

# 2019 Environmental, Social & Governance Report



#### LETTER FROM THE CEO

## OUR COMMITMENT TO A SUSTAINABLE FUTURE

At Ascent, we are guided by the principle of Integrity First – Safety Always. Operating under this principle, we actively consider the interests of all stakeholders in all that we do – from those who work for us and partner with us to those who live near our operations. We are proud to say that in addition to delivering on our operational and financial objectives in 2019, we also emerged as a leader among our peer companies in emissions, safety, gender diversity, and community engagement. Our results reflect our strong focus on corporate responsibility and the talent of our team to operate in a financially and socially responsible manner.

In 2019, we were focused on and achieved our goals of:

- Generating free cash flow by year-end
- Increasing our scale while lowering capital and per unit production costs
- ▶ Protecting our cash flows and balance sheet
- Establishing ourselves as an environmental, social, and governance leader within our industry

Our efforts to reduce our environmental impact, prioritize safety, implement sound corporate governance, and develop our talented team of employees were integral in achieving these goals in 2019.



Our environmental, social, and governance program highlights from 2019 include:

- ➤ Focus on managing our emissions with operational best practices enhanced by our memberships in the ONE Future Coalition and The Environmental Partnership
- Active water recycling program with 68% of our produced water being reused
- ➤ Peer-leading safety record with a TRIR of 0.24 which is well below the industry average of 0.80 from the U.S. Bureau of Labor Statistics
- ➤ Gender diversity in our management team with 29% of our VP and above positions filled by women
- ► Enhanced focus on managing our risks with a formalized Enterprise Risk Management Program
- Certification as a Great Place to Work for four years in a row
- Over 3,200 hours of collective paid time off allowed to our employees for volunteering at local organizations

In addition, in 2020, we have been focused on responding to the COVID-19 pandemic. Ascent quickly activated a response team and implemented measures to safeguard the health of our employees, contractors, and the community, while continuing to operate responsibly and maintaining the resiliency of the company. We have had limited COVID-19 related interruptions to our business during this time, thanks to the preparedness and planning of our team.

Ascent has taken a best-in-class leadership approach to corporate responsibility, and we are committed to protecting our employees, stakeholders, and the communities impacted by our operations. As reflected in our 2019 results, we are committed to acting as an excellent corporate citizen, not only to help manage our business responsibly, but because we firmly believe that it's the right thing to do. We look forward to continuing to operate with these same high standards in 2020.

Sincerely,

Jeffrey A. Fisher Chief Executive Officer Ascent Resources, LLC

## ASCENT CORPORATE RESPONSIBILITY HIGHLIGHTS



TRIR of 0.24 -Below industry average 0.80



Low Methane Intensity



Reuse of 68% of produced water in 2019



ZERO Reportable spills in 2019



Women fill 29% of VP and above positions at Ascent



Excellent employee retention - Voluntary employee turnover rate of 6.27%

## **TABLE OF CONTENTS**

- ABOUT ASCENT RESOURCES
- SAFETY
- 5 ENVIRONMENTAL STEWARDSHIP
- CORPORATE GOVERNANCE AND ETHICS
- ERM AND CYBERSECURITY
- HUMAN RESOURCES
- COVID-19 RESPONSE



## **ABOUT ASCENT RESOURCES**

Ascent Resources, LLC (Ascent) is the seventh-largest producer of natural gas in the United States in terms of daily production and is focused on acquiring, exploring for, developing, producing, and operating natural gas and oil properties located in the Utica Shale in Southeast Ohio. With a continued focus on good corporate citizenship, Ascent is committed to delivering low cost, clean-burning energy to our country and the world, while reducing environmental impacts.

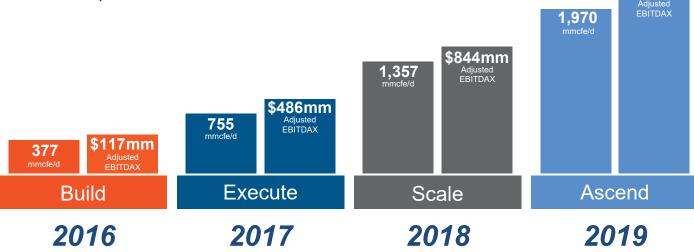
#### 2019 Highlights:

- Average net production of approximately 2.0 bcfe per day
- Proved natural gas, oil, and natural gas liquids reserves of roughly 9.3 tcfe as of December 31, 2019, based on SEC pricing
- ► Largely contiguous footprint of approximately 349,000 net acres in the core of the Utica Shale
- ➤ Royalty interests in about 77,000 fee mineral acres
- ➤ Generation of free cash flow of \$17 million in the fourth quarter of 2019

#### Ascent is differentiated through:

- Operational excellence in the efficient development of our high quality, low cost resource base
- ► Financial discipline and a strong hedge book with a focus on generating positive free cash flow for the future
- Responsible environmental stewardship and the unwavering belief that safety should be our top priority
- ► A diversified marketing portfolio to reach premium markets
- A strategic mineral ownership portfolio that drives higher margins and provides dependable cash flow

\$1,151mm



## **FOCUS ON SAFETY ALWAYS**

Workplace safety, loss prevention, and accountability are thoroughly integrated into all aspects of our company. Employees and contract personnel have the responsibility to conduct individual, as well as collective, safety and loss prevention practices to achieve our objective of a zero-incident environment.

### SAFETY CULTURE IS KEY TO SUCCESS

Ascent is committed to a comprehensive safety program with active participation throughout all levels of management, employees, and contractors. We consider the following policies and programs at Ascent to be among the best in the Appalachian Basin:

- ➤ We have sophisticated emergency and tactical response plans to address most any situation that our employees may encounter
- ► All employees and contractors are empowered to use Stop Work Authority if they become aware of unsafe working conditions
- ➤ Our employees embrace a "Report Everything" culture and all incidents, regardless of severity, are required to be reported utilizing our iScout data management and reporting system
- ➤ Our Best Catch awards provide positive company-wide recognition and reward to employees, contractors and vendor employees who actively recognize or prevent unsafe working conditions

These programs ensure that the health and safety of our employees and the communities where we operate remain a top priority for Ascent.



#### **Excellent Safety Record:**

- ➤ Only 2 employee OSHA recordable incidents in over 5 years of operations
- ► TRIR of 0.24 in 2019

## COMPREHENSIVE EMPLOYEE TRAINING PROGRAM

Ascent believes that a comprehensive safety training program is vital to the safety and wellbeing of our employees and contractors. Ascent's training includes a combination of instructor-led as well as computer-based training (CBT). We are committed to administering a comprehensive and mandatory employee training program that includes:

- Monthly instructor-led training for all field-based employees
- ► Emergency action plan training to all

#### employees

- ➤ Twice-monthly CBT courses for all employees covering topics relevant to the employee based on office location and potential safety risks
- Annual incident reporting training for all field employees

Through this training, our employees are equipped to prevent incidents and ready to respond appropriately in an emergency.

### CONTRACTOR SAFETY IS A PRIORITY

Another factor in ensuring Ascent's excellent safety performance is our relationship with our contractors. We have strict protocols in place for selection, onboarding, training, and management of contract workers. We use these highly effective resources to ensure contractors hired to work on Ascent projects operate using the same standards we require of our employees.



Ascent believes that substantial, early, clear, and frequent interaction with our contractors is the key to successful and safe operations. Before engaging a contractor to do business with Ascent, we perform a detailed review of the contractor's safety performance using the ISNetworld program and we require execution of a master service agreement wherein we detail our contractor safety requirements.

All contractors working on Ascent locations are required to participate in an extensive contractor orientation through which we review potential safety issues and detail Ascent's expectations for operating safely and responsibly. We continuously communicate with our contractors through employee-led EHS training, quarterly face-to-face meetings with Ascent management, pre-shift communication meetings at the worksites, and daily job safety analysis. In 2019, Ascent's EHS team conducted 69 contractor safety meetings reaching 171 companies and 2,293 individuals.



## ENVIRONMENTAL STEWARDSHIP AND OPERATIONAL EXCELLENCE

Our commitment to environmental stewardship and responsible operational performance starts with our company's leaders. Ascent's management team regularly reviews key performance indicators and challenges our employees at all levels to find ways to continuously improve our operations. Our environmental specialists work hand-in-hand with our operations team to ensure we are acting as a responsible partner in the communities where we operate.

### MANAGING EMISSIONS

Ascent works to achieve industry-leading performance through actively monitoring and managing air emissions from its production operations. As a member of the ONE Future Coalition, Ascent is committed to doing its part to lower methane emissions from the natural gas supply chain to 1% by 2025. All Ascent-operated well pads participate in the ONE Future production sector commitment of achieving methane intensity of 0.28% by 2025. In 2019, Ascent's methane emissions intensity was 0.05%, putting it well below the ONE Future coalition's 2025 target.

Ascent strives to implement best practices for reducing methane emissions in its operations and, to that end, participates in The Environmental Partnership. As part of this partnership, Ascent is incorporating best management practices for reducing methane emissions into its ongoing operations, including the installation of low and intermittent bleed pneumatic controllers, monitoring of liquids unloading operations, and quarterly leak detection and repair surveys.





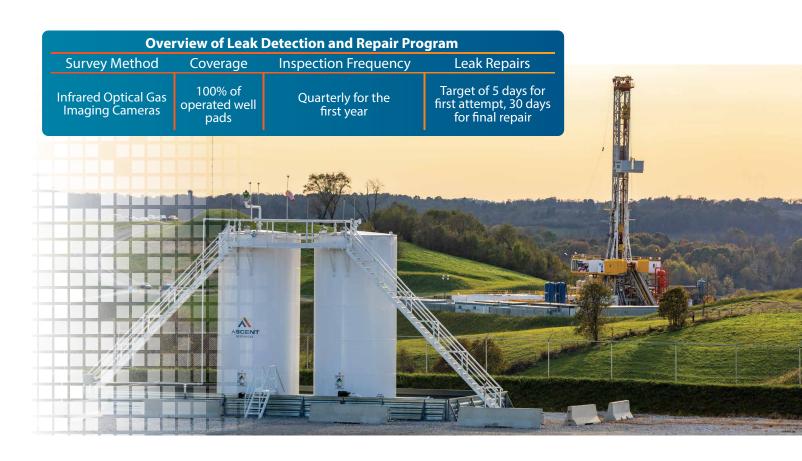


#### ROBUST LEAK DETECTION AND REPAIR PROGRAM

We execute a robust leak detection and repair program employing infrared cameras to pinpoint leak sources on 100% of our operated well pads. Dedicated Ascent environmental, health and safety (EHS) staff are certified for Optical Gas Imaging by the Infrared Training Center and perform leak inspection surveys with infrared optical gas imaging cameras. Our EHS staff are then able to quickly coordinate repairs of any leaks detected with our operations and maintenance personnel. Many repairs are completed immediately upon detection of a leak and, in 2019, our average days from detection to repair was 4.5 days. Data collected through this

program is used to identify areas for improvement and to target opportunities for minimizing leaks going forward. Ascent has initiated efforts to reduce leaks by modifying storage tank thief hatches, reviewing common leak sources during our pre-startup safety review of new well pads, and working with lease operators to prevent leaks from common leak sources within gas production units.

In 2019, Ascent performed over 450 leak inspection surveys with an average leak occurrence rate of 0.18% across all components surveyed.



#### BEST WATER MANAGEMENT PRACTICES

Governance of our water management program stems from a written guide of best management practices and standard operating procedures. Our standards and procedures for handling fresh and produced water and for spill prevention were developed from our team's vast experience in multiple producing basins and were designed to not just meet but exceed regulatory requirements and industry standards. All of our employees, contractors, and vendors receive training on the standards and procedures affecting their area of responsibility before beginning to work for the company and also participate in periodic refresher training.

To reduce our costs and minimize environmental impact, we are focused on utilizing data-driven decision making to optimize produced water reuse and freshwater usage. Our operations center uses internally developed software to track our produced water movement and usage in real-time. We utilize this data to make logistical and technological improvements with the goal of reusing 100% of our produced water. In 2019, we

were able to reuse approximately 68% of our produced water, and, in the first quarter of 2020, we were able to reuse a company record 85% of our produced water.

We have also been able to sustain all of our freshwater needs with the utilization of minimal permanent infrastructure. Utilizing above ground, temporary waterlines and only four freshwater impoundments throughout our acreage, we can effectively mitigate our environmental impact. Our utilization of water transfer lines has reduced truck traffic by approximately 3,350 to 3,800 truckloads per well.

To protect both waterways and the surrounding environment, Ascent has also implemented a pre-drilling assessment program. We conduct pre-construction field evaluations through which we delineate all wetlands and floodplains and identify any other environmental concerns that may be present. This practice helps to ensure that we minimize environmental disturbances.



#### **COMMITMENT TO INTEGRITY FIRST**

At Ascent, we strive to conduct our business with integrity, transparency, and accountability to foster proper and ethical business behavior. Our Board of Managers (Board) and executive team actively consider and strive to act in the best interests of all stakeholders, including our investors, debtholders, employees, business partners, and the communities where we operate.

### CORPORATE GOVERNANCE

Ascent is governed by a 12-member Board comprised of two independent members, an Ascent officer, and nine members representing key equity investors.

Ascent is committed to sound corporate governance and, although we are a private company, we have voluntarily implemented the following corporate governance best practices:

- Independent Board members
- **V**<sub>1</sub> Female Board member
- Active Audit Committee
- ✓ Independent Audit Committee Chair
- ☑ Board members with financial expertise on Audit Committee including a retired public energy company CFO
- Active Compensation Committee with an independent Board member on the committee
- Board quarterly meeting attendance rate greater than 95%

Through implementing these sound governance practices, we strive to manage our company in a way that creates value for all of our stakeholders.



#### INTEGRITY OF FINANCIAL REPORTING

We are invested in taking steps beyond what is required of us to ensure that the information presented in our financial statements is complete and accurate. Our Audit Committee is responsible for overseeing the integrity of our financial statements and our accounting process and meets at least quarterly to review our financial statements before they are issued. In 2019, we also added an Internal Audit Director to our staff to oversee our system of internal controls over financial reporting. Our Audit Committee meets with our Internal Audit Director in quarterly executive sessions without management

present. Our annual financials are also audited by, and our quarterly financials are reviewed by, a Big 4 independent registered public accounting firm. Our reserve reports are prepared by an independent petroleum engineering firm. Both our independent auditing and engineering firms are overseen by the Audit Committee. Our auditing firm reports to our Audit Committee quarterly and our engineering firm reports to the Audit Committee semi-annually. All of these practices aid in providing our investors with the confidence they need to depend on the accuracy of our financial statements.

### CODE OF BUSINESS CONDUCT AND ETHICS

Our Code of Business Conduct and Ethics (the Code) provides guiding principles for our employees to act lawfully, ethically, and in the best interests of Ascent. To ensure that our employees are familiar with and accountable to our Code, we:

- Administer annual web-based training to all employees
- Require employees to complete an annual policy attestation certifying that they have read the Code
- Review the Code as part of each new employee's onboarding process
- Require employees to complete conflict of interest disclosure forms identifying any potential conflicts of interest

In 2019, our employees completed a cumulative total of almost 1,000 hours of ethics compliance training, including additional training for managers in workplace harassment.



## ETHICS HOTLINE

We maintain a third-party ethics hotline for use by employees, vendors, and other stakeholders in reporting any suspected non-compliance behavior to us. Our hotline number is listed on our internal and external company websites and posted throughout our office buildings. All calls received on the hotline are reviewed by our General Counsel and escalated to our full

executive team where appropriate. We also provide a comprehensive report of calls to our executive team and Audit Committee quarterly. On average, in 2019, we resolved issues within eight days of receiving a call on the ethics hotline, with the majority of issues being addressed in four days or fewer - lower than the 45-day average stated in Navex Global's 2020 Risk & Compliance Hotline Benchmark Report.



## **MANAGING OUR RISKS**

### ENTERPRISE RISK MANAGEMENT

Ascent has developed a company-wide culture of risk awareness, empowering all employees to identify and report risks in everything that we do. In 2018 and 2019, we formalized our Enterprise Risk Management (ERM) process by identifying enterprise-wide risks, documenting our processes, and ensuring that all employees are engaged and accountable. To foster cross-departmental sharing, we have established an internal ERM Committee consisting of leaders from every department. The ERM Committee meets regularly and is tasked with providing insight into the risks present across the company.

While our ERM Committee considers a comprehensive list of risks, some categories of risks discussed include:

- Market risk including commodity price volatility
- ► Safety, health, and environmental risk
- ▶ Information security and integrity risk
- ▶ Risk of fraud

For each risk, the committee records an assessment of the likelihood of occurrence and potential impact of these risks in a frequently updated risk register that is presented both to executive management and our Board.

## CYBERSECURITY REDUCES RISK

We are focused on protecting Ascent employees and our partners from cyber threats. We devote resources to continually train all Ascent employees to identify cyber threats and respond appropriately. In 2019, we focused on educating our employees and contractors on cyber threats through engaging monthly videos for a total of over 500 hours of awareness training. In order to adapt to an ever-changing risk landscape, our cybersecurity team also partners with external agencies like the FBI and ONG-ISAC, an organization focused on cybersecurity in the natural gas and oil industry. We use industry best practices like the National Institute of Standards and Technology (NIST) Cybersecurity Framework to help guide our program.

## BOARD FOCUS ON ERM AND CYBERSECURITY

Our Audit Committee is responsible for overseeing our ERM process and our ERM staff regularly updates executive management and the Audit Committee on the program. Our Audit Committee reviews the risk register every quarter at a minimum and the full Board is given an update as circumstances change, but at least annually. Our cybersecurity team also provides periodic updates to both the Audit Committee and the full Board. Our Board is focused on understanding the risks that Ascent may face and ensuring that a plan is in place to mitigate these risks and minimize financial impact.

#### **BRINGING ENERGY TO OUR WORKFORCE**

At Ascent, our goal is to build a strong corporate culture, continuously empower our employees, and identify new ways to hire and develop employees.

#### **EMPLOYEE RELATIONS**

We are proud to say that Ascent has been certified a Great Place to Work for the past four years and was named a top 100 Medium Workplace in both 2018 and 2019. Great Place to Work™, a global analysis and consulting firm, analyzes corporate culture utilizing company-provided data and anonymous employee surveys. In 2019, 355 of our employees completed these surveys, with 95% of these employees stating that they believe Ascent is a great place to work. This demonstrates that our employees also agree with this esteemed designation.

At Ascent, we prioritize the recruitment and retention of experienced and high-performing employees, and, for this reason, we recognize the value in offering a comprehensive suite of employee benefits. In addition to a generous health insurance package and 401(k) matching program, we also offer many other excellent benefits, including, but not limited to:

- ► Tuition reimbursement
- Adoption benefits
- ► Gym membership reimbursement
- ► Paid parental leave for all parents following births and adoptions

We are continually evaluating all aspects of our human resource programs to ensure we are providing the very best benefits and opportunities for our employees.



#### NON-DISCRIMINATION POLICY

Ascent's policy and practice are to provide equal employment opportunities for all applicants and employees. We are firmly committed to our collective value that all employees should be treated with dignity, fairness, and respect. Our employees are given personal responsibility for ensuring that the principles of equal employment opportunity, non-harassment and non-discrimination are understood, agreed to, abided by, and carried out in all circumstances.

We continue to build a diverse and inclusive workplace and, to this end, we have expanded our already diverse recruiting efforts by posting open positions on over a dozen additional diversity-related job boards. This effort has significantly increased the number of diverse candidates vying for Ascent positions. We are proud to state that, in 2019, women held 29% of Vice President and above positions. We also actively recruit veterans, and, as a result, veterans currently comprise more than 8% of our workforce.



## FOCUS ON EMPLOYEE DEVELOPMENT

As an organization, we set annual actionable and measurable goals at the company, department, and employee levels. Employees undergo formal evaluations once a year to assess goal completion and adherence to company values. This review process helps promote communication and is a useful tool in providing feedback to employees. We also reward exemplary performance throughout the year with our URock! awards and, in 2019, we awarded 69 URock! awards to employees who have gone above and beyond their required duties.

Ascent continually invests in our employees' success with superior education and training. Our training programs range from regular employee-led lunch and learns to our partnership with Oklahoma State University's Spears School of Business, where professional development seminars are presented at our offices on topics like communication and collaboration. We also sponsor an annual intern program where we provide talented undergraduate and graduate college students with the opportunity to gain practical work experience in the natural gas and oil industry.

#### **COVID-19 RESPONSE**

As the COVID-19 pandemic escalated, Ascent moved quickly to activate a cross-functional response team and implemented several measures to safeguard the health of our employees, contractors, and the communities where we live and work. Our desire is to do everything possible to protect the health of our people and their families while continuing to operate responsibly and maintain the resiliency of the company. We adhere to the guidelines issued by the World Health Organization (WHO), Centers for Disease Control (CDC), as well as the state and local governments and regulators across our areas of operations. The vast majority of our office staff transitioned to working remotely, and we have had limited COVID-19 related interruptions to our business during this time thanks to the preparedness and advance planning of our team and the support of our CEO. Our personnel in the field in Ohio are following the guidelines implemented by Governor DeWine, the CDC, and WHO. We are working closely with our contractors and vendors to keep everyone safe while maintaining critical operations.



#### INVESTING IN OUR COMMUNITIES

Ascent acts as a leader in supporting charitable organizations in Oklahoma and Ohio, both through financial contributions and volunteering of our time.

#### CORPORATE GIVING BOLSTERS COMMUNITIES

We are honored to act as a leader in Oklahoma City by serving as a Pacesetter company in the United Way of Central Oklahoma's annual fundraising campaign. Our employees give generously to this organization and all employee pledges are matched dollar-for-dollar by Ascent. In addition to the United Way, Ascent sponsors various non-profit events throughout Oklahoma and Ohio communities.

G.I.V.E.

In 2019, Jeff Fisher, our CEO, served as the chair of the American Heart Association's Central Oklahoma Heart Walk and more than 200 employees and family members participated in the event. Ascent also sponsored the event's survivor tent providing food and a resting place for survivors of heart disease.

In 2019, our Ohio employees demonstrated their generosity and commitment to the local community by partnering with Ascent to donate an estimated \$60,000 in toys to Toys for Tots Ohio.

Ascent also partners with local first responders in the areas where we operate. We have provided funding to the Jefferson County Special Response Team for an unmanned aerial vehicle. This drone allows the SRT to better protect and serve the community in finding missing persons and assisting in active shooter incidents, drug raids, and other police operations. Ascent also helped purchase an emergency task vehicle for the Belmont County Emergency Management Agency. This vehicle is equipped with radio emergency management technology and can be used as an essential meeting place during emergencies.

#### **EDUCATION**

Education is a key component of our community investment program. In 2019, we partnered with Monroe Elementary in Oklahoma City to build a STEM room for their students. Students will learn about science, technology, engineering, and math through the use of a 3-D laser printer, handheld digital microscopes, and other educational tools. Ascent also provided all school supplies for more than 340 students at Brook Intermediate School in Byesville, OH.

## VOLUNTEER EFFORTS ASSIST SOCIAL, EDUCATIONAL, AND CULTURAL ORGANIZATIONS

Volunteerism is a vital component of our corporate culture and identity. Our employees are provided eight hours of paid time off annually to volunteer for the charitable organization of their choice, representing a total of over 3,200 volunteer hours allowed to help those in need in our communities. Our employees serve as weekly mentors at Monroe Elementary, participate in adopt-a-highway programs, and volunteer at numerous local non-profit agencies, including the Regional Food Bank of Oklahoma and City Rescue Mission.







More than 200 employees and family members participated in the Central Oklahoma Heart Walk supporting the American Heart Association.



PERFORMANCE METRICS		
Economic:	2019	2018
Net Production	2.0 bcfe/d	1.4 bcfe/d
Gross Operated Producing Wells	523	396
Proved Reserves (based on SEC pricing)	9.3 tcfe	7.6 tcfe
Net Acres	349,000	311,000
Fee Mineral Acres	77,000	71,000
	,	.,,,,,,
Environment:	2019	2018
GHG Emissions (metric tonnes CO,e)	437,780	259,465
GHG Emissions - Flared hydrocarbons	15,032	10,639
GHG Emissions - Other combustion	243,573	191,653
GHG Emissions - Process emissions	5,817	0
GHG Emissions - Other vented emissions	165,567	52,880
GHG Emissions - Fugitive emissions from operations	7,791	4,293
GHG Emissions Intensity (metric tonnes CO <sub>2</sub> e/mmcfe)	0.51	0.39
Methane Emissions (metric tonnes)	7,243	2,324
Methane Loss Rate (calculated using ONE Future protocol)	0.05%	0.02%
Volume of Flared Hydrocarbons (mscf)	112,686	71,396
Gas Flaring Intensity (% of gas production)	0.01%	0.01%
Dollar value of fines related to environmental laws	\$0	\$0
Water:	2019	2018
Water Reuse Percentage (% of produced water that was reused)	68%	49%
Freshwater Used in Production (bbls)	37,436,961	41,783,458
Recycled Water Used in Production (bbls)	4,446,242	1,982,139
necycled water osed in Froduction (bbis)	7,770,272	1,502,155
Spills:	2019	2018
Number of reportable spills	0	0
Hydrocarbon Spills > 1 bbl (#)	0	3
Produced Water Spills > 1 bbl (#)	30	19
Hydrocarbon Spill Volumes (bbls)	4.35	6.35
Produced Water Spill Volumes (bbls)	331	153
Total Spill Volumes (bbls)	335	159
Total Produced Fluid Spill per 1,000 bbl Produced Fluids	0.021	0.017
Safety:	2019	2018
Average number of training hours per employee	13.4	8
Employee TRIR	0.24	0.26
Employee LTIR	0.24	0.26
Employee number of work-related fatalities	0	0
Contractor TRIR	0.58	0.86
Contractor LTIR	0.22	0.26
		0.20
Employees:	2019	2018
Number of Employees	402	366
% Women Employees	34.3%	36.6%
% Women Employees in Oklahoma City Office	47.0%	50.4%
% VP and Above Positions Filled by Women	28.5%	23.0%
% Minority Employees	9.4%	9.2%
% Minority Employees in Oklahoma City Office	12.6%	12.3%
% Veterans	8.4%	8.4%
Employee Turnover Rate (Voluntary)	6.2%	10.0%





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