



2021 CORPORATE SUSTAINABILITY REPORT

DIAMONDBACK
Energy

ABOUT THIS REPORT

This is the fourth annual corporate sustainability report for Diamondback Energy, Inc. (“the Company” or “Diamondback”). Except where otherwise noted, the scope of this report comprises all consolidated operations and includes data through December 31, 2020. This includes operations at our public midstream subsidiary, Rattler Midstream LP (“Rattler”), but does not include operations at our public mineral and royalty subsidiary, Viper Energy Partners LP (“Viper”), as Viper does not have physical oil and gas operations.

We developed the contents of this report through research, peer benchmarking and conversations with internal and external stakeholders. The report was prepared with content aligned to voluntary frameworks and standards maintained by the Sustainability Accounting Standards Board (SASB), Task Force on Climate-related Financial Disclosures (TCFD), Global Reporting Initiative (GRI), International Petroleum Industry Environmental Conservation Association (IPIECA) and American Exploration and Production Council (AXPC).

We are pleased to share this document as a summation of our corporate responsibility efforts in 2020 and our objectives moving forward.

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Addressing Our Material Topics

We focus our corporate responsibility strategy and initiatives in areas that are materially relevant to our business performance and where we can make a significant positive impact. Our material topics detailed throughout this report include:

- » **ENVIRONMENTAL RESPONSIBILITY** encompassing climate change, greenhouse gases and emissions, flaring, water usage and recycling, spills and spill management, waste and biodiversity
- » **MANAGING AND REDUCING RISKS** through our attention to safety, security and emergency preparedness
- » **GOVERNANCE AND BUSINESS ETHICS** spanning corporate governance, business ethics and compliance
- » **OUR PEOPLE** through advancing diversity, equity and inclusion, human rights, health and safety, training, and professional development for all Diamondback employees
- » **COMMUNITIES** through our outreach, philanthropy, volunteerism and investment



Engaging Our Stakeholders

We seek to incorporate a variety of perspectives in our ESG strategy and initiatives. Our engagement efforts with key stakeholder groups are outlined below and covered in greater detail throughout this report.

| STAKEHOLDERS | ACTIVITIES AND OPPORTUNITIES |
|-------------------------------------|--|
| Stockholders | <ul style="list-style-type: none">▶ Engaging at least annually for insights and suggestions regarding our corporate governance standards, compensation and sustainability efforts▶ Met with investors representing more than 65% of outstanding shares in 2020 |
| Diamondback employees | <ul style="list-style-type: none">▶ Regular employee communications▶ Skills training and professional development courses▶ Leadership development programs |
| Community members | <ul style="list-style-type: none">▶ Interaction and outreach through volunteer programs, service projects and other events▶ Support of new and expanded learning opportunities in local school districts |
| Surface and mineral interest owners | <ul style="list-style-type: none">▶ On-site visits with property owners when planning new or expanded projects, such as drilling▶ Access to our owner relations team |
| Regulatory agencies | <ul style="list-style-type: none">▶ Ongoing communication with federal, state and local agencies▶ Support for development of industry-relevant public policy |
| Board of Directors | <ul style="list-style-type: none">▶ Regular briefings to the Safety, Sustainability and Corporate Responsibility Committee (SSCR) from management on corporate responsibility and ESG strategies▶ Review of ongoing risks and opportunities related to sustainability practices |
| Supply chain partners | <ul style="list-style-type: none">▶ Regular screening and evaluation of contractors▶ Guidance and support in meeting our performance and compliance standards▶ Vendor audits |
| ESG research providers | <ul style="list-style-type: none">▶ Progress updates on new disclosures▶ Consideration of performance measures in reporting▶ Conversations to better understand ESG standards and how performance is assessed |

A Message From OUR CEO

THE GLOBAL PANDEMIC AS A RESULT OF THE SPREAD OF COVID-19 LED TO SIGNIFICANT CHALLENGES FOR EVERY COMPANY IN 2020. DIAMONDBACK WAS NO EXCEPTION, AS THIS CRISIS CAUSED A HISTORIC DROP IN GLOBAL DEMAND FOR OIL AND RESULTED IN AN UNPRECEDENTED DECLINE IN OIL PRICES. THE PANDEMIC NOT ONLY AFFECTED THE ECONOMICS OF OUR BUSINESS, BUT ALSO HAD A DIRECT IMPACT ON THE DAILY LIVES OF OUR OVER 700 EMPLOYEES.



Despite the challenges caused by the global pandemic, I am proud to say our corporate responsibility improved throughout 2020. We consciously worked to protect all of our stakeholders through the pandemic and improved all facets of our environmental, social and governance performance. We stayed true to our values through the lowest points of 2020 and rallied as a united team to finish the year from a position of strength. The trials that we overcame have made us stronger, more resourceful and better prepared to capitalize on the next wave of opportunities that will present themselves in 2021 and beyond.

Throughout 2020, our full-time employees and hundreds of contractors continued to report to work, whether in the field or remotely, regardless of the external conditions. We provided all our employees with the means to continue to work safely throughout the pandemic, and I am proud of how they responded to this challenge. Our human resources (HR) team coordinated with our health, safety and environmental (HSE) group on a pandemic response “E-Plan,” ranging from providing face coverings and hand sanitizer, and requiring social distancing to flexible work-from-home

arrangements. Our managers and HR representatives also reached out to every employee at several points during the year to check on their well-being.

These actions helped sustain Diamondback through the most difficult period in our nine-year history as a public company, which in turn enabled us to continue investing in corporate responsibility initiatives that create economic, social and educational benefits in our communities. Because our life-blood is exclusively in the Permian Basin of West Texas, we care deeply about its future and operate as a responsible and supportive community member.

Diamondback’s corporate responsibility initiatives center on a dozen key issues that are material to our business and where we can make the most direct impact: risk management, energy intensity, global climate change, emissions, waste and spills, water use and recycling, business ethics, compliance, diversity and inclusion, health and safety, training and education, and community engagement. We reach out often to our stockholders, employees and community partners for ideas on how Diamondback can make a more profound, lasting positive impact.

Here are a few examples of our 2020 corporate responsibility accomplishments that illustrate how all of us at Diamondback are focused on driving positive change:

ENVIRONMENT

We invested more than \$30 million in projects designed to reduce our carbon footprint, water use and other environmental impacts. Results in 2020 included a 58% drop in our flaring of natural gas and a nearly 10% increase in our recycled water rate. Also, we set new 2025 goals to end routine flaring and recycle more than 65% of water used in operations.

GOVERNANCE

Our Board of Directors increased the weighting of ESG performance standards in determining short-term incentive compensation for Diamondback employees, to 20% of the formula. Also, the Board approved a “Net Zero Now” goal: As of January 1, 2021, we are committed to efforts that ensure every hydrocarbon molecule produced by Diamondback will result in zero net Scope 1 emissions.

DIVERSITY, INCLUSION AND EQUITY

We intensified our focus on nurturing an environment at Diamondback that is inclusive, diverse and equitable, so that all employees feel empowered to contribute their full talents and their best ideas. In 2020, the proportion of women and ethnically diverse employees across management and professional job classes either rose or held steady.

SAFETY

Both our workforce total recordable incident and workforce lost-time incident rates decreased compared with 2019. While our ultimate goal is to have zero recordable incidents, we set a 2021 target to reduce our total recorded incident rate to 0.25 or less, 50% lower than our previous target. We are also stepping up our vehicle safety training efforts company-wide in 2021.

COMMUNITY

We increased our support and contributions to local food banks to assist those impacted by COVID-19 and to supplemental education efforts which are always a focus at Diamondback. Diamondback and our employees piloted and supported reading, science, technology, engineering, arts and math programs to strengthen underserved students’ skills.

Looking Forward

If there is a silver lining to the storms that we endured in 2020, it is that these struggles verified the strength not only of employees and our operations, but also our ESG principles and corporate values. We rebounded from adversity by steadfastly doing business the right way—for our stockholders, our employees and our communities. We upheld our commitments to operating sustainably, doing so with integrity and supporting the communities where we live and operate.

All of these achievements exemplify the passion, creativity and talents of our 700-plus employees and hundreds of contractors. You have my heartfelt appreciation and utmost

respect. I also want to thank our stockholders for the confidence that you place in Diamondback. We are honored to serve you.

We remain committed to doing business in the right way—guided by our five core values of integrity, leadership, excellence, people and teamwork.

Sincerely,



Travis D. Stice
CEO and Director

ABOUT DIAMONDBACK ENERGY

Headquartered in Midland, Texas, Diamondback is an independent oil and natural gas company. We began operations in December 2007 with the acquisition of 4,174 net acres in the Permian Basin of West Texas. The Company incorporated in December 2011 and completed its initial public offering in October 2012. Diamondback operates on nearly 379,000* net acres in the Permian Basin.

As of December 31, 2020, the Company had 732 full-time employees. We also hire independent contractors and consultants to assist with various business functions. Our common stock is listed on the Nasdaq Global Select Market under the symbol FANG.

Diamondback focuses on the acquisition, development, exploration and exploitation of unconventional onshore oil and natural gas reserves. Since our formation, we have focused these efforts solely within the Permian Basin.

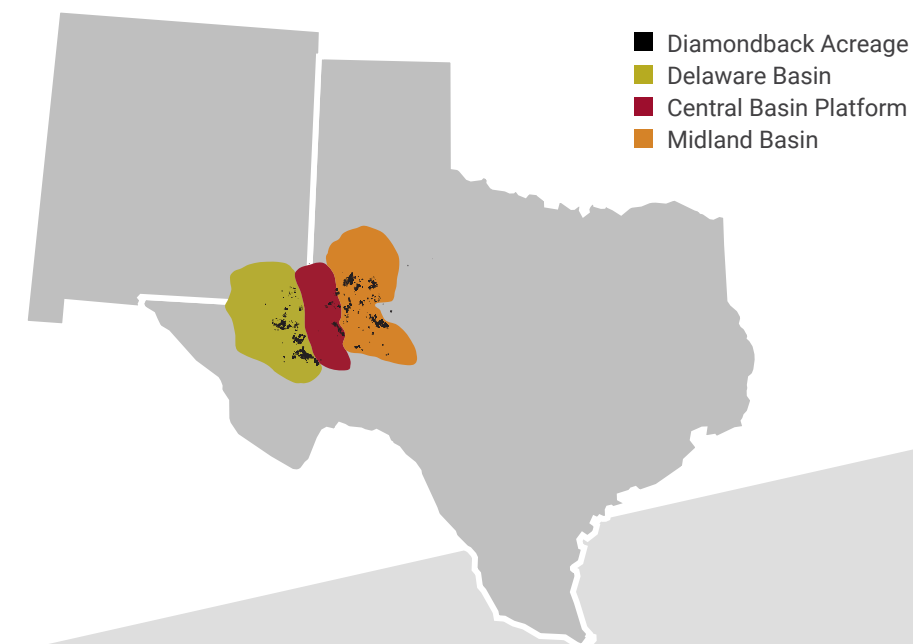
In the first quarter of 2021, Diamondback completed the acquisition of all the leasehold interests and related assets of Guidon Operating LLC, as well as the acquisition of QEP Resources, Inc. in an all stock merger. These transactions added over 80,000 net acres to our holdings in the Permian Basin.

*As of 12/31/2020.

Our strategic approach allows us to:

- ▶ Enhance returns through our low-cost development strategy of resource conversion, capital allocation and continued improvements in operational and cost efficiencies
- ▶ Focus on increasing hydrocarbon recoveries and maximizing returns through horizontal drilling and development
- ▶ Adopt technologies and best practices that reduce the environmental impact of our operations
- ▶ Increase production and reserves by efficiently developing our oil-rich resource base and maximizing its value and resource potential
- ▶ Pursue acquisitions using our proven ability to evaluate resource potential and identify those that best meet our strategic and financial targets
- ▶ Maintain financial flexibility with low leverage

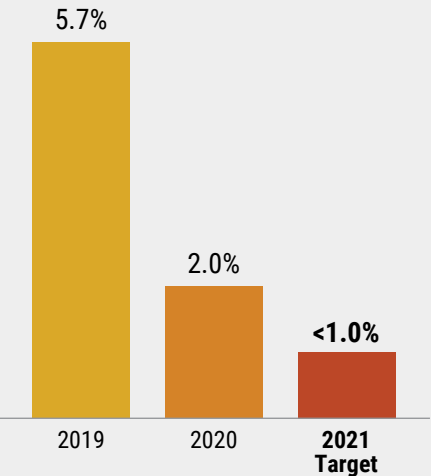
DIAMONDBACK PERMIAN BASIN ACREAGE*



DIAMONDBACK SUSTAINABILITY TARGETS

NATURAL GAS FLARING

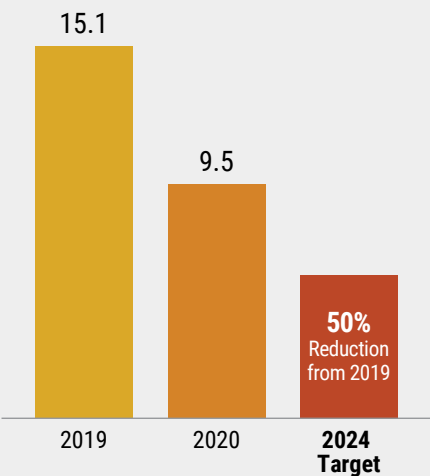
(% of Gross gas flared/gross gas produced)



GOAL:
End routine
flaring by 2025

SCOPE 1 GHG INTENSITY

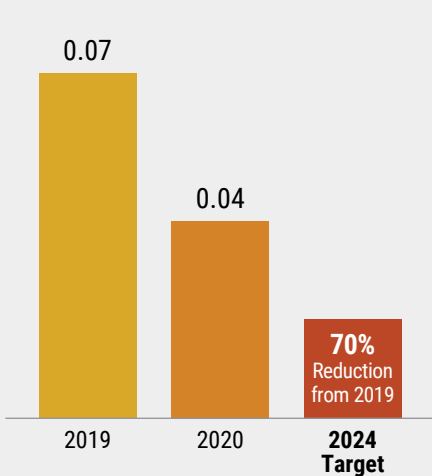
(mt CO₂e/gross MBOE produced)



GOAL:
Reduce by 50%
by 2024

METHANE INTENSITY

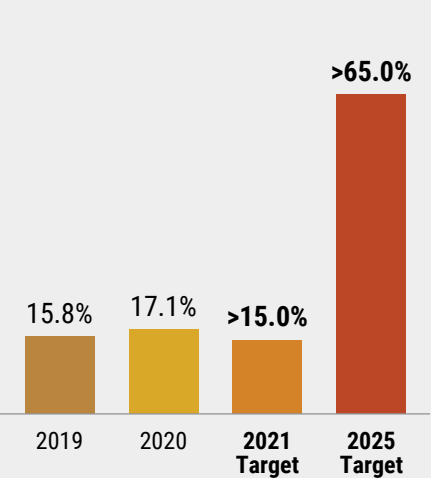
(mt CH₄/gross MBOE)



GOAL:
Reduce by 70%
by 2024

RECYCLED WATER USAGE

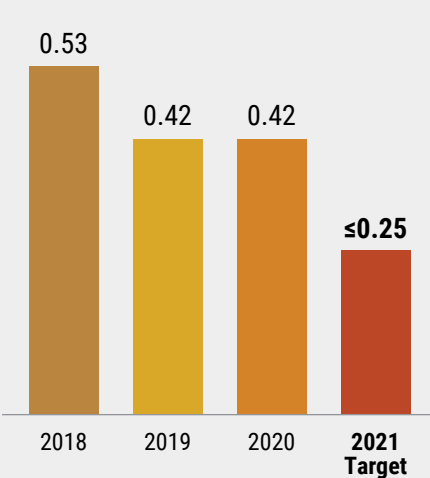
(% of Recycled water/total water used)



GOAL:
>65% recycling
by 2025

WORKPLACE SAFETY

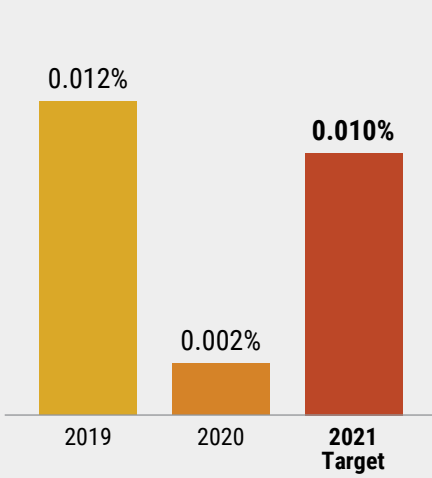
(Employee TRIR)



2021 GOAL:
TRIR at or
below 0.25

PRODUCED LIQUID SPILLS (LESS RECOVERED)

(BBLs of produced liquid spills not recovered/total produced liquids)



2021 GOAL:
<0.01% of
produced liquids

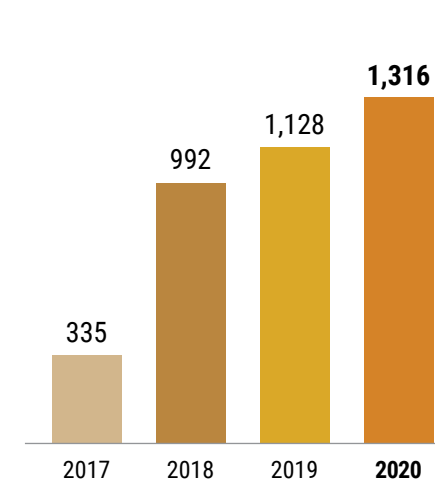
2020 FINANCIAL AND OPERATING PERFORMANCE HIGHLIGHTS

Diamondback ended 2020 with estimated proved oil and natural gas reserves of 1,316 MMBOE, including 99.4 MMBOE attributable to Diamondback's publicly traded mineral subsidiary Viper. We produced an average of 300.3 MBOE/d in 2020, a 6% increase from 283.0 MBOE/d in 2019. Our 2020 production comprised approximately 60% oil, 20% natural gas liquids and 20% natural gas.

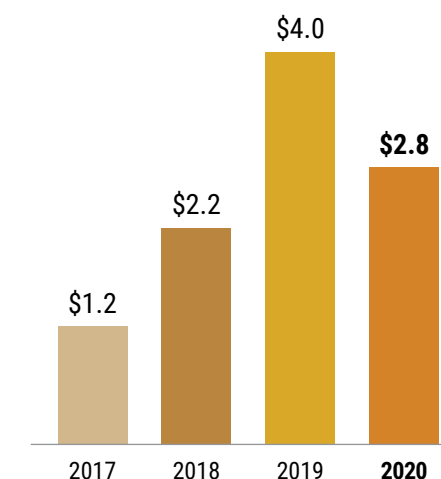
Diamondback realized a cash margin per BOE of 71% in 2020, extending our track record of cost leadership. We generated a full-year return on average capital employed of 4.5% for the year, a result that was substantially affected by the difficult commodity backdrop due to the global pandemic. However, our quick response to the pandemic and superior cost control allowed the Company to generate \$162 million of Free Cash Flow* in 2020. We also continued returning capital to stockholders through our annual cash dividend, which increased from \$1.50 to \$1.60 per share in the fourth quarter of 2020.

More details on our 2020 financial and operating performance can be found in our [Form 10-K](#).

TOTAL PROVED RESERVES
(MMBOE)



TOTAL REVENUE
(In billions)



*Free Cash Flow is a non-GAAP measure. For its definition and a reconciliation to a comparable GAAP measure, please see our [earnings release](#) for 2020.



OUR COMMITMENT TO ENVIRONMENTAL RESPONSIBILITY

WE RECOGNIZE AND EMBRACE OUR RESPONSIBILITY TO PRODUCE ENERGY SOURCES THAT THE WORLD NEEDS WHILE ALSO LIMITING OUR IMPACT ON THE PLANET. DEVELOPING OUR RESOURCES SUSTAINABLY AND MINIMIZING THE ENVIRONMENTAL IMPACT OF THIS DEVELOPMENT ARE CORE VALUES IN ALL ASPECTS OF DIAMONDBACK'S BUSINESS.

Environmental Policy and Environmental Management System

We are committed to the environmentally responsible exploration, exploitation, acquisition and production of oil, natural gas and natural gas liquids. We are dedicated to performing these duties in compliance with applicable federal, state and local laws, including laws regulating emissions of greenhouse gases, such as methane. We take actions beyond those required by law to reduce methane and other greenhouse gas (GHG) emissions, recycle an increasing percentage of water and make significant investments in infrastructure to reduce environmental impact. Our environmental management system consists of gas leak detection and repair, spill tracking and remediation, and combustion source identification and reduction programs. Through these programs we monitor and measure our environmental performance company-wide. Management and operational teams review this data on a regular basis to find areas of improvement and initiate corrective actions.

Our environmental protection actions in 2020 included implementing better mitigation solutions and developing stronger preventative maintenance plans to help reduce the Company's environmental footprint on both an absolute

and per barrel basis. Also, our incentive compensation for employees throughout the Company is tied to achievement of our environmental responsibility targets. This compensation change was implemented in our 2020 Short Term Incentive (STI) scorecard with a 15% weighting, and subsequently expanded in 2021 to a 20% weighting.

We continually investigate, evaluate and incorporate the best available control technology (BACT), wherever feasible, to reduce or prevent adverse environmental impacts from our operations. Diamondback invested more than \$30 million on various projects in 2020, and we plan to invest another \$60 million through 2024 toward achieving our environmental responsibility objectives and five-year targets.

Through these efforts, we are on track to reduce Diamondback's environmental impact over the next four years, as highlighted in the tables throughout this section. Additional details about our environmental data and calculations can be found in the Appendix starting on [page 37](#).

Energy and Greenhouse Gas Management

Consistent with our overall approach to environmental responsibility, we strive to limit and capture air emissions by implementing BACT on all new facilities and wells. BACT projects include various infrastructure applications, such as fitting our tanks with vapor recovery towers and compressors that can capture more than 95% of possible emissions. This process encompasses the majority of the \$60 million we plan to spend over the next four years to meet our GHG and methane intensity reduction targets.

OUR “NET ZERO NOW” COMMITMENT

Effective January 1, 2021, we committed to achieving zero net Scope 1 GHG emissions from our oil and gas production. Along with taking aggressive steps to cut emissions and reduce our GHG intensity, we will purchase carbon offset credits equivalent to our remaining Scope 1 emissions. Over time, we plan to invest in additional projects that more directly offset our Scope 1 emissions, but the Net Zero Now project shows our commitment to environmental responsibility today. Hitting and exceeding our emissions reduction targets will be the priority, but the purchase of carbon offsets can be seen as our “bridge” to the time when our project investments can supplement the reduction of our carbon footprint.

Diamondback secured voluntary carbon offsets that are registered in the American Carbon Registry. The projects associated with these offsets include the capture, transportation and sequestration of carbon dioxide in Texas and Wyoming. These projects represent goals 9 (industry, innovation and infrastructure) and 13 (climate action) of the United Nations’ Sustainable Development Goals.



NET ZERO
NOW

AS OF JANUARY 1, 2021, EVERY HYDROCARBON MOLECULE
PRODUCED BY DIAMONDBACK IS ANTICIPATED TO BE
PRODUCED WITH ZERO NET SCOPE 1 EMISSIONS.

The table below summarizes our key efforts to address primary sources of Scope 1 GHG emissions from Diamondback’s production operations.

| SOURCE | ACTIVITY | ACTIONS |
|-------------------------------|----------------------------------|---|
| Combustion | Gas-lift engines | <ul style="list-style-type: none">▶ Began installing electric drive compression on new compressor installs▶ Active replacement of existing natural gas combustion compression fleet with electric |
| | Electrical generation | <ul style="list-style-type: none">▶ Replaced gas-powered generators with line power |
| Flaring | Routine | <ul style="list-style-type: none">▶ Connected all new wells to sales pipelines prior to well completion▶ Shut in oil production to prevent or limit flaring wherever possible▶ Obtained multiple sales connections wherever possible |
| | Non-routine | <ul style="list-style-type: none">▶ Improved third-party maintenance planning▶ Reduced third-party downtime▶ Resolved third-party capacity constraints▶ Shut in oil production to prevent or limit flaring wherever possible |
| Atmospheric storage tanks | Oil tank emissions | <ul style="list-style-type: none">▶ Installed additional engineered controls to eliminate venting▶ Installed 16-ounce tanks to drive remaining flash gas to combustors▶ Limited tank facility design to eliminate tank emissions |
| Natural gas pneumatic devices | Device actuating | <ul style="list-style-type: none">▶ Continued to replace natural gas controllers with compressed air units; plan to replace nearly all natural gas controllers with compressed air units |
| Equipment leaks | Leak detection and repair (LDAR) | <ul style="list-style-type: none">▶ Initiated quarterly drone flyover inspections of all batteries in 2021; well above and beyond regulatory requirements▶ Added monthly inspections and reporting▶ Implemented continuous monitoring pilots in 2021 and plan to install permanent systems by year-end▶ In 2021, created Forward Looking InfraRed (FLIR) teams in Operations and Air Compliance to increase frequency of leak detection monitoring |

GHG EMISSIONS REDUCTION PROGRAMS

Diamondback is committed to mitigating our GHG emissions. We simultaneously implement various emissions control, detection and repair objectives in order to honor this commitment.

For us to determine the BACT for emissions, we must have robust detection and monitoring to validate and respond to failures of control devices. In 2021, we plan to launch trials of four different technology systems to establish continuous monitoring and response in our operations. Data collection and alarming capabilities will allow us to rapidly identify and respond to leaks associated with equipment malfunction or failure prior to an extended release. The data we collect from these systems enables us to enact preventative maintenance plans for future incidents.

To monitor our facilities for fugitive emissions, we conduct on-the-ground inspections for LDAR. These inspections, conducted at least semi-annually, allow us to meet our regulatory requirements while also giving us another opportunity to find and repair previously unknown leaks. Diamondback has trained dedicated field staff who use FLIR cameras to monitor our assets daily and repair any leak identified. Our internal Air Compliance group is also equipped with FLIR cameras for formal internal inspections and reporting.

Diamondback is adapting technology to mature beyond manned on-the-ground monitoring. In 2021, we began conducting quarterly drone flyovers which inspect our facilities for emissions releases. An independent third-party conducts the quarterly drone flyovers and provides immediate data to us to plan repairs. The drone flyovers increase the frequency of our inspection and monitoring and thus should improve our response time to a fugitive emission source.

Our goal is to implement real-time continuous monitoring of fugitive emissions. In order to monitor one common source of fugitive emissions in real-time, we are installing flame sensor technology on many of our flare systems to alert us when the

flare should be lit but no flame is present. The sensor alerts our personnel to re-ignite the flame or shut the well in to prevent gas from venting.

We continue to seek out the best practices and technology to achieve our GHG emissions goals. Our engineering staff and field personnel participate in quarterly roundtable discussions to identify design changes that could help us better capture emissions moving forward. Recently, we engaged a third-party GHG Intensity engineering firm to review our standard facility design and make recommendations to improve control-related emissions while optimizing operations. We accepted all of the recommendations made and we have begun to implement these changes across all of our horizontal facilities.

We use renewable energy in the form of solar-powered pumps for chemical delivery, automated valves (where appropriate) and lighting. We are currently exploring opportunities for more solar installations throughout our operating fields to meet our electricity needs with renewable power.

ELECTRIFICATION OF COMBUSTION SOURCES

We are expanding our use of electricity-powered compressors, which emit less GHG compared to natural-gas-fueled equipment. Since 2020, we have eliminated more than 100 gas-powered generators and compressors throughout the Company. A small percentage of our compression fleet is currently electric and our goal is to install electric compression going forward when operationally feasible. We have decreased generated horsepower by 25% and now have less than 15% of our total load provided by gas generators. By the end of 2021, we expect to remove over 25 more generators while increasing the percentage of our load powered by line power to over 90%. Additionally, we intend to run our first drilling rig on electricity supplied directly from power lines instead of through a generator in 2021. While we will not be able to run all of our rigs off of line power versus on-site generators, we will look to expand that capability wherever possible.

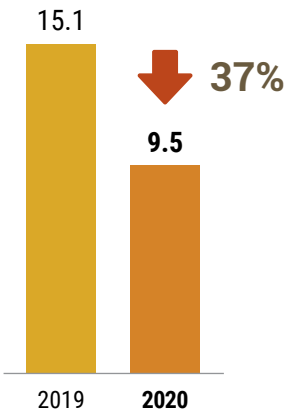


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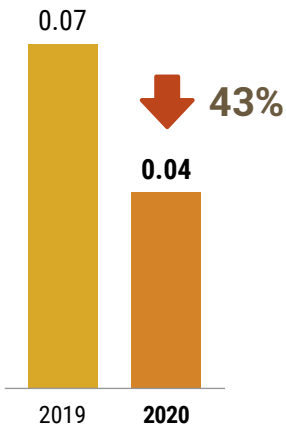
GHG EMISSIONS INTENSITY LEVEL
(mt CO₂e/Gross MBOE) IN 2020, A
37% DECREASE COMPARED WITH 2019¹

¹2020 emissions data is pending EPA review.

SCOPE 1 GHG INTENSITY
(mt CO₂e/Gross MBOE)



METHANE INTENSITY
(mt CH₄/Gross MBOE)



Flared Gas

Historically, natural gas flaring has been the largest source of Diamondback’s GHG emissions. As such, one of our top priorities to minimize GHG emissions is to eliminate routine gas flaring. We flared approximately 2.0% of our gross natural gas produced in 2020 compared with approximately 5.7% in 2019—a 65% reduction.

Much of Diamondback’s flaring in 2020 stemmed from the activities of our third-party midstream gatherers and processors. We continue to work with our midstream providers by implementing operational and commercial solutions to incentivize performance. Diamondback also actively works to obtain multiple gas sales connections at our larger gas producing batteries wherever possible. This allows us to flow gas to the secondary outlet and minimize flaring in the event a third-party gatherer and processor has planned maintenance or experiences a force majeure event. We are committed to solutions-oriented discussions with our midstream partners to remedy areas of poor performance, but we need them to commit to the same level of environmental responsibility expected of us as the operator. While these solutions often reduce our cash flow, we have commercially incentivized our third-party gatherers to move our gas to market. We seek to re-negotiate contracts with our midstream providers to fixed fees wherever possible, as this fee structure removes the potential for gatherers to elect not to take our gas for economic reasons. We have also proactively shut in or curtailed our own oil production to limit or minimize flaring due to third-party downtime or lack of sufficient takeaway. While such actions decrease Diamondback’s oil production and impact our revenue, we believe they are necessary in setting the example that industry behaviors must change to eliminate routine flaring.

TARGETING THE SOURCES AND CAUSES OF FLARES

We continue to implement improved technologies and adopt onsite practices that move us closer to our ultimate goal: prevent air emissions from coming off the tanks and drastically reduce combustion and flaring. In 2020, we implemented new monitoring and data collection technology to enable our field teams and supervisors to evaluate and effectively respond to a flaring incident. We established a daily tracking system to identify flaring events and air emissions which are then evaluated with the same rigor as if they were an oil or water spill on the ground, including root-cause analysis and continuous monitoring for improvement.

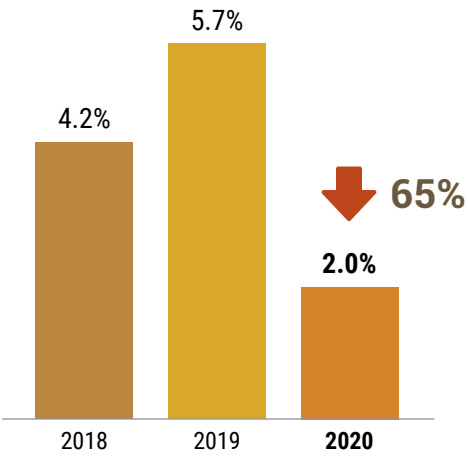
Since 2014, the standard Diamondback facility design has employed vapor recovery towers and vapor recovery units. These systems have decreased the flash of gas in tanks by more than 80% and allowed for the sale of previously combusted vapors. Additionally, Diamondback has made a design change to our tanks and will incorporate 16-ounce tanks moving forward. Moving to this higher rated tank helps reduce the amount of vapor released into the atmosphere by allowing those built-up fumes to reach a control device instead.

In 2020, we started operating a new compressed natural gas (CNG) plant in one of our Southern Delaware Basin fields. This gave us the capacity to reduce potential flaring by several million standard cubic feet (scf) per day where takeaway capacity was insufficient. Working with our gatherer, we have now secured ample takeaway and decommissioned this CNG facility, but we will not hesitate to implement this strategy again should the need arise.

We have set a short-term target for 2021 to flare less than 1.0% of our gross natural gas production and will continue to set short-term targets in our company STI scorecard. Our long-term goal is to eliminate routine flaring (as defined by the World Bank) by 2025 while taking into consideration the safety of our operations.



GAS FLARED AS A PERCENTAGE OF GROSS NATURAL GAS PRODUCTION



Water Usage and Water Risk Management

Diamondback is dedicated to the responsible use of water. We use the **World Resources Institute's Aqueduct Water Risk Atlas** to categorize scarce water zones in our operating area. This tool helps guide us to make environmentally responsible decisions for future water needs. We recognize that our operations are primarily located in a water scarce region. As such, we aim to minimize our draw on local resources, particularly communities' available supply of freshwater. We use a blend of recycled produced water, brackish water and freshwater for our drilling and completion operations across our asset base, with an increased focus on both produced and brackish water as our primary options. We have a short-term goal to use produced water for 15% of the water used in our completion operations in 2021 as set out in our company STI scorecard, up from 10% in 2020. We will continue to set short-term goals in our scorecard in the coming years. Our long-term target is to source over 65% of our water used for drilling and completion operations from recycled sources by 2025.

Our investments of more than \$63 million in 2019 to improve our water recycling, gathering and disposal infrastructure continued to yield benefits over the course of 2020. We increased our use of recycled water for operations to 17.1% of the total volume in 2020, compared with 15.8% in 2019 and 9.9% in 2018. Our freshwater intensity rate decreased to 0.20 BBL/Gross BOE in 2020 compared with 0.51 in 2019.

We source brackish (non-potable) water for our drilling and hydraulic fracturing operations where it is available and economically feasible. This helps conserve the available supply of freshwater, since the brackish water we use is generally too high in salinity for irrigation or household use.

In 2020, we revised our definition of brackish water to conform with the AXPC standard. AXPC classifies water containing up to 1,000 parts per million (ppm) of total dissolved solids as fresh. Under the AXPC standard, brackish water comprised 59% of our total water volume used in operations and freshwater comprised 24% of the total in 2020. The remaining 17% was recycled water.

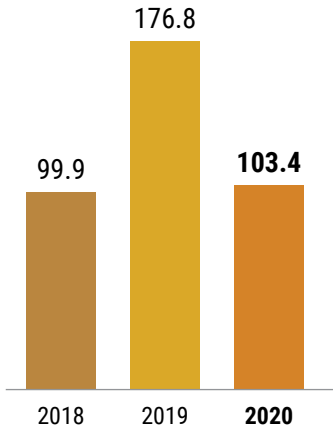
We are also building new water storage and treatment facilities that will hold up to 10 MMBBLs of recycled water to be used for our completions or share with other oil and gas producers in the region. This has enabled us to increase our long-term goal of using more than 65% of recycled water in operations by 2025, up from 25% last year. Our short-term 2021 target is to use more than 15% of recycled water in operations.

For more details on Diamondback's water-management program and processes, please refer to our [2021 CDP Water Security](#) response.

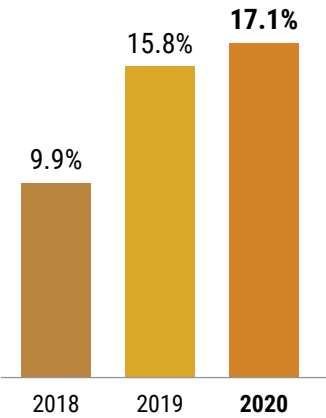
Managing Induced Seismicity

When we are not able to recycle produced water, we inject it underground responsibly. In response to research literature suggesting an association between hydraulic fracturing and minor tremors or other seismic activity below ground, we invested in additional equipment in 2020 to monitor and report on potential induced seismicity events. We not only use the readouts from these seismic monitoring stations in our risk analyses of site locations, but also share data with university and state government researchers. Diamondback complies with applicable federal and state regulations on underground injection control.

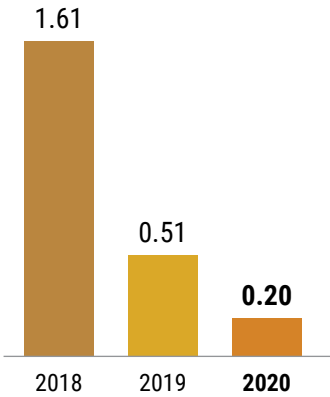
TOTAL WATER USED IN OPERATIONS (MMBBLs)



WATER RECYCLE RATE (BBL/BBL)



FRESH WATER INTENSITY (BBL/Gross BOE)



Spills and Spill Management

Diamondback is dedicated to preventing the release of fluid from containment as part of our commitment to protect our employees, our communities and the planet. We hold ourselves accountable to exceed industry standards for effluent management as well as spill prevention control and countermeasures. Our 2021 target is to spill less than 0.01% of the gross barrels of produced liquids, and we will continue to have a short-term goal in our future company scorecards. Utilizing our knowledge from past experiences enables us to minimize the impact of spills on the outside environment.

Spill-prevention controls and countermeasures are ingrained in our operational culture. We are committed to installing properly designed equipment, inspecting facilities regularly, implementing a vigorous preventative maintenance program and ensuring our employees follow appropriate handling practices.

A multifunctional team gathers monthly to review each spill, verifying its classification, failure mechanism and location. We use a comprehensive dashboard to assess trends and create data-driven recommendations for design modifications, additional preventive maintenance, and revised operational practices to eliminate similar issues in the future.

Currently, more than 98% of our produced water is handled via pipelines, and we continue to increase that percentage. Additionally, we conduct 100% of our water movement for completion operations via pipeline. Prior to beginning completion operations on a well, we require our transfer services contractors to perform a leak and pressure test on the pipelines being used. We set minimum operational standards and equipment specifications that must be adhered to during active completions. We create and maintain Spill Prevention Control and Countermeasure (SPCC) plans in accordance with federal regulations for our production facilities. We evaluate all new facilities and implement SPCC plans to better protect additional locations not specifically mentioned in the regulation. For example, the majority of our batteries are constructed with a lined secondary containment area for recovering liquids that might be lost in the event of a release.

While we are still working to reduce our spill rate, in 2020 we recovered approximately 68% of the volume of spills that occurred. We track both spilled and recovered volumes and have spent significant capital on secondary forms of containment to minimize the impact of each spill.

SPILL-PREVENTION TECHNOLOGIES

We install high-liquid-level alarms on storage tanks as well as high-level “well-kill” systems. The high-level alarm allows operations personnel to proactively respond to situations at each facility. As an additional protection measure, the “well-kill” or shutdown signal will automatically shut in the wells to avoid tank overflows. Through additional automation at Diamondback facilities, lease operations personnel can view tank levels and production data on their phones and computers.

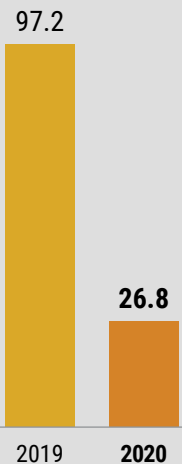
In 2020, we also rolled out a new incident reporting system that enables our employees and contractors to communicate more effectively for faster spill response and remediation.

SPILL RECOVERY

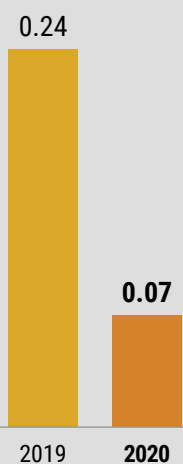
On most facilities, Diamondback constructs secondary containment with an impervious barrier around our tank batteries and salt water disposal facilities. In the event of a liquid release, we strive to capture any released liquids and return them to the tank with no impact on the ecosystem around the facility. We track all spills and recoveries, regardless of size, in our software system. Senior management routinely reviews spill and recovery data and tracks current versus past performance in tandem with our stated goals.

Our goal for any release is timely response and effective mitigation. We work with third-party contractors to implement proven methodologies for soil remediation that meet or exceed regulatory requirements. We require soil testing by certified laboratories to ensure closure requirements are achieved. Our goal is simple, leave the land on which we operate better than how we found it.

TOTAL LIQUID SPILL VOLUMES (MBBL)



LIQUID SPILL RATE (BBL/MBBL)



NUMBER OF SPILLS



Waste

Reducing waste in our operations not only helps the environment, but also makes sound business sense. Since production and completions typically generate negligible waste, we primarily focus on minimizing waste at our drilling sites.

A portion of the wells we drill in the Permian Basin require the use of an oil-based mud called diesel invert. After use, we dry the cuttings from drilling operations to a level of less than 5% total petroleum hydrocarbons (TPH) and re-use the oil based mud we collect in the process. We further treat the cuttings to less than 1% TPH before deep-burying it on site. Our ability to treat cuttings onsite also helps reduce the volume of trucks required to haul to disposal.

In 2021, we began using water-based mud in our drilling operations, which not only has significantly improved our drilling performance, but is also more environmentally-friendly and reduces the need to treat cuttings as previously described. This process has been successful in the Midland Basin and we are currently testing it in the Delaware Basin. By the end of 2021, we expect to eliminate the need to use oil-based mud in all of our drilling operations in the Midland Basin, where over 75% of our wells are drilled.

Land Use and Biodiversity

Diamondback works to protect biodiversity and minimize adverse environmental impacts associated with our operations. We collaborate with landowners, regulatory agencies, local government representatives and other stakeholders in developing natural resource management plans geared toward minimizing disturbances and restoring habitat in affected areas.

MINIMIZING IMPACT

Our teams perform satellite-image reviews of potential pad and battery sites to spot topographical features, such as playas, that may require avoidance. Next, a site visit is performed with the landowner to identify potential impacts not discovered by the prior satellite review.

As part of our drilling plans, we seek to utilize existing pads and batteries to reduce the amount of disruption to new land. In addition, we are drilling more wells per drilling pad. We averaged nearly 2.7 wells per pad in 2020 compared with 2.5 in 2019. We also drill longer laterals when possible to access more reservoir area with less surface impact. In 2020, our average lateral length for wells completed was 10,585 feet compared with 9,598 feet in 2019, a 10% improvement.



UNITED IN DRIVING SUSTAINABLE PRACTICES



Diamondback continues to work with The Environmental Partnership, composed of more than 80 companies in the oil and gas industry committed to continuously improving environmental performance. This group collaborates on initiatives to reduce emissions of methane and volatile organic compounds from industry operations.

In 2020, we helped drive The Environmental Partnership's efforts to improve LDAR practices across oil and gas production sources. We also took a lead role in encouraging member companies to replace all high-bleed pneumatic controllers with low- or zero-bleed technologies over the next four years.

We also contribute to environmental initiatives through our work with other industry groups, including:

- ▶ Texas Oil & Gas Association
- ▶ Permian Basin Petroleum Association
- ▶ American Exploration & Production Council
- ▶ Permian Basin Water Management Council

RECLAMATION AND RESTORATION

When a well reaches the end of its economic life, we have a three-step process to plug and reclaim that wellbore and its pad site.

The first step is to temporarily abandon (TA) the wellbore by removing the downhole production equipment and setting a plug in the production casing above the top perforations, as well as closing all surface valves. This practice ensures we have redundant barriers that prevent reservoir fluids from being able to flow to the surface. In 2020, we TA’d 94 wells, primarily older vintage vertical wells in the Midland Basin.

The second step is to plug and abandon (P&A) the well after a period of time. We endeavor to plug and abandon wells in a manner that is at or above the requirements of the Texas Railroad Commission (TRRC). We currently plan to P&A 10% or more of our inactive wellbores each year. For reference, we P&A’d 37 wells in 2020, even when facing the budget constraints presented by the global pandemic and fall in commodity prices.

The final step in this process is the surface remediation of the well pad. During this step we consult with landowners on how they would like the well pads reclaimed. If the landowner wants the pad and road removed, the caliche rock on the pad and road is reused to repair other lease roads. Approximately 95% of the caliche rock from remediated pads was reused to repair roads in 2020. The bare land where the lease road and well pad were located is either re-seeded or left bare according to the landowner’s request.

ENDANGERED SPECIES

In 2021, Diamondback enrolled in a candidate conservation plan with assurances (CCAA) through the U.S. Fish & Wildlife Service in order to ensure the protection of the Dunes Sagebrush Lizard. The lizard is native to the shinnery oak of Mescalero Sands of New Mexico and the Monahans Sandhills of Texas. This includes portions of Andrews, Crane, Ector, Gaines, Ward and Winkler Counties. The CCAA is completely voluntary and will ensure preservation of the species on shared land with oil and gas production.

Compliance

Our oil and natural gas exploration, development and production operations are subject to stringent environmental laws and regulations, including those related to waste handling, remediation of hazardous substances, water discharge and air emissions. In 2020, Diamondback completed or initiated a total of 223 compliance audits involving acquired facilities in accordance with the Texas Environmental, Health, and Safety Audit Privilege Act.

Diamondback also participated in the Texas Commission on Environmental Quality’s Permian Basin “Find It and Fix It” program. This program encourages air quality compliance for operators and ensures deficiencies are timely and properly corrected.



Building upon the Company’s initial work in 2019 to reduce light pollution from our drilling operations near McDonald Observatory, we installed new “halo” crown lights at all Diamondback drilling locations in the Permian Basin during 2020. As a result, we became certified as a member of the observatory’s Dark Skies Initiative in January 2021.

Our low-luminosity lighting and related practices contribute to more optimal nighttime viewing conditions in the region. Reduced light pollution also helps minimize impacts on nocturnal wildlife. Beyond these environmental benefits, our new halo-style lighting improves overall site visibility, safety and productivity in our drilling operations.

A photograph of an industrial facility, likely an oil or gas processing plant. In the foreground, there are several large, horizontal black pipes running across a concrete surface. In the background, there are several large, vertical, light-colored storage tanks. A yellow ladder is visible on the left side of the image. The sky is clear and blue.

SPOTLIGHT: 2021 CLIMATE CHANGE ANALYSIS

DIAMONDBACK AND ITS STAKEHOLDERS ARE COMMITTED TO UNDERSTANDING THE POTENTIAL IMPACT OF GROWING ALTERNATIVE ENERGY SOURCES AND THE TRANSITION TO A LOWER-CARBON ECONOMY ON DIAMONDBACK'S OIL AND GAS PORTFOLIO.

Diamondback's approach to managing climate risk is aligned with the TCFD recommendations for analyzing the potential impacts of climate-related risks and opportunities to our business. The TCFD provides a framework of recommended disclosures for companies like Diamondback, including five reporting elements: governance, strategy, risk management, scenario analysis, and metrics and targets. We acknowledge that the world is undertaking an energy transition, and the timing and scale of this transition to a lower-carbon economy remain uncertain. The TCFD framework allows us to evaluate and communicate to our stakeholders how we believe our oil and gas portfolio could be impacted by an energy transition using different assumptions over time.

| TCFD RECOMMENDED DISCLOSURE | DIAMONDBACK'S RESPONSE |
|-----------------------------|---|
| Governance | <p>As Diamondback's ESG strategy evolves, management regularly interacts with the board and its committees, including its SSCR committee.</p> <p>The SSCR committee was formed in 2019 to</p> <ul style="list-style-type: none"> i. review and provide guidance on Diamondback's policies and performance regarding ESG matters, ii. advise the board of directors and management on significant public issues that are pertinent to the Company, and iii. assist management in setting strategy, establishing goals and integrating ESG matters into strategic and tactical business activities across the Company. |
| Strategy | <p>Diamondback considers risks as far into the future as practicable given the variability in regulatory, economic and technological circumstances. While there is much speculation around climate-related risks and opportunities, we are not always in a position to act on a potential risk or to benefit from a potential opportunity without adequate available information. We have outlined our specific climate-related risks and opportunities below.</p> |
| Scenario Analysis | <p>Last year, the impact of COVID-19 intensified the uncertainties facing global energy demand, and stressed the importance of modeling our business plan using various scenarios. In order to analyze potential risks to our oil and gas portfolio in a carbon-constrained environment, we utilized the most recent International Energy Agency (IEA) World Energy Outlook (WEO) published in October 2020. See our scenario analysis beginning on page 18.</p> |
| Risk Management | <p>As an exploration and production company, we face a number of risks, including climate-related risks. Management is responsible for the day-to-day management of risks we face as a company, while our board of directors, as a whole and through its committees, is responsible for the oversight of risk management. In its risk oversight role, our board of directors has the responsibility to satisfy itself that the risk management processes designed and implemented by management are adequate and functioning as designed.</p> <p>Our board of directors believes that full and open communication between management and the board of directors is essential for effective risk management and oversight. Our Chairman of the Board meets regularly with our Chief Executive Officer and our Chief Financial Officer to discuss strategy and risks facing the Company, including climate-related risks. Our executive officers regularly attend the board meetings and are available to address any questions or concerns raised by the board on risk management and any other matters. Other members of our management team periodically attend the board meetings or are otherwise available to confer with the board to the extent their expertise is required to address risk management matters. Periodically, our board of directors receives presentations from senior management on strategic matters involving our operations. During such meetings, our board of directors also discusses strategies, key challenges, and risks and opportunities for the Company with senior management.</p> |
| Metrics and Targets | <p>In 2020, Diamondback was one of the first of its peers to introduce climate-related targets into its compensation scorecard, thereby tying these targets to the compensation of every employee in the Company.</p> <p>This year, Diamondback is reporting climate-related and other sustainability metrics in accordance with the AXPC, an organization representing the largest independent oil and natural gas exploration companies in the United States. Our metrics and targets can be found throughout this report and in our Appendix.</p> <p>Also this year, we announced four long-term environmental targets:</p> <ul style="list-style-type: none"> i. Reduce methane intensity by at least 70% from 2019 levels by 2024 ii. Reduce GHG intensity by at least 50% from 2019 levels by 2024 iii. Eliminate routine flaring (as defined by the World Bank) by 2025 iv. Increase recycled water used in operations to more than 65% by 2025 |

CLIMATE-RELATED RISKS

Diamondback considers climate-related risks in nearly all of its operational planning. The relevant risks include current and emerging regulation, technology, legal, market, reputation, acute physical and chronic physical risks.

| RISK TYPE | DESCRIPTION |
|---------------------|---|
| Current Regulation | Diamondback complies with all current regulatory requirements. We monitor for any new or emerging regulations and modify our operations as necessary. There has been new legislation introduced and proposed at the federal and state levels to quantify and limit GHG emissions. The Environmental Protection Agency and the Bureau of Land Management have issued regulations to control methane emissions in our industry. We closely monitor the status of existing and emerging GHG regulations and the potential impact it may have on our business by performing multiple scenario analyses to test the resiliency of our portfolio. |
| Emerging Regulation | Diamondback closely follows emerging and proposed regulations. We believe that our current operating plan accounts for stricter monitoring and regulation of emissions and methane. Diamondback's five-year emissions reduction targets (GHG intensity and CH4 intensity) drive the majority of decisions related to responsible development, and we believe that these targets will keep us ahead of emerging regulatory risks. |
| Technology | Diamondback has cross-functional employees who analyze new and emerging technologies for emission monitoring and control. We believe the use of these technologies is pertinent to operating in an environmentally responsible manner. Diamondback focuses on continued improvement and evolving technological capabilities and resources to meet our business needs. This year, we launched trials of four different technology systems to improve monitoring and response in our operations. For example, instantaneous data collection and alarming capabilities will allow us to identify leaks associated with equipment malfunction or failure immediately and create a preventative maintenance plan to help eliminate future incidents. We also hold quarterly round-table discussions with our engineering and infrastructure related field personnel to seek out design changes to better capture emissions moving forward. In 2020, we engaged a third-party engineering firm to review our standard facility design and make recommendations to improve control-related emissions while optimizing operations. |
| Legal | Diamondback always monitors and manages potential legal risks, including those related and unrelated to climate. |
| Market | Diamondback's revenues, operating results, profitability, future rate of growth, and the carrying value of our oil and natural gas properties depend significantly upon the prevailing prices for oil and natural gas. Historically, oil and natural gas prices have been volatile and are subject to fluctuations in response to changes in supply and demand, market uncertainty and a variety of additional factors that are beyond our control. These factors include, but are not limited to, the price and availability of alternative fuels, conservation measures and technological advances that could reduce demand for our products. Diamondback evaluates climate risk using scenario analyses of technology and market conditions that consider supply, demand and pricing scenarios at least as challenging as IEA's Sustainable Development Scenario. These scenario analyses provide management and Diamondback's Board of Directors the information necessary to create our annual and longer-term operating plans. |
| Reputation | Diamondback's perceived reputation could decrease or increase our cost of doing business, depending on the perception of various stakeholders. The potential risks as set forth in the TCFD include risks tied to changing customer or community perceptions of an organization's contribution to or detraction from the transition to a lower-carbon economy. |
| Acute Physical | Diamondback considers acute physical risks (including floods, tornadoes and hurricanes) in our risk assessments. As with other oil and gas operators, Diamondback operates in some of the most extreme weather conditions in the world. We currently do not see any acute physical risks affecting our business any more than normal operations. We consider extreme weather conditions when modeling our business plan and are confident in our ability to continue operations in those scenarios. |
| Chronic Physical | Diamondback does not anticipate chronic physical risks impacting our business in the short-, medium-, or long-term time frame. As with other oil and gas operators, Diamondback operates in some of the most extreme weather conditions in the world. We currently do not see any chronic physical risks (including sea level rise or chronic heat waves) affecting our business any more than normal operations. We consider extreme weather conditions when modeling our business plan and are confident in our ability to continue operations in those scenarios. |

See Diamondback's 2020 10-K for a discussion of additional potential risks.

CLIMATE-RELATED OPPORTUNITIES

Diamondback also considers climate-related opportunities as we evolve our operating model. Some of these opportunities include:

| OPPORTUNITY TYPE | DESCRIPTION |
|--|--|
| Use of lower-emission sources of energy through full-field electrification | Diamondback incorporates a strategy of having electrical infrastructure in place prior to placing new wells on production. This is done through the collaboration of a multi-functional team of facilities engineers, land representatives, reservoir engineers and completion engineers to plan Diamondback’s development and associated infrastructure needs. Through weekly discussions, these teams have been able to provide line power to over 95% of the wells Diamondback has completed in the last few years. |
| Reduced water usage | <p>Diamondback has long been committed to recycling water from our production operations. We primarily re-use produced water for our completion operations, limiting the amount of freshwater sourced for our development plan.</p> <p>In addition to recycling efforts, we have also placed a premium on sourcing water that is not compatible for farming or ranching activities (brackish water). By doing so, we continue to lower our impact on local citizens and lessen our impact on freshwater reservoirs. The combination of either brackish water or recycled water accounted for approximately 76% of all water usage by the Company in 2020, and we expect this number to continue to increase over time.</p> |
| Increased revenues through gas captured rather than flared | <p>Diamondback believes reducing flaring is vital to the success of our company and our industry, and excessive flaring can be a major impediment to a successful upstream business plan. To date, we have been able to nearly eliminate all occurrences of flaring due to operational issues. We have also worked with our midstream business partners to incentivize them to spend capital and operational expense dollars to be prepared for our development plan and flare less. As we continue to work with our third-party midstream partners, we expect the run-time of our pipelines to continue to increase, resulting in lower flaring intensity.</p> <p>Through these efforts, Diamondback saw a significant decrease in flaring intensity in 2020. In 2019, 11.8 million mcf was flared due to capacity constraints and operational issues. In 2020, that number was reduced to 4.9 million mcf flared, which was almost entirely associated with downstream capacity constraints. We expect to continue to drive this number down in collaboration with our midstream business partners, increasing revenue and decreasing our environmental footprint.</p> |

SCENARIO ANALYSIS

In order to analyze potential risks to Diamondback’s oil and gas portfolio in a carbon-constrained environment, we utilized the most recent IEA WEO, published in October 2020, to examine various supply and demand scenarios through 2040 (see www.iea.org/reports/world-energy-outlook-2020). The 2020 WEO details global energy trends and the possible impacts to supply and demand, carbon emissions, air pollution and energy access, with a particular focus on pathways out of the COVID-19 crisis over the next ten years to 2030.

The IEA’s WEO scenarios have become widely recognized as industry standard for long-term energy analysis. Additionally, the TCFD recommends that organizations like Diamondback should use scenario analysis to help inform its business strategy and assess the resiliency of its business to a range of plausible climate-related scenarios. Specifically, the TCFD believes that organizations should use a “2 degrees,” or lower, scenario (i.e., a scenario that lays out an emissions trajectory consistent with holding the increase in global average temperatures to 2 degrees Celsius above pre-industrial levels) to test portfolio resilience. Therefore, the IEA’s WEO scenarios represent appropriate stress tests for Diamondback’s portfolio outlook, as the Sustainable Development Scenario discussed below falls within the TCFD’s recommendation.

The Four Main Scenarios of the IEA's 2020 World Energy Outlook

- ▶ **Stated Policies Scenario (STEPS)** – This scenario assumes that the COVID-19 pandemic is brought under control in 2021 and the global economy returns to pre-pandemic levels in the same year. In addition, this scenario provides an assessment of where today’s policy frameworks and current policy ambitions might take the energy sector in the coming decades, taking into account the continued evolution of known technologies.
- ▶ **Delayed Recovery Scenario (DRS)** – This scenario includes the same policy assumptions as the STEPS but assumes that a prolonged COVID-19 pandemic causes lasting damage to the global economic recovery. This scenario assumes that the global economy returns to pre-pandemic levels in 2023 and global energy demand only returns in 2025.
- ▶ **Sustainable Development Scenario (SDS)** – This scenario encompasses an energy consumption pathway that limits global increases in temperature to less than 1.65 degrees Celsius with a 50% probability and without relying on global net-negative CO₂ emissions. The details of this scenario derive from the recent IEA Sustainable Recovery Plan.
- ▶ **Net Zero Emissions by 2050 Case (NZE2050)** – This case extends the SDS and includes detailed IEA modeling of what measures need to be put in place during the next ten years in order to put global CO₂ emissions on track for net zero by 2050.

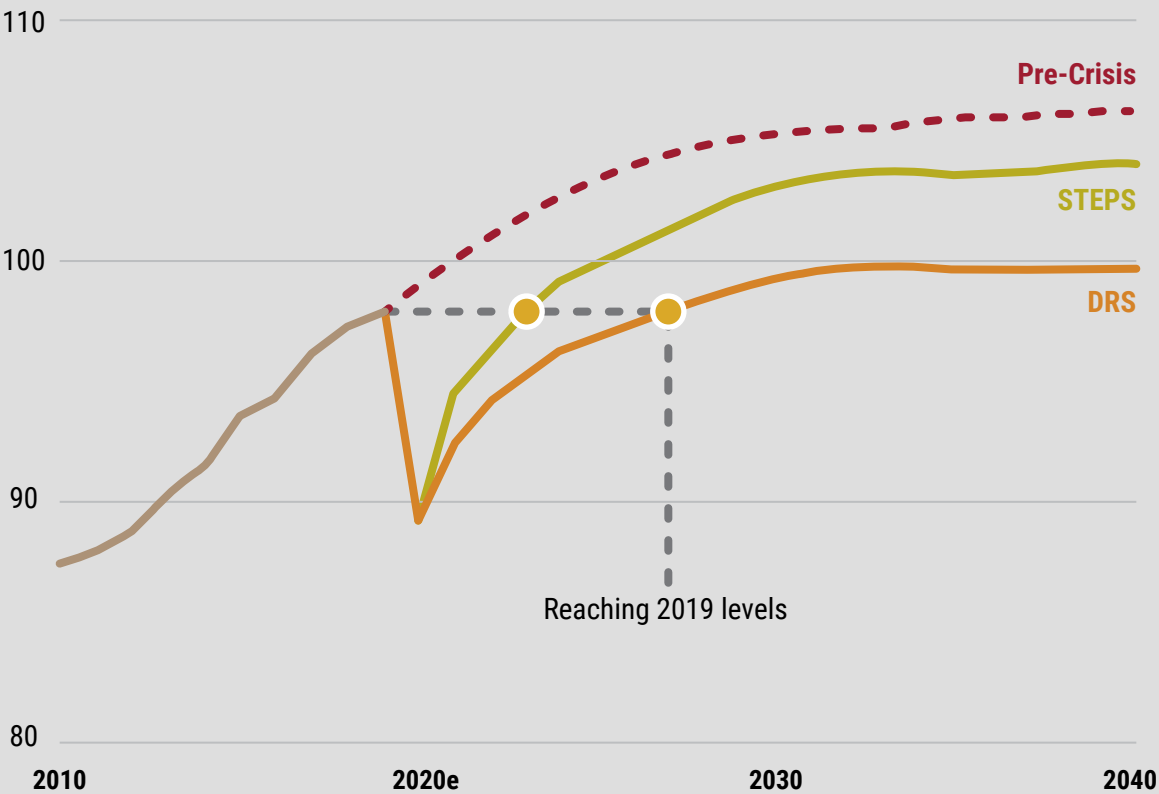
In the STEPS, global oil demand returns to pre-crisis levels in 2023, after which demand growth levels out by the 2030s, but does not peak before 2040. Demand in 2040 is projected to be 104.1 million barrels per day (MMBBL/d), about 10 MMBBL/d greater than today.

In the SDS, worldwide oil demand is projected to fall to 86.5 MMBBL/d by 2030 and to 66.2 MMBBL/d by 2040. Demand for natural gas is also projected to fall away starting in the late 2030s under this scenario. That said, even in the SDS both oil and gas still account for a substantial portion of global energy demand through 2030.

The IEA’s STEPS and SDS represent strong potential actions to reduce global fossil fuel demand. Therefore, we believe they serve as good tests of Diamondback’s resilience and of our ability to profitably develop and produce energy resources in a demand-constrained world.

Both the STEPS and SDS indicate that companies producing oil and gas on the lower end of breakeven costs will be best positioned to succeed, as the lowest-cost resources would be developed first.

OIL DEMAND BY SCENARIO
(MMBBL/d)



Source: International Energy Agency (2020), World Energy Outlook 2020, IEA, Paris.

DIAMONDBACK'S POSITION IN THE PERMIAN BASIN

Diamondback operates entirely within the Permian Basin. The Permian Basin spans West Texas and south-eastern New Mexico and is one of the most prolific oil and gas basins in the United States. The Permian Basin encompasses several sub-basins, including the Midland Basin and the Delaware Basin. In its 2021 report, "JPM Shale Economics," J.P. Morgan identifies the Midland Basin as the most economical North American onshore oil resource play, with an estimated oil price breakeven cost of approximately \$35 per barrel as of March 2021. In the same report, J.P. Morgan estimated the Delaware Basin oil price breakeven cost to be approximately \$36 per barrel. As of December 31, 2020, Diamondback owned approximately 195,000 net acres in the Midland Basin and approximately 155,000 net acres in the Delaware Basin.

COST ANALYSIS

Diamondback is a leading, low-cost operator among North American oil shale players. To corroborate the results found by J.P. Morgan in their 2021 breakeven analysis, we performed an internal study and found that our asset base is profitable down to approximately \$32/BBL. This was calculated as the per-barrel WTI oil price needed to generate cash flow equivalent to the amount of capital required to keep our estimated Q4 2021 oil production flat through 2022. Diamondback went a step further and calculated over 8,700 economical drilling locations at an assumed price of \$40 WTI (~25% below the 2040 SDS price of \$53/BBL). At Diamondback's current completion pace, this implies approximately 32 years of the ability to drill economical wells, over a decade past the 2040 timeline of the SDS.

If the STEPS or SDS outlined by the IEA come to fruition over the next 20 years, oil and gas prices are likely to increase as efforts to limit fossil fuel consumption occur. However, in both cases, the lowest-cost resources will be considered first for development. At the \$32/BBL breakeven cost calculated internally by Diamondback, current data suggests the Company will be well below the 2040 projected breakeven prices in both the STEPS and the SDS, indicating that we are in a strong position to continue to produce oil and gas economically and help meet the global demand for oil.

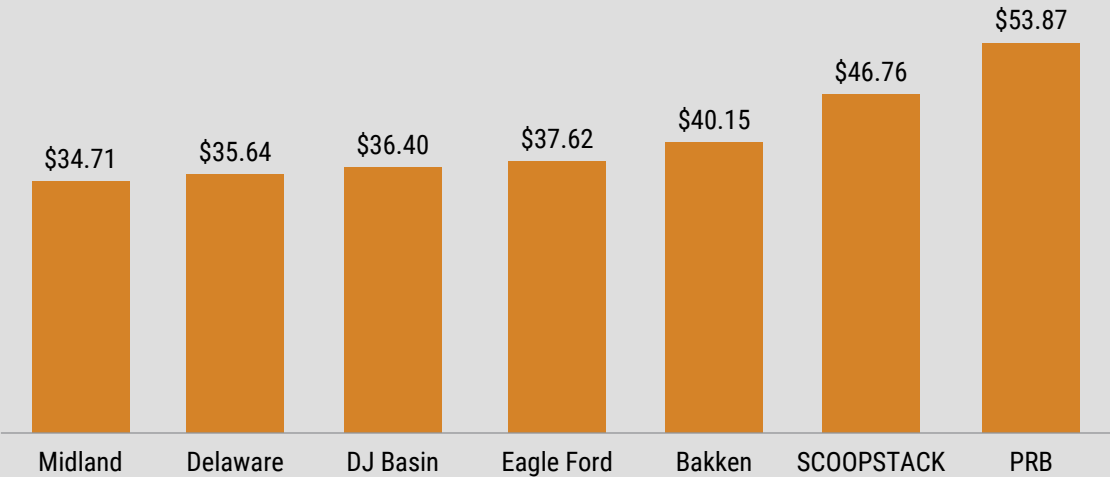
Our scenario planning analysis suggests that Diamondback's strategic focus on high-return, low-cost operations in the Permian Basin should allow us to continue to monetize our reserves even in the most carbon-constrained of the 2020 IEA WEO scenarios. As a result, we believe that it is currently unlikely that our assets would be stranded during the projected period even under the SDS.

LOOKING AHEAD

Climate change is an important concern for our Company and our stakeholders. We will continue to search for innovative ways to implement cost-effective, appropriate steps to monitor, measure and reduce our energy use, waste and emissions.

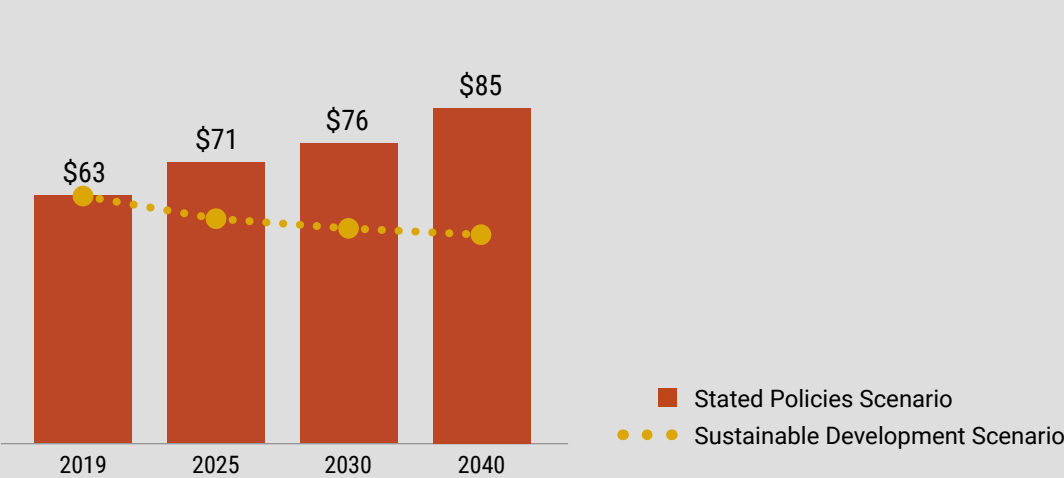
For more details on Diamondback's climate analysis, please refer to our [2021 CDP Climate Change](#) response.

FULL-CYCLE OIL BREAK-EVENS ASSUMING 15% BTAX IRRs (\$/BBL)



Source: J.P. Morgan Research, "JPM Shale Economics," March 2021

IEA CRUDE OIL PRICE ESTIMATES (\$/BBL)



Source: International Energy Agency (2020), World Energy Outlook 2020, IEA, Paris.



OUR COMMITMENT TO MANAGING AND REDUCING RISKS

WE SYSTEMATICALLY IDENTIFY, ASSESS AND RESOLVE A BROAD SPECTRUM OF CURRENT AND POTENTIAL RISKS THAT MIGHT COMPROMISE OUR ABILITY TO OPERATE SAFELY AND RESPONSIBLY. DIAMONDBACK'S SENIOR LEADERS ALSO MONITOR EMERGING TRENDS AND SHIFTING CONDITIONS IN THE ENERGY INDUSTRY, RANGING FROM NEW REGULATORY REQUIREMENTS AND CHANGES TO BOTH DOMESTIC AND GLOBAL ENERGY POLICY TO THE IMPACTS OF GLOBAL CLIMATE CHANGE.

We are prepared to respond effectively to challenges and have positioned ourselves in the most certain regulatory environment possible. Nearly 100% of our assets are located in Texas, one of the safest places to operate in the world from a geopolitical and regulatory perspective. This also reduces our risk to a change in national energy policy.

Maintaining Secure Facilities and Operations

We are vigilant about safeguarding our people and property. Our security experts deploy and regularly update technologies designed to thwart both accidental and intentional threats. As a result, Diamondback facilities experienced no major security incidents in 2020.

Our protective actions included installing additional field security cameras and enhanced monitoring software. We monitor field operations through random inspections, including searches of facilities and vehicles on our locations. During these inspections, we conduct drug and alcohol screenings of all persons at the location. We also maintain around-the-clock gate security at our largest operations in the Delaware and Midland basins to limit access to authorized personnel only.

Guarding Against Cyberattacks and Breaches

Diamondback takes a holistic, multi-layered approach to protect our stockholders, employees, assets, and operations against cyberattacks. This approach is underpinned by the National Institute of Standards and Technology (NIST) Cybersecurity framework and Cybersecurity & Infrastructure Security Agency (CISA) recommendations. We have made significant technology investments across our IT landscape to protect our network, servers, databases, applications, email, field operations and end user devices. We continually evolve our information technology (IT) and operations technology (OT) security systems to repel threats and minimize damage from any breaches that might occur. Cybersecurity enhancements are informed by frequent third-party assessments with particular attention to evolving threats and intrusion methods. Our IT personnel and end users receive training in cybersecurity best practices.

Emergency Response Program

Natural disasters, accidental spills and human-instigated threats are among the potential hazards that we encounter as an outgrowth of our work. We continually develop and review our emergency response plans to cover likely scenarios. In coordination with city officials, police, firefighters and medical teams, we distribute these plans through multiple channels and update them yearly or whenever significant changes in the community occur.

Each of our corporate and field-office facilities has its own written plan that includes information on how to safely evacuate the building. We train teams of employees at each location to assist their co-workers in the event of a fire, bomb threat or other crisis. We also conduct annual full-scale drills to maximize emergency preparedness.

Minimizing Risks to Local Communities

Most of Diamondback's operations are in unpopulated areas. In situations where our work poses a potential risk, we assign personnel to communicate with concerned residents and monitor our daily operations to prevent or minimize any potential adverse impacts. This includes providing information to help the public avoid potentially hazardous conditions or activities near our pipelines, well sites and other operations. If any of our operations are near a populated area, we add extra security and protection around that facility.

Also, we use automated monitoring equipment at production facilities to help safeguard people and the environment.



OUR COMMITMENT TO GOVERNANCE AND BUSINESS ETHICS

WE OPERATE WITH INTEGRITY AND TRANSPARENCY WHILE STRIVING TO GOVERN OUR BUSINESS WITH THE HIGHEST ETHICAL STANDARDS.

Overall Governance

The Chairman and CEO positions at Diamondback are held by separate individuals, with an Independent Director serving as Chairman. In addition, our Board of Directors comprises a supermajority of independent members with a broad range of professional experience, backgrounds and perspectives.

In 2020, Diamondback added Stephanie Mains and Vincent Brooks to the Board of Directors, further enhancing and diversifying not only the skills and qualifications of our Board of Directors, but also the ethnic and gender diversity of our Board of Directors. Ms. Mains is a member of the Compensation Committee of the Board of Directors, and Mr. Brooks is a member of the Safety, Sustainability and Corporate Responsibility Committee of the Board of Directors. With these additions, we have now added three diverse members to our Board of Directors since 2018, and 38% of our Directors are gender or ethnically diverse.



38%

**ETHNIC AND GENDER DIVERSITY WITHIN
OUR EIGHT-MEMBER BOARD, INCLUDING
TWO FEMALE DIRECTORS.**

OUR NEWEST BOARD MEMBERS ARE:

► **Stephanie K. Mains.** Ms. Mains has over 30 years of experience across diverse industry segments, including aviation, energy and transportation. With the last 15 years, building and expanding global businesses serving the oil and gas, utility, distributed power and electrification spaces. In 2020, she held the interim CEO role for GE Power Conversion, a \$1B advanced electrification and digital solutions business, leading the business to a profitable turnaround through COVID-19. From 2015-2019, she served as the President and CEO, Industrial Solutions, a GE and later ABB company. She led Industrial Solutions, a \$2.7B GE business delivering technologies that distribute, protect and control electricity, through a transformation and divestiture to ABB. From 2013-2015, Ms. Mains served as President and CEO of GE Distributed Power Global Services, where she integrated and grew a \$2.2B global business platform, servicing technologies that provide at the point of use power to the oil and gas, utilities, mining and industrial segments. From 2006 until 2013, she held positions of increasing responsibility in GE Energy from General Manager to Vice President. During this time, she led the global build-out and transformation of a \$4B service operation providing power equipment and services to utility and oil and gas customers. Prior to joining GE Energy, she spent 16 years across multiple GE businesses in financial and leadership positions, including CFO of GE Aviation Services- Contractual Services and Material Solutions, a \$4B aviation material services business. Ms. Mains is currently the CEO of LSC Communications-MCL, a portfolio company of Atlas Holdings, LLC. She serves as a director and audit committee member of Gates Industrial Corporation (NYSE:GTES), a director, audit and compensation committee member of LCI Industries (NYSE:LCII), and is a member of the board of managers for Stryten Manufacturing, a privately held portfolio company of Atlas Holdings, LLC. Ms. Mains holds a B.B.A in Finance from the University of Kentucky.

► **Vincent K. Brooks.** Mr. Brooks is a career Army officer who served in the U.S. Army for over 42 years, retiring from active duty in 2019 as a four-star general, General Brooks spent his final 17 years as a general officer and in nearly all of those years in command of large, complex military organizations in challenging situations. Most recently, from 2016 until his retirement, he was the commander of all Korean and United States forces in the Republic of Korea. In the two positions prior to Korea he served as the commander of all United States Army forces throughout the Indo-Asia Pacific region from 2013 to 2016 during the strategic rebalancing to Asia, and as the commander of all United States Army forces in the Middle East and Central Asia from 2011 to 2013 during the reduction of forces in Iraq and the buildup of forces in Afghanistan as well as the phenomenon known as “the Arab Spring.” During his tenure in the Army, he gained uncommon experience in leading through complex, ambiguous situations with significant national security interests and risks at stake. He handled crisis management, public communications, risk management and mitigation, budgetary assessment, leadership and management, international relations and interactions, cyber defense and protection, congressional engagement and strategic planning. Since 2020, General Brooks has also served as a director and a member of the compensation committee and nominating and corporate governance committee of Jacobs Engineering Group, Inc. (NYSE: J) and as a director of Verisk Analytics (Nasdaq: VRSK). General Brooks has also served on the board of the Gary Sinise Foundation since March 2019 and on the board of the Korea Defense Veterans Association since February 2020. General Brooks is also a visiting Senior Fellow at Harvard Kennedy School’s Belfer Center for Science and International Affairs, a Distinguished Fellow at the University of Texas with both the Clements Center for National Security and the Strauss Center for International Security and Law, an Executive Fellow with the Institute for Defense and Business, and the President of VKB Solutions LLC. General Brooks holds a Bachelor of Science in Engineering from the U.S. Military Academy at West Point, a Master of Military Art and Science from the U.S. Army School of Advanced Military Studies and holds an honorary Doctor of Laws from the New England School of Law and an honorary Doctor of Humanities from New England Law | Boston.

Corporate Responsibility Oversight

Our 18-member executive team includes members who are diverse in gender, race, functional experience and education. This team oversees all corporate responsibility strategies and activities at Diamondback. To help inform Board decisions, we engage Diamondback's largest stockholders at least annually for their insights and suggestions regarding our corporate governance standards, compensation and sustainability efforts. Additionally, under the Company's bylaws, we provide proxy access, permitting a stockholder to nominate director candidates provided that the stockholder(s) and the nominee(s) satisfy the requirements specified in our bylaws.

Last year, we reached investors representing more than 65% of our then-outstanding shares through these stockholder engagement efforts. We also attended 14 virtual investor conferences and hosted eight virtual bus tours. Additionally, in response to the concerns evidenced by the say on pay results at the Company's 2020 Annual Meeting of Stockholders, our Chairman of the Board, members of the compensation committee and certain executive officers conducted a comprehensive engagement with 17 of our largest stockholders representing, at the time, approximately 51% of our outstanding common stock to solicit feedback regarding the say on pay results and the Company's executive compensation programs. The Compensation Committee took a number of actions in direct response to the feedback received through this process, and at the 2021 Annual Meeting of Stockholders, approximately 96% of the total votes cast were voted in favor of the Company's say on pay proposal.

Sharpening Our ESG Focus

Diamondback's long-range business success relies on developing our oil and gas resources sustainably and creating a positive impact in the communities where we operate. Diamondback understands that its social and environmental license to operate as a public oil and gas company in the United States will continue to be largely influenced by our stockholders. We regularly engage with our stockholders on ESG matters to ensure that our approach to ESG matters aligns with stockholder expectations. At its core, our environmental strategy recognizes that the United States is transitioning to a lower carbon economy. While many of the foremost authorities on energy demand forecast that oil and gas will continue to account for a substantial portion of global energy demand in even the most carbon constrained projections, we embrace the reality that we must adapt our behavior to continue to succeed in the new energy economy.

Management regularly interacts with the Board of Directors and its committees regarding its ESG strategy, including its Nominating and Corporate Governance Committee, Compensation Committee and recently formed SSCR Committee. Chaired by Melanie Trent, the five-member SSCR Committee was formed in 2019 to (i) review and provide guidance on Diamondback's policies and performance regarding ESG matters, (ii) advise the Board of Directors and management on significant public issues that are pertinent to the Company, and (iii) assist management in setting strategy, establishing goals and integrating ESG matters into strategic and tactical business activities across the Company.

In 2020, Diamondback took a number of significant additional steps on its path to being an industry leader on ESG matters. First, we included specific, measurable environmental and safety performance metrics in our short-term incentive compensation program that incentivize performance on key metrics, including flaring, GHG emissions, recycled water usage, fluid spill control and safety. Second, the Board approved Scope 1 and methane emission intensity reduction targets and the implementation of the Company's "Net Zero Now" initiative, which provide for:

- ▶ Reducing Scope 1 GHG intensity by at least 50% from 2019 levels by 2024
- ▶ Reducing methane intensity by at least 70% from 2019 levels by 2024
- ▶ As of January 1, 2021, every hydrocarbon molecule produced by Diamondback will result in zero net Scope 1 emissions

Learn more in [Our Commitment to Environmental Responsibility](#).

“Our goal is to be a best-in-class oil and gas operator in both performance and disclosure as it relates to all ESG matters.”

—Travis Stice, Chief Executive Officer

Ethical Business Practices

Our strong corporate governance practices also include our Corporate Compliance and Code of Business Ethics Handbook, which defines the overarching expectations that our board of directors, officers and employees must follow. Our People Policies set out further obligations regarding conflicts of interest, safety, equal opportunity, harassment and retaliation. These policies also outline our support for employees through various provisions. We require all employees to review these documents and provide written acknowledgment of their responsibility to uphold the expectations.

Compliance

Our compliance program comprises standards of conduct and internal controls reasonably capable of detecting and reducing the likelihood of criminal and other improper conduct, including these six principal components:

- ▶ Organizational leadership
- ▶ Standards and procedures
- ▶ Efforts to exclude bad actors from positions of authority
- ▶ Training and education
- ▶ Monitoring, auditing and evaluation of program effectiveness
- ▶ Appropriate disciplinary and remedial actions

The Board of Directors exercises overall compliance program oversight, while the Chief Financial Officer and General Counsel assume day-to-day responsibility. The CEO's role is to foster a culture of transparency, integrity and compliance with all applicable laws.

Lobbying and Political Involvement

Our Government Affairs group works closely with various organizations representing the oil and gas industry in Texas and Washington, D.C. to help shape regulatory and public policy decisions that affect Diamondback operations. Diamondback's involvement in cross-industry associations and working groups also creates valuable opportunities to share best practices and hone our overall ESG strategy. Our Policy Governing Corporate Political Contributions is posted on our [website](#).





OUR COMMITMENT TO OUR PEOPLE

PEOPLE ARE THE HEARTBEAT OF DIAMONDBACK, AND THIS BOND GREW EVEN STRONGER AS WE MANAGED THROUGH COVID-19 AND OTHER CHALLENGES IN 2020. WE CONTINUE TO OFFER OUR EMPLOYEES COMPREHENSIVE SUPPORT FOR THEIR WELL-BEING, INCLUDING EQUITABLE TREATMENT, SAFETY, HEALTH, REWARDS, DEVELOPMENT AND INCLUSION. WE VALUE THE PERSPECTIVES, EXPERIENCES AND IDEAS CONTRIBUTED BY OUR EMPLOYEES FROM A DIVERSE RANGE OF ETHNIC, CULTURAL AND IDEOLOGICAL BACKGROUNDS.

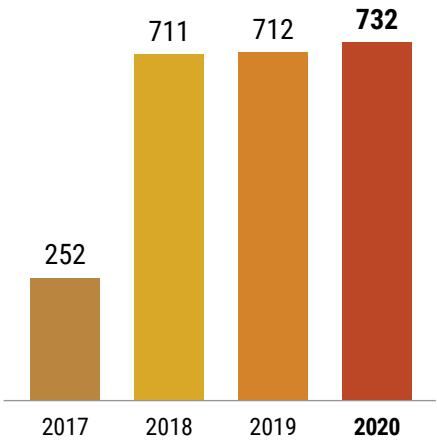
Diversity, Equity and Inclusion

Our standards require that all of our people are respected, cared for and appreciated for the merits of their contributions. We provide a collaborative, inclusive environment at Diamondback so that all employees are empowered to participate and are treated with respect, as they contribute their full talents and their best ideas. We believe that inclusion is the hallmark of true care and compassion for others, and that through inclusion, the workplace is made better, including more deeply embedding the safety mindset and other core tenants of our robust culture of excellence.

During 2020, our executive team underwent diversity, equity and inclusion training which fostered and further deepened our discussions about inclusion, and current social matters of importance.

We, as Diamondback, are proud of how we operate, who we are and the culture that we've created. We have zero-tolerance for discrimination and a firm belief in equality inside of Diamondback. Nevertheless, it is important for all of us to understand that some team members may face situations in their personal lives where they experience discrimination or inequality. This reality is a part of what compels us to continue our community support efforts of many sorts, particularly around inclusion and education.

TOTAL EMPLOYEES
(at year-end)



SEEKING DIVERSE TALENT

As we continued to cultivate an inclusive and respectful work environment that encourages our employees to achieve their full potential, we honored internship commitments made far before the pandemic started, despite the rapid shift in the market and workplace dynamics. We focused efforts on ensuring that we reach diverse qualified candidates for our internships.

Our internship recruitment efforts included:

- ▶ Virtual recruiting from university campuses
- ▶ Sponsoring campus chapters of the National Society of Black Engineers, Society of Hispanic Professional Engineers, Society of Women Engineers, and Women in Petroleum Engineering student groups
- ▶ Ensuring the people on our recruiting outreach teams are diverse
- ▶ Virtual interviews, or outdoor interviews, for the safety and comfort of both candidates and interviewers

In 2020, our virtual internship program hosted 11 college junior and seniors, adding to our talent pipeline of the nine interns who worked with us in 2019. Our 2020 interns worked on project assignments in various technical functions to provide value for the business, gain a clearer perspective on opportunities in the oil and gas industry, and to experience our culture. We also demonstrated our corporate values to the interns in several ways, including requesting that they participate in community volunteer service opportunities during their internship in 2019. Ultimately, seven of our intern alumni from 2019 and 2020 accepted full-time positions at Diamondback, of which four were gender or ethnically diverse.

ANTI-DISCRIMINATION POLICIES

Equal employment opportunity is core within our People Policies Handbook and our Affirmative Action Plan. We base all employment decisions on merit, qualifications and abilities. Employees can raise questions or concerns about any perceived discrimination in our workplace, without fear of reprisal, to the Human Resources department or through our toll-free Compliance Hotline.

DIVERSITY IN OUR WORKFORCE

Looking across our workforce in 2020, 32% of our employees were women and 25% were ethnically diverse. Women held 21% of all management positions and 42% of all professional positions at Diamondback at the end of 2020, compared with 19% and 40%, respectively, in 2019. Our proportion of ethnically diverse managers remained consistent at 20% from 2019 to 2020. Our proportion of professional-level roles held by ethnically diverse employees increased from 14% in 2019 to 16% in 2020.

OUR E-PLAN RESPONSE TO COVID-19

Our pandemic response, called the E-Plan due to our belief that the situation would be a long-term, evolving state of alert, began with simply a watch early in the year, and by March 2020, had resulted in closing our offices.

Under close attention and guidance from our human resources team and other executive leaders, our safety and shared services teams provided face masks, gloves, hand sanitizer and revised safety protocols for all employees working in the field. We continued these practices for employees working in our offices when we began to carefully reopen in 2021. Our protocol included rigorous mitigation measures such as contact tracing, social distancing guidance and enhanced cleaning standards. We also reinforced the personal accountability of each employee in maintaining a safe workplace.

Throughout various phases of our E-Plan, we conducted comprehensive training and information campaigns on the COVID-19 safety protocol and other related company requirements, updating it with the latest available information. We maintained stringent requirements regarding case management and contact tracing and achieved zero reports of workplace spread of the virus.

For much of the year, office-based employees were given the flexibility to work remotely. We provided temporary flexible workplace arrangements for employees dealing with childcare challenges. For our field-based team, it was necessary to continue performing their work in person and traveling across the Permian Basin. Nevertheless, they met the call and never wavered from the responsibility that fell to them. We will be forever proud of them.

At several points in 2020, our HR team contacted each Diamondback employee to check on their well-being and offer support. In addition to these all-employee calling campaigns, we mailed handwritten note cards, provided multiple status updates through emails and held virtual employee town hall meetings.

Read more about our response to COVID-19 under Health and Safety Management on [page 30](#).



% OF WOMEN PER JOB CLASS

| JOB CLASS | 2018 | 2019 | 2020 |
|--------------------------|------|------|------|
| Management | 28% | 19% | 21% |
| Professionals | 42% | 40% | 42% |
| Others | 23% | 34% | 30% |
| Total % of All Employees | 30% | 32% | 32% |

% OF ETHNICALLY DIVERSE EMPLOYEES PER JOB CLASS

| JOB CLASS | 2018 | 2019 | 2020 |
|--------------------------|------|------|------|
| Management | 14% | 20% | 20% |
| Professionals | 14% | 14% | 16% |
| Others | 30% | 37% | 36% |
| Total % of All Employees | 22% | 25% | 25% |

HUMAN RIGHTS POLICY

Diamondback is committed to conducting its business in a manner that respects and promotes the fundamental rights and dignity of all people, in compliance with all applicable legal requirements. Our Human Rights Policy is posted on our [website](#).

Total Rewards and Performance Management

At Diamondback, we value results and believe in recognizing and rewarding performance. Our continued business success centers on maintaining our high-performing, engaged workforce, and we intend to continue fostering an inclusive company culture that maintains a positive workplace environment where employees thrive. We therefore invest in excellence for our people, by offering an outstanding total rewards package.

Our approach is guided by participation in industry-specific benchmarking surveys, ensuring we compensate our workforce competitively against the market in a comprehensive manner. Based on both company and individual performance outcomes, we included all employees across the organization in the opportunity to be considered for both short and long-term incentives. Those long-term incentives are an opportunity to become an owner of the Company, in the form of restricted stock. At the end of 2020, almost all of our employees had been awarded restricted stock.

In support of provisions that build the financial future for our employees, we sponsor a competitive 401(k) plan where all employees are immediately vested in their contributions as well as the contribution from Diamondback.

We also proactively provide a comprehensive health and wellness program to support our employees and their families, with no premium cost to employees. We understand that employees put their trust in us when they decide to join Diamondback, and our stewardship impacts not only them, but their families and communities as well. Providing mental health support and quality of life resources, our Employee Assistance Program is accessible by all employees and their household members.

Development Opportunities

We encourage employees to expand their professional skills through internal and external opportunities. Despite the unanticipated impact to workplace activity, such as face-to-face instructor led training, we were determined to continue development activities. As we adjusted to the restrictions posed by COVID-19, and the necessity of working remotely, we offered virtual cross-location opportunities. We found that these remote opportunities created value by allowing cross-location participation in the same meeting. Employees were able to meet and learn from peers whom they may never meet in person, yet now have come to call friend.

Through 2020, we offered a variety of virtual opportunities. We plan to continue many of these “virtual” learning options in 2021 and beyond as a way to support greater inclusion.

One of our key offerings was a four-part series on the core principles of leadership. Designed for employees who are new to supervising a team or want to refresh their skills, the sessions focus on techniques for building and leading productive and harmonious relationships with colleagues. More than 120 employees participated in at least one session of the series, and we held a pre-series kick-off meeting, with a message of encouragement around leadership responsibility and development from our CEO.

We also provided a range of other training opportunities aligned with specific roles and responsibilities throughout Diamondback’s operations, such as:

- ▶ Performance Management
- ▶ Interviewing Techniques
- ▶ Microsoft Excel Skills
- ▶ CEO and CHRO Hosted New Hire Class of 2020
- ▶ Creating a Harassment Free Workplace

In total, nearly 8,000 hours of training were completed by Diamondback employees in 2020.

Health and Safety Management

Protecting employees, our communities and the environment is a top priority across our operations and is embedded in the way we manage Diamondback assets. Our executive team sets goals, provides oversight, and drives accountability for health, safety and environment (HSE) across all areas of our business. We also work proactively to maintain compliance with all applicable HSE standards, laws, and regulations.

IDENTIFYING POTENTIAL HAZARDS

We use robust tracking methods and work closely with regulatory agencies to prevent incidents. Our formal health and safety program delivers employee training and new-hire orientation on various topics, including the importance of proper incident reporting. It also ensures that employees have all the necessary equipment to operate safely.

Diamondback employees and contractors are often in the best position to identify areas where we need to improve safety. Field personnel can easily report incidents, near misses and potential issues using our dynamic hazard identification system. Reducing hazards and maintaining a safe work environment is built into the fabric of our field operations employees.



Using a mobile app on their smartphone, tablet or laptop, employees upload a summary and photos of the hazardous situation for timely follow-up by a Diamondback supervisor. In 2020, we logged about 1,100 incidents and 11,000 potential hazards—more than double the total in 2019—using this system. As a result of our hazard identification program, we upgraded a secondary containment at a battery facility, installed bonding cables on oil loading lines to prevent static electric discharges, and installed windsock detectors at a facility with potential hydrogen sulfide exposure.

In 2020, we increased our focus on identifying and analyzing trends in the Company’s reported incidents. We are implementing a more advanced online reporting and analysis system in 2021 to enable our operations managers and safety specialists to glean even deeper safety insights and recommendations from the data.

We also involve employees from all operational levels in our Safety Committee, which:

- ▶ Suggests improvements to the overall safety program
- ▶ Recommends preventative measures based on reviewing vehicle and personnel incidents
- ▶ Conducts safety and environmental reviews at operational locations
- ▶ Audits and implements the Diamondback Hazard Communication Program

WORKPLACE INCIDENTS

Diamondback has a record of zero employee work-related fatalities from 2017-2020. Our employee and contractor (“combined workforce”) OSHA recordable cases, comprising work-related injuries and illnesses that require medical treatment beyond first aid, totaled 17 in 2020 compared with 36 in 2019.

Our employee total recordable incident rate (TRIR) held steady in 2020 compared with 2019 at 0.42, while our lost-time incident rate (LTIR) of 0.14 was 50% lower than in 2019. Also, our contractor TRIR and LTIR both decreased in 2020. Our combined workforce TRIR and LTIR also decreased, from 0.37 in 2019 to 0.34 in 2020.

We have set a 2021 goal to reduce our employee TRIR to 0.25 or less. Our previous target was 0.5 or less, which we achieved in 2020.

VEHICLE SAFETY

Driver safety and efficient vehicle operations are paramount in our Company. We utilize the Diamondback Driving Management System to monitor and respond to our driving behaviors. Diamondback uses data obtained by the In-Vehicle Monitoring System (IVMS), which we install in owned and leased vehicles, to monitor actions that include:

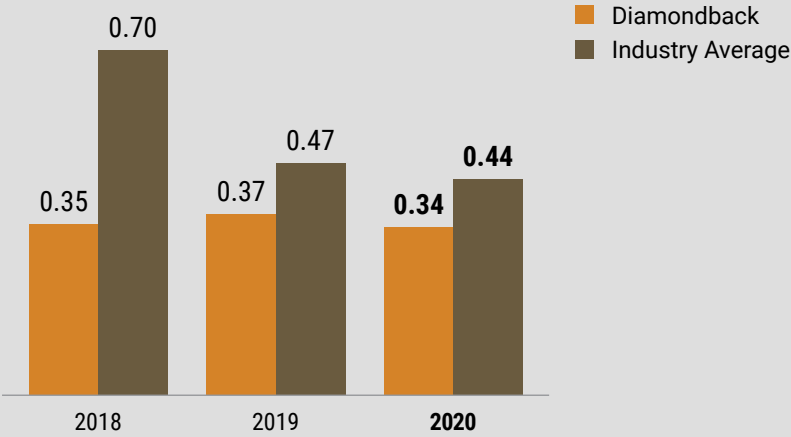
- ▶ Seat belt use, which we require for all occupants while the vehicle is in motion
- ▶ Speeding more than 10 miles per hour over posted limits
- ▶ Harsh braking and acceleration
- ▶ Vehicle service alerts in excess of manufacturer’s recommended guidelines

We also conduct annual driver safety training and semi-annual checks of driving records for all employees who could operate a company vehicle in the course of their daily employment. Any driver involved in a vehicle incident is required to submit to a drug and alcohol screen as soon as safely possible.

We continue working to improve vehicle safety across our fleet through driver training courses and safety monitoring technologies. We respond to patterns of risky behavior with additional coaching, and we reward Diamondback employees who maintain a safe driving record and those who demonstrate marked improvement.

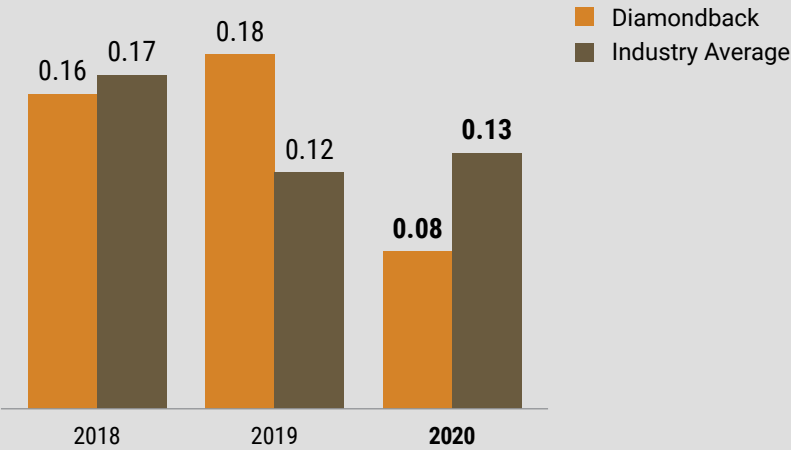
In 2021, we adopted the Smith System of driver training. This highly respected program focuses on teaching drivers to anticipate dangerous situations and drive defensively. We anticipate training all Diamondback vehicle operators in the Smith System by the first quarter of 2022.

TOTAL RECORDABLE INCIDENT RATE—COMBINED WORKFORCE
(per 200k hours)



Source: AXPC EHS Benchmarking Survey (Onshore)

LOST TIME INCIDENT RATE—COMBINED WORKFORCE
(per 200k hours)



Source: AXPC EHS Benchmarking Survey (Onshore)

SCREENING OF CONTRACTORS

In 2020, we continued to expand our longtime initiative with Veriforce, who collects safety data related to contractors in Diamondback’s production operations. Each quarter, contractors upload relevant safety information that Veriforce grades as green (low risk), yellow (moderate risk) or red (high risk) based upon Diamondback’s risk assessment criteria. This relationship allows us to manage risk more efficiently.

We evaluate contractors on criteria such as having a formal safety program, a written safety manual, employee background checks and explicit requirements for personal protective equipment. Veriforce’s machine learning and predictive modeling technology help us evaluate the likelihood of a contractor having a recordable incident over a three-month period.

SAFETY TRAINING AND AWARENESS

Our people undergo training and education each year on regulatory compliance, industry standards and innovative opportunities to effectively manage the challenges of developing our resources.

Diamondback field operations personnel refresh their safety knowledge on a monthly basis. In 2020, we pivoted to providing this training virtually due to COVID-19 restrictions.

We devoted approximately 4,850 personnel hours to 15 safety topics in 2020, including:

- ▶ H2S awareness
- ▶ Hearing conservation
- ▶ Hazard recognition and communication
- ▶ Naturally occurring radioactive material awareness
- ▶ Firefighting awareness
- ▶ Leak detection and repair
- ▶ Spill prevention control and countermeasures
- ▶ COVID-19 protocols for office and field employees
- ▶ Personal protective equipment



99%

CONTRACTORS ACHIEVING A “PREFERRED” SCORE BASED ON VERIFORCE’S STANDARDIZED SAFETY QUESTIONNAIRE.



~4,850

PERSONNEL HOURS DEVOTED TO SAFETY TRAINING IN 2020.



OUR COMMITMENT TO COMMUNITIES

DIAMONDBACK AND OUR EMPLOYEES VALUE THE DEEP CONNECTIONS WE SHARE WITH OUR NEIGHBORS ACROSS THE PERMIAN BASIN. WE SUPPORT AN ARRAY OF ACTIVITIES AND ORGANIZATIONS THAT ENHANCE THE QUALITY OF LIFE IN NEARBY COMMUNITIES AS WELL AS IN THE BROADER WORLD.

We believe that access to education advances, fosters belonging and inclusion, and even inspires. Our focus over several years has been to improve access to various types of education in our communities. We are proud that our social commitment remains strong to the underprivileged children in the communities where we operate.

In various ways a significant portion of our philanthropic efforts help foster diverse children in our communities, by working to remove barriers to inclusion, particularly socio-economic obstacles. For example, in Texas, we have grown our social contribution to the underprivileged in the communities where we operate, particularly over the last two years. We have contributed funds, physical resources and advice. But, perhaps even more importantly, we have given our time—participating in volunteer events, serving on boards, providing mentorship or advice, and serving our communities in multiple other ways.

In 2020, we expanded our outreach to help local residents and communities recover from the impact of COVID-19. We also joined with our employees in supporting an array of other causes through donations and volunteerism, which remains an integral part of our Company culture. We're also proud of our field employees, many without power at their own homes, who went to work in freezing temperatures to help return power back to Texas during Winter Storm Uri in 2021. Through working together promptly with our business partners, civic leaders and energy providers, we were able to return gas production to help restore power generation in Texas.

“We will continue to be here—to listen to our employees and the members of the communities in which we live and work—to learn what Diamondback can do to have the most positive impact going forward.”

—Travis Stice, Chief Executive Officer

Amplifying Our Team Members' Charitable Impact

We match our employees' financial donations to registered nonprofit organizations and double the amount of our matching contribution when employees donate to a charity based in their local community. In 2020, we provided more than \$120,000 in matching funds to 92 organizations ranging from local food banks to charities that provide critical services to the communities where Diamondback operates. Although the health and safety precautions imposed during COVID-19 limited employees' ability to volunteer in-person, we found creative ways to continue to engage our local communities.

Aiding COVID-19 Relief and Recovery

We reprioritized much of our philanthropic outreach in 2020 to support local families, healthcare workers, first responders and community organizations that were hit hardest by the ongoing pandemic.

Along with donating more than \$100,000 to food banks in the Midland and Oklahoma City areas, we helped conduct several food collection drives in our communities. Diamondback employee volunteers also helped distribute sack lunches for local students whose schools had to shut down.

When frontline medical professionals nationwide began running short on face masks and other personal protective equipment (PPE) as COVID-19 cases swelled, one of our employees helped us arrange to import 12,000 masks from China. We donated these masks—a highly scarce commodity at the time—to Midland Memorial Hospital and other healthcare facilities and first responders in Andrews, Reeves and Winkler counties. Also, we donated tablet computers to Midland Memorial so that COVID-19 patients in the intensive-care unit could see and hear safely from their loved ones over video conferencing.

Supporting Local Schools

We invest in the future of our communities by supporting new and expanded learning opportunities that equip students with skills for lifelong success. Diamondback employees worked closely with the staff at three elementary schools in Midland and Oklahoma City, in 2020 to foster a positive and inspiring educational environment. We also help create opportunities for students at various schools in the region to learn about the oil and gas industry, from potential career paths to our environmental sustainability efforts.

EXTRA HELP FOR YOUNG READERS

In the summer of 2020 at Lamar Elementary in Midland, we funded a reading program to help students who had fallen behind their grade level. Due to students being out of the classroom since mid-March 2020, our support helped Lamar hire teachers to virtually tutor about 45 students over the summer. Diamondback also partnered with two local nonprofits that provided reading assistance programs to disadvantaged children. When in-person learning resumed in September, Diamondback employee volunteers continued virtually reading with about 25 Lamar Elementary students on a weekly basis over videoconference. We plan to extend this program to other schools starting in the fall of 2021.

STEAM AND STEM LEARNING EXPERIENCES

Diamondback worked with the staff at Travis Elementary School in Midland to present a science, technology, engineering, art and math (STEAM) night in early March 2020. We planned, funded and supplied more than 50 employee volunteers for the event, which featured 11 different activity stations. More than 300 students and their parents joined in this experience which would not have been possible without Diamondback employees volunteering their time after hours. We also brought in food trucks to provide free meals for all participants.

In June 2021, in partnership with a local non-profit, we launched a new summer camp program at our corporate offices to give Midland-area students even more chances to build science, technology, engineering and math (STEM) skills through hands-on projects. Camp participants also interacted with Diamondback employees and interns for career mentorship during the sessions.

“The generous contribution from Diamondback afforded peace of mind to our parents during an already troublesome time. Even before COVID, providing school supplies and basic necessities such as winter coats caused worry and stress. Many of our families lost their jobs or were confined to their home, therefore the stress was compounded by the pandemic. I had many parents call who were extremely relieved to not have to worry about school supplies and coats for their children. In a time of uncertainty, Diamondback provided some peace of mind.”

—Stacy Storey, Principal, Spencer Elementary School

BACK-TO-SCHOOL SUPPLIES

We extended our educational support to Spencer Elementary School near Oklahoma City, where nearly all student households qualify to receive free or reduced lunch under federal low-income standards. In the fall of 2020, Diamondback provided sets of notebooks, pens, pencils and other supplies to the school's 250-plus students. Diamondback will build upon this partnership for the Fall 2021 semester.

Permian Strategic Partnership

Together with 19 other energy companies, we helped form the [Permian Strategic Partnership](#) (PSP) in November 2018 to address local and regional needs more effectively. Diamondback and other PSP members have committed more than \$100 million through 2023 to help build superior educational programs, accessible housing, a supportive healthcare system, safer roads and a more skilled workforce in West Texas and southeastern New Mexico.

Diamondback employees, including senior executives, participate in initiatives across all five PSP focus areas. Our work with PSP grew even more vital in helping local communities rebound from the economic, social and health impacts of COVID-19.

PSP activities in 2020 and early 2021 included:

- ▶ Partnering with the National Board for Professional Teaching Standards over the next three years to strengthen coaching and mentoring networks for teachers in southeastern New Mexico and Ector County in west Texas. PSP is providing financial support for more than 300 teachers to attend professional development courses and become nationally certified in a variety of subject areas.
- ▶ Broadening access to healthcare services across the Permian Basin through funding to hire additional primary care providers and medical assistants in underserved communities. PSP is working with Texas Tech University Health Sciences Center to expand Midland-based teaching and lab facilities, increase medical student capacity by 12 slots per year, rotate students among rural hospitals and encourage more students to pursue medical careers.
- ▶ Providing enhanced lifesaving equipment to first responders across the Permian Basin as part of a campaign to reduce traffic-related injuries and fatalities.
- ▶ Supporting a campaign that urged all residents to participate in the 2020 U.S. Census as a crucial step to help local governments secure federal funding for housing, public safety, education and other needs.

Tree Planting in Local Parks

In the fall of 2020, our Company partnered with Keep Midland Beautiful, a community nonprofit organization, to plant 25 trees at a local park that had been neglected in recent years. We also paid for irrigation equipment to help keep the new trees flourishing for decades to come. Our plans for 2021 include planting a total of 100 trees and installing irrigation at often overlooked parks in the city.



ADVANCING WITH PURPOSE

WE ARE ENERGIZED BY THE OPPORTUNITIES AHEAD OF US AS OUR COMPANY, INDUSTRY AND COMMUNITIES REGAIN MOMENTUM IN 2021. DIAMONDBACK'S RESILIENT BUSINESS STRATEGY, CLEARLY FOCUSED ESG OBJECTIVES AND ENERGETIC PEOPLE WILL CARRY US FORWARD.

Building upon the lessons gained from both our setbacks and successes, we will continue to benchmark Diamondback's operations against industry peers and strive for continuous improvement. As we enhance our corporate responsibility efforts and increase stockholder value, we look forward to providing periodic updates in future reports.

APPENDIX

KEY PERFORMANCE INDICATORS

| EXPLORATION & PRODUCTION | METRIC | YEAR ENDED 12/31/2020 | YEAR ENDED 12/31/2019 | YEAR ENDED 12/31/2018 | YEAR ENDED 12/31/2017 | YEAR ENDED 12/31/2016 | FOOTNOTE |
|---------------------------------|--------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|----------|
| Hydrocarbons Produced | | | | | | | (a) |
| Oil | MBBL | 66,182 | 68,518 | 34,367 | 21,418 | 11,562 | |
| Gas | MMcf | 130,549 | 97,613 | 34,669 | 20,660 | 10,728 | |
| NGL | MBBL | 21,981 | 18,498 | 7,465 | 4,056 | 2,399 | |
| Total Net Hydrocarbons Produced | MBOE | 109,921 | 103,285 | 47,610 | 28,917 | 15,749 | |
| Average Daily Net Production | MBOE/d | 300.3 | 283.0 | 130.4 | 79.2 | 43.1 | |
| Proved Reserves | | | | | | | (a) |
| Oil | MBBL | 759,401 | 710,903 | 626,936 | 233,181 | 139,174 | |
| Gas | MMcf | 1,607,064 | 1,118,811 | 1,048,649 | 285,369 | 174,896 | |
| NGL | MBBL | 289,196 | 230,203 | 190,291 | 54,609 | 37,134 | |
| Total Proved Reserves | MBOE | 1,316,441 | 1,127,575 | 992,001 | 335,351 | 205,457 | |
| People | | | | | | | |
| Employees | # | 732* | 712 | 711 | 252 | 145 | (b) |
| Female Management | % | 21%* | 19% | 28% | 23% | 24% | (b) |
| Female Professionals | % | 42%* | 40% | 42% | 24% | 31% | (b) |
| Female Others | % | 30%* | 34% | 23% | 49% | 36% | (b) |
| Total Female Employees | % | 32%* | 32% | 30% | 34% | 31% | (b) |
| Minority Management | % | 20%* | 20% | 14% | 15% | 12% | (b) |
| Minority Professionals | % | 16%* | 14% | 14% | 16% | 8% | (b) |
| Minority Others | % | 36%* | 37% | 30% | 22% | 25% | (b) |
| Total Minority Employees | % | 25%* | 25% | 22% | 18% | 16% | (b) |
| Employee Turnover | % | 7%* | 11% | 6% | 7% | 15% | (b)(c) |
| Safety (Employee) | | | | | | | (d) |
| "OSHA Recordable" Cases | # | 3 | 3 | 2 | — | — | |
| "Days Away From Work" Cases | # | 1 | 2 | 2 | — | — | |

| EXPLORATION & PRODUCTION | METRIC | YEAR ENDED 12/31/2020 | YEAR ENDED 12/31/2019 | YEAR ENDED 12/31/2018 | YEAR ENDED 12/31/2017 | YEAR ENDED 12/31/2016 | FOOTNOTE |
|---|---------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|---------------|
| Total Recordable Incident Rate | per 200k hours | 0.42 [#] | 0.42 | 0.53 | — | — | (e)(f)(g1) |
| Lost Time Incident Rate | per 200k hours | 0.14 | 0.28 | 0.53 | — | — | |
| Fatalities | # | — | — | — | — | — | |
| Safety (Independent Contractor) | | | | | | | (d) |
| "OSHA Recordable" Cases | # | 14 | 33 | 41 | 20 | 6 | |
| "Days Away From Work" Cases | # | 3 | 16 | 18 | 10 | — | |
| Total Recordable Incident Rate | per 200k hours | 0.33 | 0.36 | 0.35 | 0.25 | 0.09 | (e) |
| Lost Time Incident Rate | per 200k hours | 0.07 | 0.18 | 0.15 | 0.13 | — | |
| Fatalities | # | — | 1 | — | — | — | |
| Safety (Combined Workforce) | | | | | | | (d) |
| "OSHA Recordable" Cases | # | 17 | 36 | 43 | 20 | 6 | |
| "Days Away From Work" Cases | # | 4 | 18 | 20 | 10 | — | |
| Total Recordable Incident Rate | per 200k hours | 0.34 | 0.37 | 0.35 | 0.25 | 0.09 | (e) |
| Lost Time Incident Rate | per 200k hours | 0.08 | 0.18 | 0.16 | 0.12 | — | |
| Fatalities | # | — | 1 | — | — | — | |
| Vehicle Safety | | | | | | | (d) |
| Vehicle Incidents | # | 23 | 15 | 6 | 1 | 2 | |
| Vehicle Incident Rate | per million miles | 2.53 | 1.56 | 1.33 | 0.34 | 0.90 | |
| Flaring | | | | | | | |
| Gross Volume of Flared Hydrocarbons | MSCF | 4,914,208 [#] | 11,772,007 | 3,026,846 | 780,630 | 416,983 | (e)(g2) |
| Gross Gas Flared as a % of Net BOE Production | % | 0.75% | 1.90% | 1.06% | 0.45% | 0.44% | |
| Gross Gas Flared as a % of Gross BOE Production | % | 0.65% | 1.60% | 0.90% | unavailable | unavailable | (e) |
| Gross Gas Flared as a % of Gross Gas Production | % | 1.97% | 5.68% | 4.18% | unavailable | unavailable | (e) |
| GHG Emissions | | | | | | | (h)(i) |
| Scope I GHG Emissions | mt CO ₂ e | 1,192,556 [#] | 1,852,946 | 538,750 | 415,336 | 174,413 | (d)(e)(f)(g3) |
| Scope II GHG Emissions | mt CO ₂ e | 281,020 [#] | unavailable | unavailable | unavailable | unavailable | (g4) |
| Scope I GHG Intensity | mt CO ₂ e/Net MBOE | 10.85 | 17.94 | 12.16 | 14.36 | 11.07 | (d) |
| Scope I GHG Intensity | mt CO ₂ e/Gross MBOE | 9.50 | 15.12 | unavailable | unavailable | unavailable | (e) |

| EXPLORATION & PRODUCTION | METRIC | YEAR ENDED 12/31/2020 | YEAR ENDED 12/31/2019 | YEAR ENDED 12/31/2018 | YEAR ENDED 12/31/2017 | YEAR ENDED 12/31/2016 | FOOTNOTE |
|--|--------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|----------|
| Scope I Methane Emissions as a % of GHG Emissions | % | 10.6% | 11.4% | unavailable | unavailable | unavailable | |
| Percentage of Scope I GHG Emissions covered under emissions limiting regulations | % | 0% | 0% | 0% | 0% | 0% | |
| Amount of Scope I Emissions from: | | | | | | | |
| Flared Hydrocarbons | mt CO ₂ e | 418,135 | 1,005,009 | unavailable | unavailable | unavailable | |
| Other Combustion | mt CO ₂ e | 643,909 | 699,250 | unavailable | unavailable | unavailable | |
| Process Emissions | mt CO ₂ e | — | — | unavailable | unavailable | unavailable | |
| Other Vented Emissions | mt CO ₂ e | 116,716 | 132,585 | unavailable | unavailable | unavailable | |
| Fugitive Emissions | mt CO ₂ e | 13,796 | 16,103 | unavailable | unavailable | unavailable | |
| CO ₂ emissions | mt CO ₂ | 1,064,560 | 1,640,774 | 309,812 | 299,758 | 27,093 | (d) |
| CH ₄ emissions | mt CH ₄ | 5,079.0 | 8,428.5 | 8,108.1 | 4,598.1 | 5,889.8 | (j) |
| CH ₄ Intensity % | % | 0.15% | 0.30% | 0.37% | unavailable | unavailable | (j)(k) |
| CH ₄ Intensity % | mt CH ₄ /Gross MBOE | 0.04 | 0.07 | unavailable | unavailable | unavailable | (e) |
| N ₂ O emissions | mt N ₂ O | 3.43 | 4.90 | 2.01 | 2.10 | 0.25 | (d) |
| Spills | | | | | | | (d) |
| Hydrocarbon Spills | # | 386 | 342 | 288 | 211 | unavailable | (l) |
| Non-Hydrocarbon Spills | # | 249 | 490 | 319 | 229 | unavailable | (l) |
| Hydrocarbon Volumes | BBL | 2,853 | 4,659 | 4,098 | 4,013 | 2,021 | |
| Produced Water Volumes | BBL | 23,969 | 92,544 | 27,441 | 14,843 | 4,544 | |
| Combined Volumes | BBL | 26,822 | 97,203 | 31,539 | 18,856 | 6,565 | |
| Hydrocarbon Spills Recovered | % | 71% | 68% | unavailable | unavailable | unavailable | |
| Produced Water Spills Recovered | % | 68% | 51% | unavailable | unavailable | unavailable | |
| Total Spills Recovered | % | 68% | 52% | 81% | 90% | unavailable | |
| Total Produced Fluid Spill per 1,000 BBL Produced Fluids | BBL/Gross MBBL | 0.07# | 0.24 | 0.22 | 0.22 | 0.17 | (e) |
| Total Produced Hydrocarbon Spill Rate per 1,000 BBL Produced | BBL/Gross MBBL | 0.03 | 0.05 | 0.10 | 0.15 | 0.14 | |
| Total Produced Non-Hydrocarbon Spill Rate per 1,000 BBL Produced | BBL/Gross MBBL | 0.08 | 0.29 | 0.26 | 0.26 | 0.19 | |
| Produced Liquid Spills (less recovered) Rate | % | 0.002% | 0.012% | unavailable | unavailable | unavailable | |

| EXPLORATION & PRODUCTION | METRIC | YEAR ENDED 12/31/2020 | YEAR ENDED 12/31/2019 | YEAR ENDED 12/31/2018 | YEAR ENDED 12/31/2017 | YEAR ENDED 12/31/2016 | FOOTNOTE |
|-----------------------------------|-----------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|----------|
| Water | | | | | | | |
| Total water used in operations | MBBL | 103,424 | 176,775 | 99,922 | 64,998 | unavailable | |
| Brackish water used in operations | MBBL | 61,249 | 86,327 | 6,182 | — | unavailable | |
| Recycled water used in operations | MBBL | 17,689 | 27,936 | 9,911 | 435 | unavailable | |
| Freshwater used in operations | MBBL | 24,486 | 62,512 | 83,829 | 64,563 | unavailable | |
| Total Water Intensity | MBBL/Net MBOE | 0.94 | 1.71 | 2.10 | 2.25 | unavailable | |
| Freshwater Intensity | MBBL/Net MBOE | 0.22 | 0.61 | 1.76 | 2.23 | unavailable | |
| Freshwater Intensity | MBBL/Gross MBOE | 0.20 | 0.51 | 1.61 | 1.89 | unavailable | (e) |
| Water Recycle Rate | MBBL/MBBL | 17.1%‡ | 15.8% | 9.9% | 0.7% | unavailable | (e) |
| Governance | | | | | | | |
| Independent Board Members | % | 88% | 71% | 71% | 80% | 80% | |
| Women Board Members | % | 25% | 14% | 14% | 0% | 0% | |
| Minority Board Members | % | 13% | 0% | 0% | 0% | 0% | |

‡ This metric was reviewed by our independent certified public accountants in accordance with attestation standards established by the American Institute of Certified Public Accountants for the year ended December 31, 2020, as stated in their report appearing on [page 44](#). Refer to footnotes for the criteria used to present these metrics.

All 2018 figures in the report reflect Diamondback data plus data attributable to Energen Corporation (“Energen”) for December 2018 subsequent to its acquisition by Diamondback, unless otherwise noted.

- (a) These figures represent Diamondback plus Viper.
- (b) Criteria used to calculate this metric was based on employee personnel data from self-reported employee census data.
- (c) Employee turnover does not include data and changes due to acquisition and divestiture activities related to Energen or Ajax Resources LLC.
- (d) 2018 figures represent Diamondback’s activity, excluding Energen.
- (e) Criteria used for this metric follows [AXPC ESG Framework](#).
- (f) Criteria used for this metric follows SASB methodology. See the table beginning on [page 41](#) for further information on the criteria.
- (g1) Criteria used for this metric follows GRI-403-9 methodology.
- (g2) Criteria used for this metric follows GRI-OG6 methodology.
- (g3) Criteria used for this metric follows GRI-305-1 methodology. Gases included in the calculation are CO₂, CH₄ and N₂O. Diamondback used the global warming potentials from the Intergovernmental Panel on Climate Change’s Fourth Assessment Report.
- (g4) Criteria used for this metric follows GRI-305-2 methodology. Gases included in the calculation are CO₂, CH₄ and N₂O. Diamondback used the market-based method in accordance with the World Resources Institute’s Greenhouse Gas Protocol.
- (h) 2020 emission data is pending EPA review.
- (i) Diamondback’s previously reported 2019 Scope 1 GHG emissions were incorrect. We have restated these emissions correctly in this report and obtained limited third-party assurance on our 2020 GHG emissions, along with other 2020 data as noted.
- (j) 2018 figures represent Diamondback and Energen combined activity.
- (k) Methane intensity % is calculated as (tonnes of methane emissions)/((total gas produced)*(average mole fraction of methane in produced gas))*(methane density of .0192 kg/scf)*(1000 scf/mscf)*(1 tonne/1000 kg)).
- (l) Beginning in 2020, Diamondback began adhering to AXPC methodology, which includes spills greater than or equal to 1 BBL which are not confined to impermeable secondary containment. Previous years include spills greater than 1 BBL and do not take into consideration if a spill occurred outside of containment.

FORWARD-LOOKING STATEMENTS AND OTHER DISCLAIMERS

This report contains forward-looking statements as defined by the Securities and Exchange Commission. All statements, other than historical facts, that address activities that Diamondback assumes, plans, expects, believes, intends or anticipates (and other similar expressions) will, should or may occur in the future are forward-looking statements. The forward-looking statements are based on management’s current beliefs, based on currently available information, as to the outcome and timing of future events, including the current industry and macroeconomic conditions, commodity pricing environment, production levels, any future regulatory actions affecting Diamondback, the impact and duration of the COVID-19 pandemic, acquisitions and sales of assets, drilling and capital expenditure plans, environmental targets and initiatives and other factors believed to be appropriate. These forward-looking statements involve certain risks and uncertainties, many of which are beyond Diamondback’s control and could cause the actual results or developments to differ materially from those currently anticipated by the management of Diamondback. Information concerning these risks and other factors can be found in Diamondback’s filings with the Securities and Exchange Commission, including its reports on Forms 10-K, 10-Q and 8-K. Diamondback undertakes no obligation to update or revise any forward-looking statement as a result of new information, future events or otherwise.

SASB INDEX

| TOPIC | ACCOUNTING METRIC | CATEGORY | UNIT OF MEASURE | CODE | 2020 FANG RESPONSE | 2019 FANG RESPONSE |
|--------------------------|---|-----------------------|--|--------------|--|--------------------|
| Greenhouse Gas Emissions | Gross global Scope 1 emissions | Quantitative | Metric tons CO ₂ e (t), Percentage (%) | EM-EP-110a.1 | 1,192,555.9 | 1,852,946.2 |
| | percentage methane, | | | | 10.6% | 11.4% |
| | percentage covered under emissions-limiting regulation | | | | 0.0% | 0.0% |
| | Amount of gross global Scope 1 emissions from: (1) flared hydrocarbons, | Quantitative | Metric tons CO ₂ e (t) | EM-EP-110a.2 | 418,134.8 | 1,005,008.6 |
| | (2) other combustion, | | | | 643,909.0 | 699,249.9 |
| | (3) process emissions, | | | | — | — |
| | (4) other vented emissions, and | | | | 116,715.7 | 132,585.0 |
| | (5) fugitive emissions | | | | 13,796.3 | 16,102.7 |
| | Discussion of long-term and short-term strategy or plan to manage Scope 1 emissions, emissions reductions targets, and an analysis of performance against those targets | Discussion & Analysis | N/A | EM-EP-110a.3 | See Commitment to Environmental Responsibility | |
| Water Management | (1) Total fresh water withdrawn, | Quantitative | Thousand cubic meters (m3) | EM-EP-140a.1 | 4,908.3 | 10,038.7 |
| | (2) total fresh water consumed | | | | 3,892.9 | 9,380.7 |
| | Fresh water percentage in regions with High or Extremely High Baseline Water Stress | | Percentage (%) | | 76-99% | 76-99% |
| | Total water percentage in regions with High or Extremely High Baseline Water Stress | | | | 76-99% | 76-99% |
| | Volume of produced water and flowback generated; | Quantitative | Thousand cubic meters (m3) | EM-EP-140a.2 | 49,922.3 | 54,675.42 |
| | percentage (1) discharged, | | | | 0% | 0% |
| | (2) injected, | | Percentage (%) | | 94% | 92% |
| | (3) recycled; | | | | 6% | 8% |
| | hydrocarbon content in discharged water | | Metric tons (t) | | — | — |
| | Percentage of hydraulically fractured wells for which there is public disclosure of all fracturing fluid chemicals used | Quantitative | Percentage (%) | EM-EP-140a.3 | 100% | 100% |

| TOPIC | ACCOUNTING METRIC | CATEGORY | UNIT OF MEASURE | CODE | 2020 FANG RESPONSE | 2019 FANG RESPONSE |
|---|---|-----------------------|------------------------|--------------|---|--------------------|
| Biodiversity Impacts | Description of environmental management policies and practices for active sites | Discussion & Analysis | N/A | EM-EP-160a.1 | See Land Use and Biodiversity | |
| | Number of hydrocarbon spills, | Quantitative | Number, Barrels (BBLs) | EM-EP-160a.2 | 386 | 342 |
| | aggregate volume of hydrocarbon spills, | | | | 2,853 | 4,659 |
| | volume in Arctic, | | | | — | — |
| | volume impacting shorelines with ESI rankings 8-10, | | | | — | — |
| | and volume recovered | | | | 2,026 | 3,168 |
| | Percentage of (1) proved reserves in or near sites with protected conservation status or endangered species habitat | Quantitative | Percentage (%) | EM-EP-160a.3 | 0-5% | 0-5% |
| | Percentage of (2) probable reserves in or near sites with protected conservation status or endangered species habitat | | | | 0-5% | 0-5% |
| Security, Human Rights & Rights of Indigenous Peoples | Percentage of (1) proved reserves in or near areas of conflict | Quantitative | Percentage (%) | EM-EP-210a.1 | 0% | 0% |
| | Percentage of (2) probable reserves in or near areas of conflict | | | | 0% | 0% |
| | Percentage of (1) proved and reserves in or near indigenous land | Quantitative | Percentage (%) | EM-EP-210a.2 | 0% | 0% |
| | Percentage of (2) probable reserves in or near indigenous land | | | | 0% | 0% |
| | Discussion of engagement processes and due diligence practices with respect to human rights, indigenous rights, and operations in areas of conflict | Discussion & Analysis | N/A | EM-EP-210a.3 | See our Human Rights Policy | |
| Community Relations | Discussion of process to manage risks and opportunities associated with community rights and interests | Discussion & Analysis | N/A | EM-EP-210b.1 | See Commitment to Managing and Reducing Risks and Commitment to Communities | |
| | Number of non-technical delays | Quantitative | Number | EM-EP-210b.2 | — | — |
| | duration of non-technical delays | | Days | | — | — |
| Workforce Health & Safety | (1) Total recordable incident rate (TRIR) for full-time employees, | Quantitative | Rate | EM-EP-320a.1 | 0.42 | 0.42 |
| | (2) fatality rate for full-time employees, | | | | — | — |
| | (4) average hours of health, safety, and emergency response training for full-time employees, | | Hours (h) | | 6.6 | 5.2 |
| | Discussion of management systems used to integrate a culture of safety throughout the exploration and production lifecycle | Discussion & Analysis | N/A | EM-EP-320a.2 | See Health and Safety Management | |

| TOPIC | ACCOUNTING METRIC | CATEGORY | UNIT OF MEASURE | CODE | 2020 FANG RESPONSE | 2019 FANG RESPONSE |
|--|--|-----------------------|--------------------|--------------|--|--------------------|
| Reserves Valuation & Capital Expenditures | Amount invested in renewable energy, revenue generated by renewable sales | Quantitative | Reporting Currency | EM-EP-420a.3 | \$— | \$— |
| | Discussion of how price and demand for hydrocarbons and/or climate regulation influence the capital expenditure strategy for exploration, acquisition, and development of assets | Discussion & Analysis | N/A | EM-EP-420a.4 | See Climate Change Analysis | |
| Business Ethics & Transparency | Percentage of (1) proved reserves in countries that have the 20 lowest rankings in Transparency International's Corruption Perception Index | Quantitative | Percentage (%) | EM-EP-510a.1 | 0% | 0% |
| | Percentage of (2) probable reserves in countries that have the 20 lowest rankings in Transparency International's Corruption Perception Index | | | | 0% | 0% |
| | Description of the management system for prevention of corruption and bribery throughout the value chain | Discussion & Analysis | N/A | EM-EP-510a.2 | See Commitment to Governance and Business Ethics | |
| Management of the Legal & Regulatory Environment | Discussion of corporate positions related to government regulations and/or policy proposals that address environmental and social factors affecting the industry | Discussion & Analysis | N/A | EM-EP-530a.1 | See Lobbying and Political Involvement | |
| Critical Incident Risk Management | Description of management systems used to identify and mitigate catastrophic and tail-end risks | Discussion & Analysis | N/A | EM-EP-540a.2 | See Commitment to Managing and Reducing Risks | |

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

BOARD OF DIRECTORS AND MANAGEMENT OF DIAMONDBACK ENERGY, INC.

We have reviewed the Scope 1 greenhouse gas (GHG) emissions, Scope 2 emissions, produced liquid (hydrocarbon and non-hydrocarbon) spills, recycled water used in operations, flared gas, employee incident rates, and employee demographic information/population information metrics of Diamondback Energy, Inc. ("Diamondback" or the "Company") for the year ended December 31, 2020, as reported in the Company's 2021 Corporate Sustainability Report ("Subject Matter"). Diamondback's management is responsible for presenting the Subject Matter based on the standards and guidelines for the Subject Matter established by the Sustainability Accounting Standards Board ("SASB"), the Global Reporting Initiative ("GRI"), the American Exploration and Production Council ("AXPC") or the World Resources Institute's Greenhouse Gas Protocol (the "Criteria"), as described in the Company's 2021 Corporate Sustainability Report. Our responsibility is to express a conclusion on the Subject Matter based on our review. Information presented for the years ended December 31, 2016 through December 31, 2019 was not subject to our review and accordingly, we do not express an opinion or any form of assurance on such information.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the review to obtain limited assurance about whether any material modifications should be made to the Subject Matter in order for it to be presented in accordance with the Criteria. A review is substantially less in scope than an examination, the objective of which is to obtain reasonable assurance about whether the Subject Matter is presented in accordance with the Criteria, in all material respects, in order to express an opinion. Accordingly, we do not express such an opinion. We believe that our review provides a reasonable basis for our conclusion.

The other information included in the Company's 2021 Corporate Responsibility Report is presented by management of the Company and is not a part of the Subject Matter. Such information has not been subjected to the procedures applied in the review engagement and accordingly, we do not express an opinion or provide assurance on it.

The preparation of sustainability metrics requires management to evaluate the Criteria, make determinations as to the relevancy of information to be included, and make estimates and assumptions that affect reported information. Measurement of certain amounts and sustainability metrics, some of which may be referred to as estimates, is subject to substantial inherent measurement uncertainty, including GHG emissions. Obtaining sufficient appropriate review evidence to support our conclusion does not reduce the inherent uncertainty in the amounts and metrics. The selection by management of different but acceptable measurement techniques could result in materially different amounts or metrics being reported.

Based on our review, we are not aware of any material modifications that should be made to the Subject Matter of Diamondback for the year ended December 31, 2020, in order for it to be presented in accordance with the Criteria.



Oklahoma City, Oklahoma
September 23, 2021



DIAMONDBACK Energy

Diamondback Energy, Inc.

500 West Texas Ave., Suite 1200, Midland, TX 79701

www.diamondbackenergy.com