provide protections necessary to promote recovery of local populations of the Lesser Prairie Chicken. In 2021 Centennial enrolled in a voluntary program designed and administered by USFWS and the Bureau of Land Management whereby Centennial provides resources to assist in conserving and expanding the Lesser Prairie Chicken's habitat. Through the program Centennial directly contributes to the preservation of the birds' habitat, and potentially avoids any complications associated with more restrictive land use regulations triggered by the Endangered Species designation of the Lesser Prairie Chicken.







## Seismicity

Isolated areas of the Permian Basin including Lea County, New Mexico and Reeves County, Texas, where Centennial operates have recently experienced increased incidents of seismic activity. While we believe that the events do not currently pose a substantial risk to our operations, we actively monitor the activity and related regulatory responses.



To ensure that our Team remains informed of seismic activity trends and developing regulatory and policy approaches, we actively engage with New Mexico and Texas regulatory authorities and participate in industry work groups organized by trade associations to which Centennial belongs, including the Texas Oil and Gas Association (TXOGA), the Permian Basin Petroleum Association (PBPA), the Independent Producers Association of New Mexico (IPANM), and the New Mexico Oil and Gas Association (NMOGA). Team members representing various disciplines including our Geosciences, Operations, Regulatory and Sustainability Teams participate in these meetings. This multi-disciplined approach allows Centennial to remain informed on regional seismicity issues and plan accordingly.

Regulatory responses to seismic activity in the Delaware Basin vary between New Mexico and Texas. However, when the magnitude of these events reaches certain thresholds, both states employ measures that limit the volumes of saltwater that may be disposed in disposal wells proximate to seismic activity. However, Centennial's operated assets and utilized saltwater disposal infrastructure is sufficiently distant from this seismic activity to make any related curtailment of our access to saltwater disposal currently unlikely. Our Team continues to monitor the activity and trends and is prepared to respond accordingly.







# SOCIAL

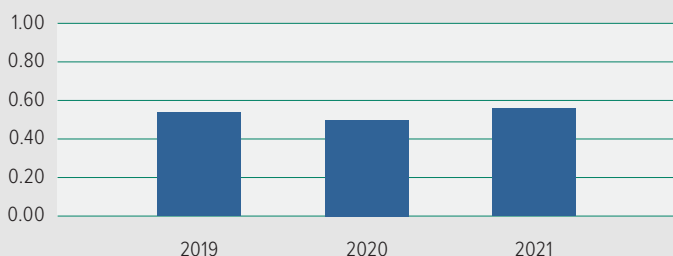
## Health and Safety

Protecting the safety of our employees, contractors, vendors, and communities is a very important focus of operating our business. We work to implement a culture of safety across our organization, and all of our Team members have the opportunity and responsibility to contribute to a safe work environment by using common sense rules and safe practices.

Our Health and Safety Team works directly with our Operations Team to regularly educate our employees and contractors through our Health and Safety Management programs and strive for the safest possible working environment. Our commitment to safety is a core element of our success and extends across our organization from individual team members and contractors to our senior leadership, with active participation in regular safety training across the organization.

We take pride in our flawless Centennial employee safety record. Since 2016 we have experienced no recordable employee incidents. Our overall Total Recordable Incident Rate (TRIR), which includes incidents involving contractors, remains below that of our Permian Basin Mid-Cap peers. Keeping our Team safe is a top priority, and we strive for continual improvement.

TRIR Performance Over Time



## Health and Safety Management Programs

Our safety culture is built upon our Health and Safety Management programs, a subset of our broader HSEMS program, that provide a training curriculum designed to educate the Centennial Team on the management of health and safety risks encountered across our operations. In addition to safe practices and policies, the program includes the following:

- Contractor Management
- Emergency Response Management
- Hazard Communication
- Hearing Conservation
- Incident Management
- Infectious Disease Management
- Job Safety Analysis
- Motor Vehicle Safety
- Stop Work Authority
- Personal Protective Equipment Management
- Respiratory Protection
- Risk Management

While a comprehensive approach that includes all of these programs is important to creating a safe work environment, below we highlight four specific initiatives in our 2021 and 2022 efforts.

## Motor Vehicle Safety

Road safety has become an increased focus of our training program due to the rising motor vehicle incident rate in the Permian Basin. Between 2020 and 2021, as oilfield activity rapidly recovered from the slow down related to the COVID pandemic, the area experienced a 12% increase in traffic volumes. Sadly, 2021 saw the second highest number of driving-related fatalities in Midland within the last 20 years, and this is unfortunately indicative of a broader trend witnessed across the greater Permian Basin.

Our objective is to ensure that our team members have safe journeys from the moment they leave their homes to join our operations, to the time they return home. As part of our continued dedication to this goal, in 2022 we plan to expand our Health and Safety Management programs to include a defensive driving course for our employees.





## Incident Response

Communication is a crucial component of ensuring operational safety. To that end, we have created Emergency Response Teams and Incident Management Teams who remain ready to respond to and manage potential emergencies and other operational incidents. These teams maintain dialogue and open communication with our Operations Team and our contractors to make sure that safety protocols are understood and rigorously enforced. Our training programs are designed to ensure that our response and management teams maintain the capability to respond to all reasonably foreseeable emergencies and incidents that may arise in the course of our operations.

## Continuously Improving our Culture of Safety

As activity increases, Centennial acknowledges the challenges that come with maintaining a strong safety culture. In response, we have strengthened our partnership with our suppliers in order to continue improving our safety performance. New collaborative measures include:

- Additional safety visits to our vendor yards
- Expanded diligence on new vendors
- Increased frequency of inspections of equipment used in our operations
- Continued open and focused dialogue to identify areas where expanded safety training is necessary

We are committed to continually improving the safety performance across our operations, and we look forward to further refining these supplier outreach programs to cover safety training gaps for both our contractors and employees.

## Safety Training

Safety is paramount and emphasized throughout the entire organization, with our Team and direct contractors participating in mandatory monthly safety meetings. From senior management to engineers to operators, a collective approach to our safety meetings generates a culture of ownership and responsibility for everyone's wellbeing.

The monthly safety meetings are available both in-person and virtually, covering a variety of topics. Regardless of discipline or geographical location, the meetings are well attended and fortify our safety culture throughout the organization. In addition to these meetings, our team members participate in 34 hours of safety training annually, including 10 hours of computer-based training.

Aiming for sustained improvement, Centennial has identified new initiatives to further develop our safety training. One such change is the adoption of expanded hands-on-training to increase knowledge retention. This additional approach will complement our conventional computer-based training, providing a holistic approach to safety education.

### Collaborative Approach to Safety

*"Senior leadership's commitment to safety is one of the strong drivers behind the safety culture established at Centennial. The safety of personnel and prevention of injury is a paramount consideration in our planning and operations. Each individual at Centennial shares the same values as it relates to our safety standards and procedures. This has resulted in making Centennial a safe, efficient company."*

*We empower our employees to champion for safety as they go through their day, incorporating safety to the daily goal of constant improvement. Continuous, effective safety training enables our team to maintain a safe work environment. Our leadership team recognizes our employees for their safety performance contributions and provide support when discussing new ideas or concerns. This team approach has enabled us to develop effective safety standards and procedures in order to achieve operational excellence."*

**Adam Hicks**

Occupational Health and Safety Manager







## The Centennial Team

The Centennial Team is our most valuable asset. Attracting, developing, and retaining top-tier talent is a critical element of our success and our objective of delivering long-term value to our stakeholders. We go to great lengths to cultivate a positive work environment that is diverse and inclusive, collaborative, professionally challenging, and fun. That focus promotes a creative environment that drives innovation in all aspects of our operations and within our industry. Our goal is to develop and sustain a culture dedicated to operational excellence as well as a sense of community among the people that form the Centennial Team.

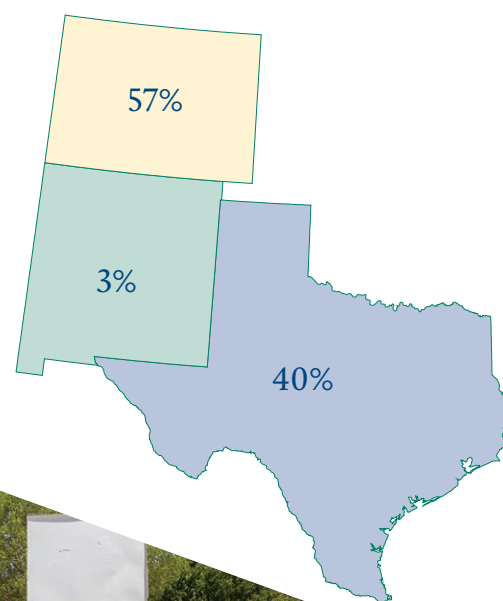
In order to cultivate an exceptional company culture, Centennial continually monitors employee satisfaction and solicits employee feedback. We conduct employee surveys at least annually to gauge employee satisfaction and facilitate an open discussion to understand the effectiveness of our employee programs. These surveys are designed to provide employees an avenue to submit anonymous and candid feedback to leaders across the organization concerning their management skills, as well as corporate culture, and organizational communication and transparency. We use this feedback to construct plans for refinement and further improvement. We care deeply about our employees' feedback and review these survey results with our management team and our Board of Directors. We take pride in the positive company culture that we've created and believe our low voluntary turnover rate is an indication of our success.



As an additional testament to our culture building efforts, we are proud to announce that in 2022 the Denver office was selected as one of Denver's Top Places To Work, as identified by The Denver Post. The selection was the result of an employee survey managed by the Denver Post that accumulated responses from over 80% of the Centennial Team. This response rate compares to a 70% participation benchmark across the energy industry and revealed overall positive and encouraging feedback. While the strong Centennial survey participation rate and overall positive responses indicate a strong company culture, we are particularly proud of our higher than the energy industry benchmark scores on employee engagement, motivation, and development.

We are honored to be recognized for our workplace culture and will continue fostering our community and providing a great place to work.

Our operations and offices span three states, with Centennial Team members located across Colorado, New Mexico and Texas. As of December 31, 2021, we employed 147 full-time team members distributed per the map below.





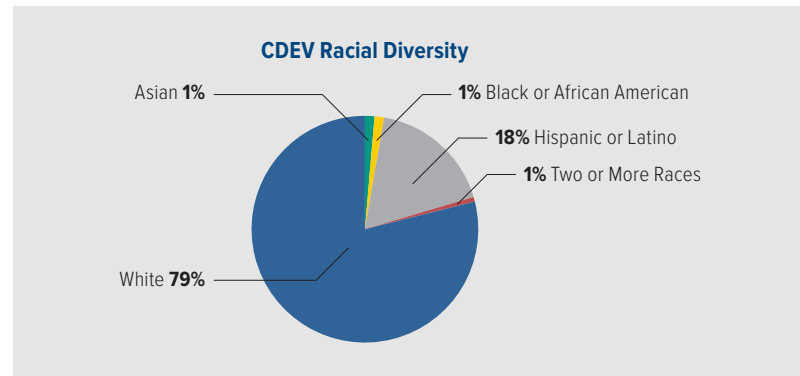


## Diversity and Inclusion

We are committed to a diverse workforce because we believe employees with different backgrounds, experiences, interests, and skillsets drive a culture of innovation which allows Centennial to achieve superior results. Accordingly, we are committed to diversity and inclusion throughout our organization. This commitment extends to our hiring, development, and promotion practices that recognize our team members for all of their capabilities, including their unique contributions to Centennial's performance.

As of December 31, 2021, approximately 37% of our workforce identified as female and 21% percent identified as an ethnic minority. Among our supervisors and managers, 32% identified as female and 9% identified as an ethnic minority.

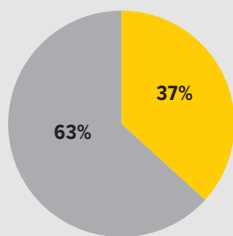
Centennial is committed to expanding diversity among our workforce and has recently expanded our recruiting efforts toward that goal.



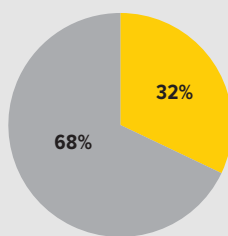
Starting in 2022, we began advertising certain job openings with the National Society of Hispanic Professional Engineers and the Society of Women Engineers. Our 2022 internship recruiting program was conducted with a focus on the University of Texas-Permian Basin to gain exposure to their broad population of underrepresented students.

In 2021, we engaged The Equity Project, a Denver-based organization, to host Dr. Dwinita Mosby-Tyler to speak to our Diversity and Inclusion Employee Committee and Senior Management Team. We were so impressed with Dr. Mosby-Tyler's message that we invited her back in May 2022 to an all-employee meeting where she again shared her wisdom and experience. This opportunity provided Centennial with additional resources to further develop our strategy on this important topic. The dialogue raised our internal awareness relating to diversity and inclusion at Centennial and extended our focus on unconscious bias training.

**CDEV Gender Demographics**



**CDEV Females in Management**



Male Female







## Charitable Giving

Centennial is committed to serving as a contributing member of the communities where we live and work.

In 2021, we directed that commitment towards the following charitable initiatives.



### Centennial Roots

Created with the motto of “Let’s Get a Good Thing Growing,” the program provides beauty and greenspaces for the communities we call home. Centennial purchased trees that our team members helped plant across Denver, Colorado; Hobbs, New Mexico; and Midland and Pecos, Texas. We’re proud of this effort, and it’s a project we plan to continue in the years to come.

### Helping the Victims of the Marshall Fire

Tragedy struck our local Denver community when the Marshall Fire erupted in Boulder County. The event resulted in the most destructive fire in Colorado history, affecting neighborhoods close to our headquarters and leaving many without a home. We are passionate about supporting our local communities, so our Team quickly mobilized and created a charitable fund to help victims.

## Supporting Healthcare Workers and First Responders

Centennial is grateful for the dedicated healthcare workers and first responders in our communities that have helped us navigate the COVID-19 Pandemic. In 2021, our employees assembled over 200 care packages for nurses in Denver, Hobbs, Midland and Pecos, as an expression of our appreciation for their devoted and instrumental service to caring for the people in our communities.

We have also developed and cultivated relationships with fire agencies in New Mexico and Texas, including the Eunice, New Mexico Fire and Rescue Department and the Monahans, Texas Volunteer Fire Department. We’re proud to report that a number of Centennial Team members serve as volunteer fire fighters for these agencies and congratulate them and wish them safe efforts in their contributions. In 2021 and 2022 we provided financial support to both of these agencies in their mission to keep our communities safe and to minimize the loss of life and property damage resulting from fires and accidents. We look forward to continuing our support in the future.

Additional charitable initiatives include:

- Sponsoring Pecos' WTX Bandits Baseball Team
- Contributing to the Braden Joplin Memorial Golf Tournament in Midland
- Supporting the Monahans Youth Football Program
- Providing basketball uniforms for Special Olympics athletes in Denver







## Centennial Community

Centennial views our Team as a community of professionals working together to drive sustainable success in our business, and to support each other and build personal connections while doing so.

Through our various charitable giving and volunteering efforts, our employees are able to assist and participate in this outreach. With this vision, in 2022 we have organized many of our employee programs and community outreach programs under the common banner of the **Centennial Community** program. Centennial Community combines the following elements: our Culture Committee, our Diversity and Inclusion Committee, our Caregiver Support Group, our Employee Wellness Plan, and our Charitable Giving, Volunteering and Community Outreach efforts. We're committed to develop, administer and expand the program to support both our employees and the communities where we work to create positive, meaningful, and lasting impacts.

## Strong Culture, Strong Company

As our Team returned to in-office work in 2021, so did our in-person teambuilding events. Such occasions include:

- Day at the Ballpark
- CDEV Family Fall Festival
- Halloween Monster Mash hallway decorating competitions
- No Tricks and All Treats, providing goodie boxes for our employees' families

A recurring theme of our employee Culture Committee is a focus on Centennial Families, however they are defined. Accordingly, in 2022 we created our Caregiver Support Group, designed to offer resources and support to all caregivers within our organization. Also, we recently created *Stay and Play Kids* rooms in our Denver and Midland offices to provide a comfortable and fun environment for our employees' children when childcare is unavailable.

### Centennial Community Program Categories







## Formalizing our Community Outreach Strategy

**In conjunction with the expansion of our Centennial Community Program**, in 2022 we expanded our charitable giving and community outreach efforts. We've developed a multi-faceted approach including the adoption of core causes using employee feedback as guidance in the selection process to form long term partnerships with charitable causes; an employee charitable matching program that matches up to \$2,500 of employee selected donations; a Volunteer Paid Time off program which allows our employees to volunteer eight hours a year supporting charitable efforts of their choice.

Centennial is committed to inspiring and assisting students in their educational journeys. We are proud to announce that in 2022 we have introduced *The Centennial Community Scholarship Program* which supports graduating high school students pursuing continuing education in Colorado, New Mexico and Texas.

We are proud of the growth of our community engagement and outreach campaign, which aligns with our goal of positively impacting the communities where we operate. As Centennial enters its next stage by merging with Colgate Energy, we are excited to continue developing our corporate strategy and continue supporting our local communities.



### Core Causes



- Support core causes identified through employee surveys
  - Patriot Paws
  - Cal Ripken STEM Centers Midland, TX ISD



### CDEV Match & Volunteer Hours



- CDEV will match eligible employee contributions up to an individual and program annual threshold
- Promote volunteerism by providing PTO for volunteering
- Administer program through collaboration with Fidelity



### Scholarships



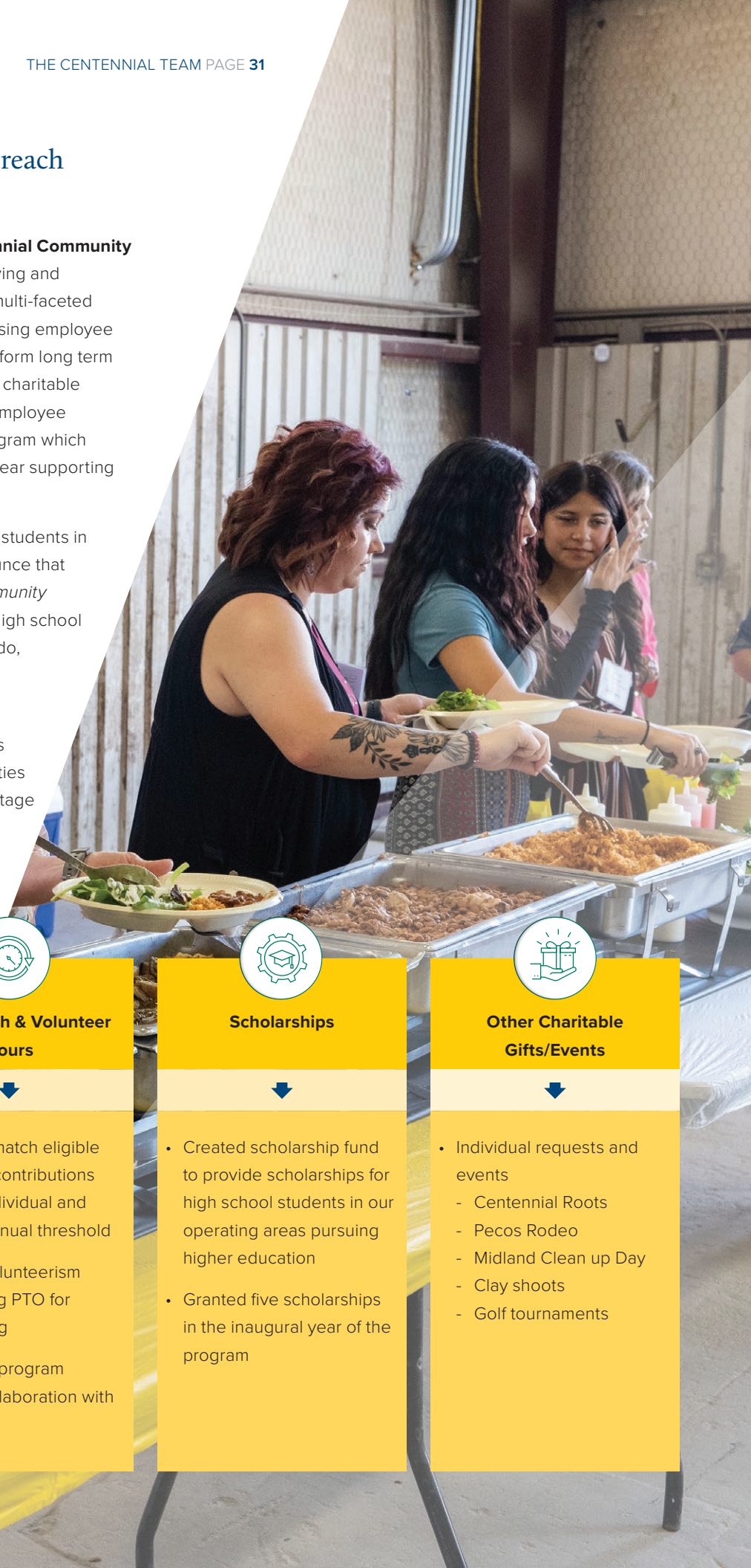
- Created scholarship fund to provide scholarships for high school students in our operating areas pursuing higher education
- Granted five scholarships in the inaugural year of the program



### Other Charitable Gifts/Events



- Individual requests and events
  - Centennial Roots
  - Pecos Rodeo
  - Midland Clean up Day
  - Clay shoots
  - Golf tournaments







## Maintaining a Healthy Workforce

Maintaining an active and healthy team yields many benefits, including fostering a strong sense of community. In 2021, we celebrated our inaugural year of our Centennial Employee Wellness Plan by launching two company-wide fitness challenges. The challenges create friendly competition between our team members across all of our locations, challenging them to log the most active minutes in order to compete for prizes. In all, 73 employees logged almost 300,000 active minutes. We've reintroduced the challenge for 2022 and anticipate similar participation and success.

The Wellness Program also encourages employees to maintain annual preventative healthcare visits. As a result, we saw an increase in utilization of these services by more than 16% in 2021. In addition, the program focuses on mental health by providing *Time For Your Time Out*, a recurring series of events focused on mindfulness and well-being.

## Training and Development

In order to maintain an industry-leading team, we believe that we need to provide the resources to allow our employees to continuously learn and develop their skills. We provide continuing education assistance, which has been utilized by approximately 5% of our employees each year.

Currently, we partner with Franklin Covey for our training program which has covered Diversity and Inclusion, Team, and Leadership topics. We also provide training through RPS to ensure our Team develops and maintains their technical skills. By continually expanding and honing these skills, our technical team can focus on innovation and finding new ways to help Centennial evolve. To continue developing our training programs, we will monitor employee participation and feedback to continue finding new ways to support our employees' development.

## Investing in Our Team

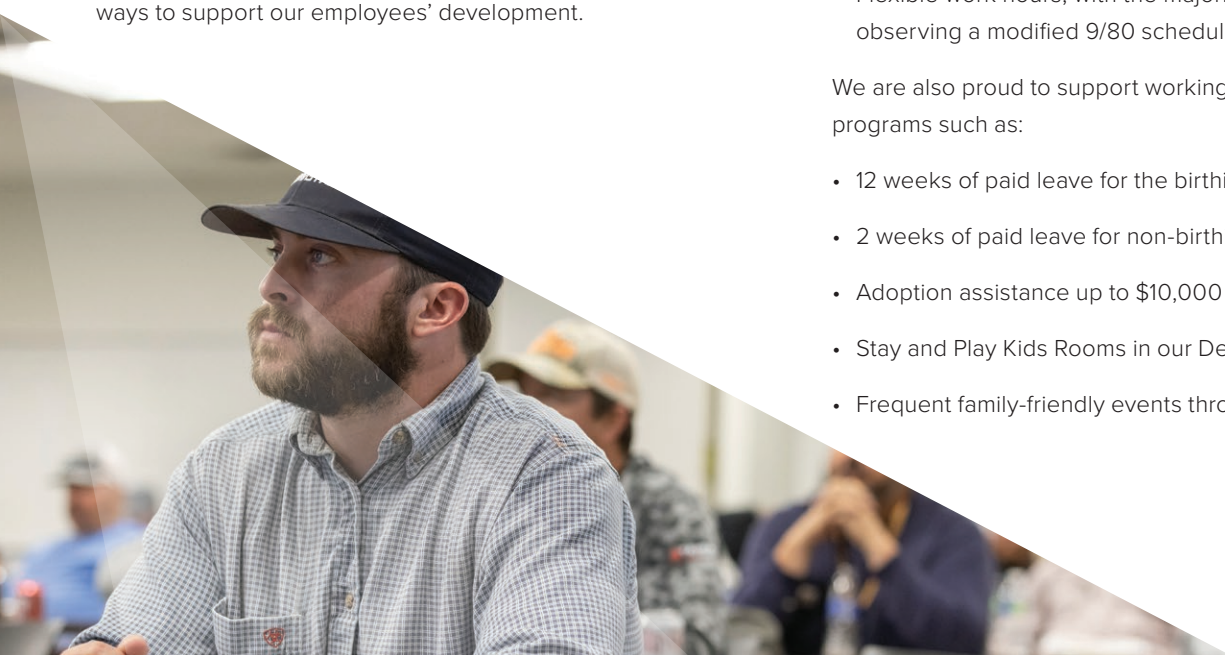
Centennial's team members are the foundation for our success. We strive to recognize and adequately compensate our employees by providing competitive wages, robust healthcare plans and other benefits. Centennial's compensation program is designed to provide competitive, market-based compensation that ties to individual performance and aligns with and furthers company goals and business strategies. Our compensation practices include an Equitable Pay Analysis performed twice annually, which ensures that our employees are compensated fairly for similar roles, regardless of factors such as gender and race. Equally important, we view our compensation practices as a means for communicating our standards of performance and for motivating and rewarding employee's professional development. These initiatives help us retain our top-tier workforce now and attract future talent.

Our competitive benefits package includes the following:

- Up to an 8% employer 401(k) match annually
- Employee Stock Purchase Plan (ESPP), allows employees to purchase company stock at a discounted rate
- Comprehensive medical plans, including coverage for holistic treatments, bariatric surgery, mental health services and assistance with infertility
- Employee Assistance Plan, providing free comprehensive counseling services
- Dental coverage, including orthodontia for both children and adults
- Generous amounts of Paid Time Off based on years of relevant or industry service
- Flexible work hours, with the majority of our office workforce observing a modified 9/80 schedule

We are also proud to support working parents by offering programs such as:

- 12 weeks of paid leave for the birthing parent
- 2 weeks of paid leave for non-birthing parent
- Adoption assistance up to \$10,000 as well as additional time off
- Stay and Play Kids Rooms in our Denver and Midland offices
- Frequent family-friendly events throughout the year







# Governance



## Overall Governance

Centennial corporate governance reflects the company's commitment to monitor the effectiveness of policy and decision making at the Board of Director and executive management level. We have designed and implemented governance practices intended to enhance the long-term sustainability of our enterprise and promote stakeholder value. We endeavor to achieve these ends through a comprehensive corporate culture of ethics, accountability, sound corporate strategy and risk management, including management of climate-related risks and opportunities, and demonstrating the implementation and performance of those objectives through clear and transparent communication to our stakeholders, including our shareholders.

## Board of Directors

Centennial's Board of Directors (the "Board") is comprised of nine directors. Five of our nine directors are independent under the NASDAQ listing standards and the rules of the Securities and Exchange Commission, and two of our directors are female. Our Chief Executive Officer serves on the Board as a non-independent director. As of December 31, 2021, the average age of our Board member was approximately 57, and the average tenure of the Company's directors was approximately three and a half years. Our directors are divided into three equal classes, and each of our

directors is elected by our stockholders every three years under a majority vote standard.

The Board roles of Chairman and Chief Executive Officer are separated. Currently, Steven Shapiro serves as Chairman of the Board position and also serves as an Independent Director. The independent directors regularly meet in executive session, led by the independent Chairman of the Board.

Centennial's Board is currently composed of three Committees: Audit; Compensation; and Nominating, Environmental, Social and Governance each of which is comprised entirely of independent directors.

Centennial's Audit Committee is responsible for monitoring and overseeing our financial reporting, auditing and accounting policies and practices, and for monitoring legal and regulatory compliance risk matters and internal control risks. The principal functions of the Committee are listed in the Committee's charter which is posted on the Investor Relations portion of our website at [www.cdevinc.com](http://www.cdevinc.com).

The principal functions of our Compensation Committee are also identified in the Committee's charter posted on our website, and include overseeing and administering our executive compensation policies, plans and practices, assessing the impact of such policies, plans and practices on Company risk and risk management, and reviewing and approving the compensation of the Company's non-executive officers and other employees. The Compensation Committee solicits input and advice from an independent compensation consultant in carrying out its responsibilities.

Our Nominating, Environmental, Social and Governance (NESG) Committee assists the Board in identifying individuals qualified to become members of the Board, and is responsible for monitoring the independence of Board members, overseeing and approving plans for Chief Executive Officer succession, recommending to the Board corporate governance principles and practices, and further assists in oversight of the Company's strategies, policies, controls and systems relating to ESG matters in order to comply with ESG-related laws and to assist the Company in achieving its ESG goals





and objectives, as well as monitoring broader ESG trends and developments, and to make recommendations to the Board and Company management on ESG matters, and overseeing annual performance evaluations of the Board and its Committees. Other functions of the Committee may be found in its charter posted on our website. Additional discussion of the Board of Director's and the NESG Committee's oversight of climate-related risks and opportunities is included in the TCFD section of this Report.

## Director Qualifications, Skills, and Attributes

The members of the Board have a diversity of experience and a wide variety of backgrounds, skills, qualifications and viewpoints that strengthen their ability to carry out their oversight role on behalf of our stockholders. The below table highlights key qualifications, skills and attributes we believe are important to our business, including the number of our directors that possess each. Each of our directors has high standards of personal and professional ethics, a proven track record of success, and a deep knowledge of the oil and gas industry generally and the Company specifically.

## Executive Compensation

Our executive compensation program is designed to attract, motivate, reward and retain high caliber management with the skills and competencies that Centennial believes are essential to its success and to align executive compensation with our short and long-term business objectives, business strategy and financial performance. As part of that program, Centennial's executive officers are eligible to receive annual bonuses based on the achievement of operational, financial and strategic goals established by the Compensation Committee. The Committee believes that setting specific performance goals helps establish important performance benchmarks and educates executive management and other employees in the Company's top priorities. For bonuses awarded in 2022 for 2021 performance, the Compensation Committee included certain ESG-related performance goals, including limiting gas flared volumes, publishing Centennial's inaugural Corporate Sustainability Report, adding a new highly qualified board member furthering the Board's diversity objectives, meeting certain safety standards relating to Total Reportable Incident Rate (TRIR), and meeting certain oil and water spill standards.

	Maire Baldwin	Matthew Hyde	Piere Lapeyre	David Leuschen	Vidisha Prasad	Steven Shapiro	Sean Smith	Jeffrey Tepper	Robert Tichio
<b>SKILLS AND EXPERIENCE</b>									
Accounting/Financial Oversight	◆		◆	◆		◆		◆	◆
Business Development/M&A		◆	◆	◆	◆	◆	◆	◆	◆
ESG Oversight		◆				◆			◆
Executive Leadership	◆	◆				◆	◆		
Finance/Capital Markets			◆	◆	◆	◆		◆	◆
Geology/Reservoir Engineering		◆					◆		
Investor Relations	◆					◆			
Market/Midstream			◆	◆		◆	◆		
Public Company Board			◆	◆		◆			◆
Strategic Planning/Risk Management		◆	◆	◆	◆	◆	◆	◆	◆
<b>TENURE AND INDEPENDENCE</b>									
Tenure	5	4	5	5	1	2	1	6	5
Independent	◆	◆			◆	◆		◆	
<b>DEMOGRAPHICS</b>									
Age	56	66	59	70	42	70	49	56	44
Gender Identity	F	M	M	M	F	M	M	M	M
White	◆	◆	◆	◆		◆	◆	◆	◆
Asian					◆				





## Security, Human Rights, and Community Relations

Centennial is committed to maintaining strong relationships with local communities and to treating all people with dignity and respect, in all areas of our operations. Our local Teams in Midland and Pecos, Texas, and Eunice, New Mexico, and our headquarters Team in Denver, Colorado, work diligently, particularly through our Centennial Community programs and our Government Relations Team, to assess and address any local community impacts relating to our operations, and engage with affected stakeholders in such communities, including local government and regulatory authorities, to ensure we build effective local relationships, remain aware of developing changes in regulation or policy, and meaningfully respond to any issues and concerns.

All of our field operations and oil and gas reserves are on fee, state and federal lands, and none of our operations are on or affect tribal lands, indigenous peoples, vulnerable communities or conflict areas. Accordingly, we have the good fortune of facing few if any community-related risks, and are able to avoid the possibility of meaningful compensation or settlement payments, write-downs in the values of our oil and gas reserves or regulatory risks associated with operating in such areas and communities. However, we recognize that human trafficking in the Permian Basin is a significant concern, particularly in connection with oil field development activity, and we are committed to taking actions to reduce incidents of trafficking. In 2022, we have taken initial steps to form relationships with anti-trafficking programs that help educate oil and gas teams across the Permian Basin on methods to identify the signs of human trafficking and take affirmative actions to prevent it.

## Business Ethics

Centennial is committed to the highest business ethics in conducting our business and complying with all applicable local, state and federal laws, rules and regulations. Our corporate governance documents reflect our commitment to maintaining the trust and confidence of shareholders, employees, customers, vendors and other stakeholders and people with whom we do business, and to treating all such persons fairly and with respect. The governance documents listed below, together with our Committee charters, and other policies such as our Insider Trading Policy, Clawback Policy, and others, provide the framework for such business ethics.

Please visit our website at [www.cdevinc.com](http://www.cdevinc.com) to view the following documents:

- Code of Business Conduct and Ethics
- Policy for Accounting-Related Complaints
- Policy for Related Person Transactions
- Corporate Governance Guidelines

## Code of Business Conduct and Ethics

The Code of Business Conduct and Ethics communicates our expectations and standards with respect to business conduct, as well as our ethical and legal responsibilities and standards for directors, officers, employees and business partners. The Code is intended to assist directors, officers and employees in recognizing, avoiding and resolving ethical issues and covers a number of topics, including the standards of honest, ethical and fair conduct, conflicts of interest, gifts and entertainment, use of Company assets, disclosure requirements, compliance, reporting and accountability, insider information and trading, issues relating to health, safety and the environment, confidentiality, anti-corruption laws, and others.

## Accounting and Compliance Whistleblower Hotline

Our Board of Directors has adopted a Policy for Accounting-Related Complaints to encourage employees, independent contractors, vendors, customers and business partners to make us aware of any practices, procedures or circumstances that raise concerns about the integrity of our accounting practices, internal accounting controls or other accounting matters. Any employee, independent contractor, vendor or business partner may submit a concern, anonymously or otherwise, regarding accounting matters, suspected violations of laws or our governance documents or other compliance matters to our management team through our Accounting and Compliance Whistleblower Hotline, which we review and investigate in coordination with the Audit Committee of our Board of Directors. We are committed to remaining in compliance with all applicable laws, rules, regulations, standards and policies, including securities laws and regulations, accounting standards, accounting controls and audit practices.

Our Accounting and Compliance Whistleblower Hotline can be accessed on our website or by dialing (844) 418-4481. This website and telephone number are hosted by an independent third party to maintain confidentiality and anonymity when requested.





## Operational Concerns Hotline

We also maintain a general Operational Concerns Hotline to enable our employees, independent contractors, vendors, customers and business partners to make us aware of any concerns relating to our operations, working environment, conflicts of interest, course of dealing with contractors and other business partners, employee relations, security and other operational matters. We are committed to ensuring a safe, secure and ethical workplace and complying with all applicable laws, rules, regulations, standards and policies relating to our operations. Our Operational Concerns Hotline is a convenient and, if desired, a confidential way to report these concerns.

Our Operational Concerns Hotline can be accessed on our website or by dialing (844) 778-5868. This website and telephone number are hosted by an independent third party to maintain confidentiality and anonymity when requested.

## Policy for Related Person Transactions

Our Related Person Transaction Policy addresses the reporting, review, and approval or ratification by the Audit Committee of transactions meeting certain related party criteria or thresholds and involving directors and nominees for director, executive officers, shareholders owning more than 5% of the Company's shares, immediate family members of the foregoing and other entities owned or controlled by any of the foregoing.

## Corporate Governance Guidelines

Our Corporate Governance Guidelines are intended to assist the Board in the exercise of its responsibilities and to serve the interests of the Company and its stockholders, and address matters such as Board independence, independent director meetings, director qualification standards, director orientation and education, director responsibilities and compensation, Board access to senior management and outside advisors, director evaluation, director resignation, Board meeting processes and procedures, and succession planning among others.

## Cybersecurity

Our Information Technology Team plays a crucial role in our company's operation. Our ability to effectively manage and operate our business depends significantly on our information technology systems, and ensuring the functionality, integrity and confidentiality of our data is the foundation of their mission. Accordingly, to best protect the integrity of our systems, we promote a culture of cybersecurity and awareness throughout our organization, including a thorough routine training schedule and multiple information security measures.

Centennial employs a wide array of initiatives to secure our systems and data and prevent losses and breaches. Our effort begins with guidance from the Securities and Exchange Commission's Office of Compliance Inspections and Examinations staff on cybersecurity preparedness. However, we expand that effort with additional programs to further enhance our data security. Some of these efforts include:

- Board of Director and Board Audit Committee oversight of our cybersecurity and information security risk management programs and procedures
- Mandatory, annual security training for all employees and contractors, together with foundational security training for all new team members
- Development and implementation of Security Incident Response Policy to prepare for fast and effective response to potential cyberattacks
- Adoption of best practices including multi-factor authentication and updated Endpoint Detection and Response software throughout our information management systems
- Annual penetration tests to identify high-risk areas and develop mitigation strategies
- Disaster recovery simulations to minimize business impact in the event of a loss of data integrity
- Third-party vulnerability audits
- Offsite information storage and backup

In 2022, Centennial is conducting Incident Response Tabletop Simulations to prepare for cyber threats, identify potential risk scenarios, and enhance our overall cyber response posture. These simulations represent real-life scenarios and help the Incident Response team develop the ability to better react to threats and mitigate potential damage.





## Government Relations

Centennial operates in a highly regulated industry. Much of our activity is guided by the laws, rules and policies created, administered and enforced at all levels of government. Because these legal and regulatory requirements can meaningfully affect our activities, Centennial's Government Relations Team continually monitors legislative and regulatory bodies and seeks to understand and inform the development of reasonable public policy affecting our operations and industry, as well as to improve our ESG performance. To do so, Centennial is a member of several industry trade associations representing the oil and gas industry that encourage public policy, legislative and regulatory approaches that promote responsible and reasonable operating environments for our company and our peers.

These associations include the Texas Oil & Gas Association (TXOGA), New Mexico Oil & Gas Association (NMOGA), Permian Basin Petroleum Association (PBPA), Western Energy Alliance (WEA), Independent Producers Association of New Mexico (IPANM), and the Independent Petroleum Association of America (IPAA). Each of these trade associations, coalitions or other organizations have established committees to monitor policy, law, rulemaking and enforcement efforts. Centennial is also a member of other industry groups including The Environmental Partnership and the Texas Methane and Flaring Coalition that focus on operational best practices. Centennial employees participate in these committees, coalitions and other organizations, including those focused on reducing flaring and other emissions, water reuse and safety issues, to provide expertise and experience, maintain up-to-date knowledge of activities that may impact our company, and take appropriate action when necessary. We seek to build and cultivate strong relationships at various government levels. This allows us to educate and inform policy makers and guide toward reasonable and meaningful approaches to the laws and regulations governing our operations and industry.







# Appendix

## SASB, TCFD, GRI Indexes

This Report was informed by key frameworks and reporting guidance to ensure disclosures are objective and transparent. As described on page 8, Centennial conducted a materiality assessment to determine the topics most significant to our business and stakeholders, which included a comprehensive review of key ESG reporting frameworks, standards, and guidance that are relevant to our industry and to public companies more broadly. Building upon last year's Report, which utilized the SASB materiality profile for oil and gas exploration and production companies and select GRI standards, we are proud to align with the Taskforce for Climate-Related Financial Disclosures (TCFD) to guide our materiality analysis and disclosures. The tables below reflect those topics and metrics deemed relevant to our business, as well as metrics for which we currently collect data and are therefore able to publicly disclose. The disclosures provided in the following indices may be reported in part or in full against each framework or standard, and do not indicate a level of adherence or comprehensive reporting or disclosure of all the topics included in

either framework. Centennial is committed to the continued evolution of our sustainability reporting and practices and endeavors to inform our stakeholders of material ESG topics in a clear, transparent and measurable way.

"SR" refers to this Corporate Sustainability Report. Some SR disclosures may direct the reviewer to the Centennial website for more detail or additional materials located there that will satisfy the disclosure, [www.cdevinc.com](http://www.cdevinc.com).

Documents Incorporated by Reference: References to Centennial's Annual Report on Form 10-K for the year ended December 31, 2021, filed with the Securities and Exchange Commission on February 24, 2022. References to the Proxy Statement refer to Centennial's Definitive Proxy Statement for its 2022 Annual Meeting of Stockholders filed with the Securities and Exchange Commission on March 15, 2022.





## SASB Index

SASB TOPIC AND REPORTING ELEMENT	Code	ACCOUNTING METRIC/ACTIVITY METRIC	LOCATION OF DISCLOSURE	PAGE
<b>Activity Metrics</b>	EM-EP-000.A	Production Volumes	SR - Data Sheet: Net Production BOE Form 10-K: Net Production	5 11
	EM-EP-000.B	Number of offshore sites	Not Applicable	—
	EM-EP-000.C	Number of terrestrial sites	SR - Data Sheet	5
<b>Greenhouse Gas Emissions</b>	EM-EP-110a.1	Gross global Scope 1 emissions; percentage methane	SR - Data Sheet	5
	EM-EP-110a.2	Global Scope 1 emissions from: (1) flared hydrocarbons, (2) other combustion, (3) process emissions, (4) other vented emissions	SR - Data Sheet	5
	EM-EP-110a.3	Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	SR - TCFD Analysis and Emission Targets SR - Environment - Air Quality Management	11 17
<b>Air Quality</b>	EM-EP-120a.1	Air emissions of the following pollutants: (1) NOx (Excluding N2O), (2) SOx, (3) volatile organic compounds (VOC's), and (4) particulate matter (PM)	Not disclosed	—
<b>Water Management</b>	EM-EP-140a.1	1) Total fresh water withdrawn, (2) total fresh water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	SR - Data Sheet SR - Environment - Water Management	5 19
	EM-EP-140a.2	Volume of produced water and flowback generated; percentage (1) discharged, (2) injected, (3) recycled; hydrocarbon content in discharged water	SR - Data Sheet Hydrocarbon content in discharged water not disclosed	5 —
	EM-EP-140a.3	Percentage of hydraulically fractured wells for which there is public disclosure of all fracturing fluid chemicals used	SR - Appendix 100% of our wells' frac fluid composition is disclosed on FracFocus	38
	EM-EP-140a.4	Percentage of hydraulic fracturing sites where ground or surface water quality deteriorated compared to a baseline	Not Disclosed	—
<b>Biodiversity Impacts</b>	EM-EP-160a.1	Description of environmental management and policies and practices on active sites	SR - Our Operations	15
	EM-EP-160a.2	Number and aggregate of Hydrocarbon Spills, volume in Arctic, and volumes recovered	SR - Data Sheet SR - Environment - Spill Management and Prevention Metrics for volumes in the Arctic are inapplicable to CDEV	5 21
	EM-EP-160a.3	Percentage of (1) proved, and (2) probable reserves in or near sites with protected conservation status or endangered species habitat	Not Disclosed	—
<b>Security and Human Rights</b>	EM-EP-210a.1	Percentage of (1) proved, and (2) probable reserves in or near areas of conflict	SR - Governance & Ethics - Security, Human Rights and Community Relations (not applicable)	—
	EM-EP-210a.2	Percentage of (1) proved, and (2) probable reserves in or near indigenous land	SR - Governance & Ethics - Security, Human Rights and Community Relations (not applicable)	—
	EM-EP-210a.3	Discussion of practices with respect to human rights, indigenous rights and operation in areas of conflict	SR - Governance & Ethics - Security, Human Rights and Community Relations	35



## SASB Index (continued)

SASB TOPIC AND REPORTING ELEMENT	Code	ACCOUNTING METRIC/ACTIVITY METRIC	LOCATION OF DISCLOSURE	PAGE
<b>Community Relations</b>	EM-EP-210b.1	Discussion of process to manage risks and opportunities associated with community rights and interests	SR - Environment - Land Stewardship and Biodiversity SR - Governance & Ethics - Security, Human Rights and Community Relations SR - Government Relations	22 35 37
	EM-EP-210b.2	Number and duration of non-technical delays	Not Disclosed	–
<b>Workforce Health and Safety</b>	EM-EP-320a.1	(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	SR - Data Tear Sheet SR - Data Tear Sheet SR - Data Tear Sheet SR - Social - Environmental, Health, and Safety Training	6 6 6 26
	EM-EP-320a.2	Discussion of management systems used to integrate a culture of safety and emergency preparedness throughout the value chain and throughout the exploration and production lifecycle	SR - Health and Safety	25
<b>Reserves Valuation and Capital Expenditures</b>	EM-EP-420a.1	Sensitivity of hydrocarbon reserve levels to future price projection scenarios that account for a price on carbon emissions	SR - Scenario Analysis	14
	EM-EP-420a.2	Estimated carbon dioxide emissions embedded in proved hydrocarbon reserves	Not Disclosed	–
	EM-EP-420a.3	Amount invested in renewable energy, revenue generated by renewable energy sales	Not Applicable	–
	EM-EP-420a.4	Discussion of how price and demand for hydrocarbons and/or climate regulation influence the capital expenditure strategy for exploration, acquisition, and development of assets	SR - TCFD Analysis and Emission Targets	11
<b>Business Ethics and Transparency</b>	EM-EP-510a.1	International transparency corruption	Not Applicable	–
	EM-EP-510a.2	Description of corruption and bribery practices	SR - Government & Ethics - Business Ethics Website - Code of Business Conduct and Ethics	35
<b>Management of the Legal &amp; Regulatory Environment</b>	EM-EP-530a.1	Discussion of corporate positions related to government regulations and/or policy proposals that address environmental and social factors affecting the industry	SR - Government & Ethics - Government Relations	37
<b>Critical Incident Risk Management</b>	EM-EP-540a.1	Process Safety Event (PSE) rates for Loss of Primary Containment (LOPC) of greater consequence Tier 1	Not Disclosed	–
	EM-EP-540a.2	Description of management systems used to identify and mitigate catastrophic and tail-end risks	Not Disclosed	–





## GRI Index

GRI TOPIC & REPORTING ELEMENT	REPORTING ELEMENT	DISCLOSURE OR LOCATION OF DISCLOSURE	PAGE
<b>Organization Profile</b>	102-1: Name of organization	Centennial Resource Development, Inc.	—
	102-2: Activities, brands, products, and services	Oil and gas exploration and production	—
	102-3: Location of headquarters	Denver, Colorado, USA	—
	102-4: Location of operations	United States SR - About Centennial	7
	102-5: Ownership and legal form	Publicly traded company	—
	102-6: Markets served	Form 10-K	13
	102-7: Scale of the organization	Form 10-K	25, 43, 44, 49, 44
	102-8: Information on employees and other workers	SR - Social	25
	102-10: Significant changes to the organization and its supply chain	Form 10-K, Item 1	25
	102-13: Membership of associations	SR - Government & Ethics - Government Relations	37
<b>Strategy</b>	102-14: Statement from senior decision-maker	SR - CEO and Chairman Letter	3
	102-15: Key impacts, risks, and opportunities	SR - Introduction - Board of Directors	33
		SR - Governance & Ethics Form 10-K, Item 1A	36 25
<b>Ethics and Integrity</b>	102-16: Values, principles, standards, and norms of behavior	SR - Introduction	3
		SR - Environment	15
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	102-17: Mechanisms for advice and concerns about ethics	SR - Governance & Ethics - Business Ethics Website - Code of Business Conduct and Ethics	35 —
<b>Governance</b>	102-18: Governance structure	SR - Introduction - Board Management and Oversight SR - Governance & Ethics - Board of Directors	33 33
	102-19: Delegating authority	SR - Introduction - Board Management and Oversight	33
		SR - Governance & Ethics - Board of Directors	33
	102-20: Executive-level responsibility for economic, environmental, and social topics	SR - Introduction - Board Management and Oversight	33
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	102-21: Consulting stakeholders on economic, environmental, and social topics.	SR - About This Report	8
		2021 Proxy Statement	—
	102-22: Composition of the highest governance body and its committees	SR - Introduction - Board Management and Oversight SR - Governance & Ethics - Board of Directors	33 33
	102-23: Chair of the highest governance body	SR - Governance & Ethics - Board of Directors	33
	102-24: Nominating and Selecting the highest governance body	2021 Proxy Statement	—





## GRI Index (continued)

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	102-26: Role of highest governance body in setting purpose, values and strategy	SR - Introduction - Board Management and Oversight SR - Governance & Ethics - Board of Directors"	33 33
	102-27: Collective knowledge of highest governance body	SR - Governance & Ethics - Board of Directors SR - Appendix	33 38
	102-28: Evaluating the highest governance body's performance	2021 Proxy Statement	–
	102-29: Identifying and managing economic, environmental, and social impacts	SR - Introduction - Board Management and Oversight SR - Governance & Ethics - Board of Directors	33 33
	102-31: Review of economic, environmental, and social topics	SR - Introduction - About This Report, Board Management and Oversight SR - Governance & Ethics - Board of Directors	33, 38 33
	102-32: Highest governance body's role in sustainability reporting	SR - Introduction - Board Management and Oversight SR - Governance & Ethics - Board of Directors 2021 Proxy Statement	33 33 –
	102-35: Remuneration policies	2021 Proxy Statement	–
	102-36: Process for determining remuneration	2021 Proxy Statement	–
	102-37: Stakeholders' involvement in remuneration	2021 Proxy Statement	–
	102-38: Annual total compensation ratio	2021 Proxy Statement	–
<b>Employment and Labor</b>	103: Management approach	SR - Social - Overview	25
<b>Training and Education</b>	103: Management approach	SR - Social - Overview	25
	404-2: Programs for upgrading employee skills and transition assistance programs	SR - Social - Training and Development	32
<b>Diversity, Equal Opportunity &amp; Non-Discrimination</b>	103: Management approach	SR - Social - Diversity and Inclusion	28
	405-1: Diversity of governance bodies and employees	SR - Social - Diversity and Inclusion SR - Governance & Ethics - Board of Directors	28 33
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## TCFD Index

TCFD CORE ELEMENT	DISCLOSURE RECOMMENDATION	DISCLOSURE LOCATION	PAGE
<b>Governance</b>	Board's oversight of climate-related risks and opportunities	SR - TCFD Analysis and Emission Targets SR - Overall Governance	11
	Management's role in assessing and managing climate-related risks and opportunities		33
<b>Strategy</b>	Climate-related risks and opportunities identified	SR - TCFD Analysis and Emission Targets SR - Our Operations	11 15
	Impact of climate-related risks and opportunities on business, strategy and financial planning		
	Resilience of company's strategy under different climate-related scenarios, including a 2°C or lower scenario		
<b>Risk Management</b>	Process for identifying and assessing climate-related risks	SR - TCFD Analysis and Emission Targets	11
	Process for managing climate-related risks		
	Integration of climate-related risks into overall risk management		
<b>Metrics and Targets</b>	Metrics used to assess climate-related risks and opportunities	SR - TCFD Analysis and Emission Target	11
	Scope 1 and Scope 2 greenhouse gas emissions and the related risks		
	Targets used to manage climate-related risks and opportunities and performance against targets		





## Forward Looking Statements and Disclosures

The information in this Report includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical fact included in this Report, regarding our strategy, future operations, financial position, estimated revenues and losses, projected costs, prospects, plans and objectives of management are forward-looking statements. When used in this Report, the words “could,” “believe,” “anticipate,” “intend,” “estimate,” “expect,” “project,” “goal,” “plan,” “target,” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words. These forward-looking statements are based on management’s current expectations and assumptions about future events and are based on currently available information as to the outcome and timing of future events. We caution you that these forward-looking statements are subject to all of the risks and uncertainties, most of which are difficult to predict and many of which are beyond our control, incident to the development, production, gathering and sale of oil and natural gas. These risks include, but are not limited to, commodity price volatility, inflation, lack of availability of drilling and production equipment and services, environmental risks, drilling and other operating risks, regulatory changes, the uncertainty inherent in estimating reserves and in projecting future rates of production, cash flow and access to capital, the timing of development expenditures and the other risks described in our filings with the SEC. Except as otherwise required by applicable law, we disclaim any duty to update any forward-looking statements, all of which are expressly qualified by the statements in this section, to reflect events or circumstances after the date of this report.



