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Message from Our Chairman & CEO

At Concho, we strive to produce efficient and reliable energy. We have a deep legacy operating in the Permian Basin, which provides us with the technical, operational and economic advantages needed to produce a competitive source of energy for worldwide consumption. We believe our efforts contribute to improving economic mobility and quality of life around the world.

Advancing sustainability is integral to our success. After all, we live where we operate, which means we can see our progress real time. We began our sustainability journey several years ago, and this inaugural report represents an important milestone as we advance on that journey.

We deliver this report as societies around the globe contend with the spread of the novel coronavirus pandemic. The challenges presented by the pandemic have impacted nearly everyone and every industry, including the energy industry. When the virus began, the United States was the world’s largest oil and natural gas producer and a net exporter of oil and petroleum products. As a result of the pandemic, global economic activity slowed, dramatically reducing demand for oil and petroleum products. As people begin to resume their day-to-day lives and commerce returns to normalized levels, we believe demand for oil, natural gas and petroleum products will return as well. Even in this challenging and uncertain environment, we continue down a path of securing our role in the energy transition by being a low-cost producer of resources that we believe will remain vital to the world’s overall energy mix and rising standards of living for decades to come.

Our role of supplying a competitive energy source is one we take seriously, and advancing our sustainability efforts is a key priority. In the pages that follow, you can read about our initiatives and performance across a range of environmental, social and governance measures. In addition, our inaugural sustainability report builds on last year’s TCFD-guided Climate Risk Report, which we have updated and included herein. While preparing this report, we sought guidance from our Board, management, employees and major shareholders, among other stakeholders. Importantly, I hope you’ll see how our culture of results, transparency and accountability runs through our key focus areas:

- **Operating Safely**
  We prioritize the health and safety of our people, as demonstrated by our safety performance, which shows a trend of consistently low incident rates.

- **Safeguarding the Environment**
  We are reducing emissions and improving our air quality performance, demonstrated by approximately a 60% decrease in methane emissions in 2019 and nearly a 25% reduction in greenhouse gas intensity since 2017. In addition, we flared less than 2% of gross gas produced in 2019, and so far in 2020 we are closer to 1%.

- **Encouraging Water Reuse**
  We are advancing our water recycling efforts, which resulted in nearly a 70% increase in reused water volumes in 2019, compared to 2018.

- **Investing in Our Team**
  We are investing in our team and creating a diverse and inclusive culture, which has resulted in recognition as a Great Place to Work for five consecutive years and in 2019 recognition as a Great Place to Work for diversity.

- **Investing in Our Community**
  The wellbeing of our local community is important and guides our approach to philanthropy and giving back. We invested more than $5 million in Permian Basin communities during 2019.

- **Ensuring Accountability**
  Since 2018, we have included key sustainability performance measures within our compensation structure, which we believe strengthens the integration of sustainability into our operations and strategic direction.

We acknowledge that with this inaugural sustainability report we are establishing a baseline for reporting. This is an important undertaking, which will continue to evolve as we receive stakeholder feedback, advance our sustainability initiatives and adjust to the dynamic environmental, social and governance reporting landscape. We are committed to continuously improving and enhancing our sustainability dialogue and reporting.

Importantly, our progress would not be possible without our team. This past year has presented many unique challenges, and their commitment to our business has been steadfast. They are the foundation of our broader success, as well as our success in integrating sustainability throughout our organization.

Over the past 10+ years, we have assembled a growth platform that is nearly unmatched in our industry. We are making investments and strategic decisions today to support our social license to operate. We have many stakeholders and there is always more to do. We welcome the challenge and look forward to continued engagement on our sustainability performance, and believe over time this will make us both a better company and more competitive.

Tim Leach
Chairman of the Board and Chief Executive Officer
1. Overview

Concho Resources is one of the largest unconventional shale producers in the Permian Basin, with operations focused on producing oil and natural gas resources safely and efficiently.

The Permian Basin is one of the most prolific oil and natural gas producing regions in the United States and is characterized by extensive production history, long reserve life, multiple producing horizons and significant recovery potential. Concho has a deep legacy operating in the Permian Basin and is built on a strategy that focuses on employing the best people, being a good business partner and member of our community, investing in high-quality assets, executing a returns-based capital program and maintaining a strong financial position. We endeavor to integrate sustainability into each pillar of our business strategy and believe consistent execution of this strategy enables Concho to deliver long-term value to our stakeholders.

Our Strategy

---

**Concho by the Numbers**

Year ended December 31, 2019. Represents total Company acreage, production & reserves.

<table>
<thead>
<tr>
<th>520,000</th>
<th>280,000</th>
<th>331 mboe/d</th>
</tr>
</thead>
<tbody>
<tr>
<td>Concho has 520,000 gross acres in the Delaware Basin.</td>
<td>Concho has 280,000 gross acres in the Midland Basin.</td>
<td>Concho’s net production averaged 331 thousand barrels of oil equivalent per day (63% oil).</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>1bn</th>
<th>5 years</th>
<th>&lt; 2%</th>
<th>~70%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Concho’s proved reserves totaled 1 Billion barrels of oil equivalent at year-end 2019.</td>
<td>Concho has been Great Place to Work certified 5 years running.</td>
<td>Concho reduced flaring to less than 2% of gross gas production in 2019.</td>
<td>Concho’s water reuse increased nearly 70% from 2018 to 2019.</td>
</tr>
</tbody>
</table>
Integrating Sustainability

Concho prioritizes good corporate governance, the safety and health of our employees, managing our environmental impact, empowering our workforce and serving the communities where we operate. Advancing our sustainability progress is an important priority for both Concho and our stakeholders, and our goal is to embed sustainability at every level of the Company. Our corporate responsibility activities are organized under five primary pillars:

1. Upholding good governance practices
2. Prioritizing safety and health
3. Protecting the land, water and air through responsible development
4. Investing in our workforce
5. Supporting projects that contribute to the long-term growth of our communities

By focusing on our sustainability performance, we have reached several milestones in advancing our sustainability commitments and disclosures. Our commitment to sustainability allows us to create value for Concho and our stakeholders by helping us mitigate risks, reduce costs, increase the efficiency of our operations and minimize our environmental footprint.

Permian Basin Assets

In 2019, the United States was the world’s largest oil and natural gas producer for the second year in a row. Domestic oil production growth is a result of the energy industry’s commitment to efficiently developing one of the largest, most secure oil deposits in the world, the Permian Basin. The Permian Basin spans an area approximately 250 miles wide and 300 miles long across Southeast New Mexico and West Texas. The first Permian Basin well was drilled in 1923. From 1945 to 1973, Permian Basin oil production grew from 0.5 million barrels per day to around 2 million barrels per day. By year-end 2019, Permian Basin oil production exceeded 4.7 million barrels of oil per day. This prolific oil resource play sits at the low end of the cost curve and is where Concho has strategically chosen to operate since the Company’s formation.

Since our formation, Concho has been focused on developing its oil and natural gas resources in the Permian Basin efficiently and safely. Concho is headquartered in Midland, Texas, and our position in the Permian Basin spans approximately 800,000 gross acres in Southeast New Mexico and West Texas. Our expertise, combined with our size and scale, offer competitive advantages. Our ability to maintain these advantages rests in part on responsibly developing our resources and diligently responding to the many risks facing our business, including climate-related risks.

Our asset portfolio reflects a significant track record of acquiring long-life, low-cost, scalable assets in one of the most attractive oil and natural gas resource basins in the world.
1. Overview

Concho’s inaugural Sustainability Report highlights our ongoing commitment to transparency regarding the Company’s performance across a range of ESG measures. This report covers Concho’s approach to sustainability through a review of key ESG topics such as risk management, health and safety, air quality and climate risk, water resources, land use and biodiversity, spill management, workforce and community investment.

Frameworks & Standards

This report was informed by key frameworks and reporting guidance, including:

- The Sustainability Accounting Standards Board (SASB) Oil and Gas – Exploration and Production Sustainability Accounting Standard
- Oil and Gas Industry Guidance on Voluntary Sustainability Reporting by IPIECA, the American Petroleum Institute, and the International Association of Oil and Gas Producers
- Global Reporting Initiative (GRI) Sustainability Reporting Standards

The report also contains an update to our 2019 Climate Risk Report, prepared following guidelines from the Task Force for Climate-Related Financial Disclosures (TCFD). A mapped index of reporting indicators from these frameworks can be found at the conclusion of this report.

Scope

The scope of sustainability metrics in this report includes Concho’s gross-operated assets and facilities for the calendar year 2019. Our baseline reporting year for most metrics is 2018, with the exception of our Air Quality section (2017) and Water Stewardship section (2019), whose baseline reporting years represent the first complete year of available data. With the exception of our air quality data, data associated with the New Mexico Shelf is included up to its divestiture in November 2019. In accordance with EPA emissions reporting protocols which are defined by assets under ownership as of December 31 of the reporting year, air quality metrics exclude the divested New Mexico Shelf in 2019 and include a full year of data for RSP Permian, Inc., which was acquired in 2018.

Data Integrity

This report was drafted internally and was subject to an internal quality control and assurance process to verify the accuracy of our claims and data points. Subject matter experts across the organization were consulted throughout the data collection, information gathering and drafting stages to generate the report with a high degree of integrity. These internal controls and reviews provided additional accountability and were integral to further enhancing the quality, transparency and reliability of our report. At the conclusion of the quality control and assurance process, the report was internally certified.
2. Prioritizing Material Topics

Concho conducted a materiality assessment to determine which sustainability topics are most significant to our business and to our stakeholders.

We leveraged our initial sustainability website disclosures and the expertise of our Sustainability Working Group (SWG) to assemble a list of sustainability indicators for consideration. This comprehensive list was also informed by relevant frameworks and standards, including SASB, GRI, IPIECA and TCFD; ESG scorecard and survey requests; industry peer disclosure; and roundtable discussions with subject matter experts. A uniform set of definitions was adopted for each indicator using institutional knowledge and the frameworks and standards described above.

To capture a broad range of ideas and to ensure a holistic ESG reporting approach, members of the SWG represent key functions across the organization, including:

- **Accounting & Finance**
- **Investor Relations & Corporate Responsibility**
- **Corporate Reserves**
- **Legal**
- **Government & Regulatory Affairs**
- **Operations & HSE**
- **Human Resources**
- **Planning**

An important part of our understanding of material topics is our proactive and ongoing engagement with stockholders. Through evaluation of internal and external stakeholder perspectives and a mapping exercise with the SWG, the initial list of indicators was refined to reflect Concho’s highest-priority topics using a quadrant system. The one-on-one document mapping exercise utilized individual responses from members of the SWG to generate consensus on each topic. Final placement was determined by the frequency with which indicators were assigned to each quadrant across SWG responses.

Results of the assessment guided the development of this report and provide direction and insight into the SWG’s priorities and strategy. We plan to review and refresh our materiality assessment regularly and update our report disclosures accordingly.

<table>
<thead>
<tr>
<th>Material Topics</th>
<th>Sustainability Report Sections</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governance and ethics; regulatory compliance</td>
<td>Governance</td>
</tr>
<tr>
<td>Security</td>
<td>Risk Oversight &amp; Management</td>
</tr>
<tr>
<td>Safety; emergency preparedness</td>
<td>Health &amp; Safety</td>
</tr>
<tr>
<td>Air quality; climate change; product transportation</td>
<td>Climate Risk &amp; Air Quality</td>
</tr>
<tr>
<td>Well construction and integrity; hydraulic fracturing; seismicity; water resource management</td>
<td>Water Stewardship</td>
</tr>
<tr>
<td>Land and surface use impacts; biodiversity; reclamation</td>
<td>Land Stewardship &amp; Biodiversity</td>
</tr>
<tr>
<td>Fluids management and spills; waste management</td>
<td>Spill Management; Waste Management</td>
</tr>
<tr>
<td>Workforce diversity; workforce health; workforce development and engagement</td>
<td>Workforce</td>
</tr>
<tr>
<td>Community outreach and investment; public policy and advocacy; economic impact; local content/procurement practices</td>
<td>Community Investment &amp; Engagement; Economic Impact; Government Affairs</td>
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</table>

Material indicators are listed in no particular order of importance.
3. Stakeholder Inclusiveness

Concho incorporates a variety of stakeholder perspectives in its decision-making process and ESG planning and reporting approach. Our engagement efforts with each stakeholder group are outlined below and are expanded upon throughout the remainder of the report.

<table>
<thead>
<tr>
<th>Our Stakeholders</th>
<th>Engagement Activities and Opportunities</th>
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| Stockholders                      | · Year-round, one-on-one engagement  
                                    · Investor conferences  
                                    · Annual stockholder meeting  
                                    · ESG-focused outreach                                                                                                                                                                                                                                                                                      |
| Board of Directors                | · Engagement with stockholders to discuss and review feedback on Concho’s sustainability initiatives, executive compensation and governance  
                                    · Review of trends, issues and concerns regarding climate risk in connection with strategic planning and reserves management  
                                    · Review of regulatory rules, policies or laws which could impact operations  
                                    · Briefings to the HSE&R Committee from management on sustainability matters and performance  
                                    · Ongoing discussions on sustainability strategy and climate risk reporting                                                                                                                                                                                                                                    |
| Concho employees                  | · Quarterly employee meetings with virtual access for all offices  
                                    · Skills training, rotation programs and regular performance reviews  
                                    · Leadership development  
                                    · Great Place to Work annual employee engagement survey  
                                    · Regular employee communications  
                                    · Employee empowerment for real-time decision-making in the field                                                                                                                                                                                                                                           |
| Surface/mineral interest owners   | · Direct access to in-house owner relations team  
                                    · Education opportunities for rangeland health and ecosystem improvement practices                                                                                                                                                                                                                      |
| Supply chain                      | · Contractor prescreening and prospective vendor assessment  
                                    · Contractor on-boarding coordination  
                                    · Vendor audits                                                                                                                                                                                                                                                                                            |
| Regulatory agencies               | · Ongoing communication with federal, state and local agencies  
                                    · Support for development of industry-relevant public policy                                                                                                                                                                                                                                                  |
| Local community                   | · Investment in programs to improve communities where we operate  
                                    · Company-sponsored volunteer events and support for employee volunteer services                                                                                                                                                                                                                       |
| ESG research providers            | · Progress updates on new disclosures  
                                    · Consideration of performance measures in reporting                                                                                                                                                                                                                                                         |
## Performance Summary

### Governance

<table>
<thead>
<tr>
<th>Governance</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board size</td>
<td>#</td>
<td>10</td>
</tr>
<tr>
<td>Independent directors</td>
<td>#</td>
<td>8</td>
</tr>
<tr>
<td>Director average age</td>
<td>years</td>
<td>63.9</td>
</tr>
<tr>
<td>Director average tenure</td>
<td>years</td>
<td>8.2</td>
</tr>
<tr>
<td>Directors joined in the prior 4 years</td>
<td>%</td>
<td>30</td>
</tr>
<tr>
<td>Board member diversity by race or gender</td>
<td>%</td>
<td>20</td>
</tr>
<tr>
<td>Other public company boards (average)</td>
<td>#</td>
<td>0.9</td>
</tr>
<tr>
<td>Board meetings held</td>
<td>#</td>
<td>8</td>
</tr>
<tr>
<td>Committee meetings held</td>
<td>#</td>
<td>23</td>
</tr>
<tr>
<td>Meeting attendance</td>
<td>%</td>
<td>&gt;75</td>
</tr>
</tbody>
</table>

### Health & Safety

<table>
<thead>
<tr>
<th>Health &amp; Safety</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fatalities – Employees</td>
<td>#</td>
<td>0</td>
</tr>
<tr>
<td>Total recordable incident rate – Employees</td>
<td>rate</td>
<td>0.11</td>
</tr>
<tr>
<td>Lost time incident rate – Employees</td>
<td>rate</td>
<td>0.06</td>
</tr>
<tr>
<td>Vehicle incident rate</td>
<td>rate</td>
<td>1.1</td>
</tr>
</tbody>
</table>

### Air Quality

<table>
<thead>
<tr>
<th>Air Quality</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Methane emissions</td>
<td>metric tons CO₂e</td>
<td>184,423</td>
</tr>
<tr>
<td>Carbon dioxide emissions</td>
<td>metric tons CO₂</td>
<td>1,243,227</td>
</tr>
<tr>
<td>Total GHG emissions</td>
<td>metric tons CO₂e</td>
<td>1,429,199</td>
</tr>
<tr>
<td>GHG emissions intensity</td>
<td>CO₂e / MBOE</td>
<td>8.7</td>
</tr>
<tr>
<td>Flared volume</td>
<td>mcf</td>
<td>6,528,540</td>
</tr>
<tr>
<td>Flaring as a % of gross gas production</td>
<td>%</td>
<td>1.8</td>
</tr>
<tr>
<td>Crude oil transported by pipeline</td>
<td>%</td>
<td>90</td>
</tr>
</tbody>
</table>
### Water

<table>
<thead>
<tr>
<th>Description</th>
<th>Unit</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water use intensity</td>
<td>bbls/BOE</td>
<td>0.8</td>
<td>—</td>
</tr>
<tr>
<td>Total water use</td>
<td>mmbbls</td>
<td>137.6</td>
<td>—</td>
</tr>
<tr>
<td>Fresh water use</td>
<td>mmbbls</td>
<td>43.0</td>
<td>—</td>
</tr>
<tr>
<td>Non-fresh water use</td>
<td>mmbbls</td>
<td>68.1</td>
<td>—</td>
</tr>
<tr>
<td>Recycled produced water use</td>
<td>mmbbls</td>
<td>14.3</td>
<td>—</td>
</tr>
<tr>
<td>Reclaimed waste water use</td>
<td>mmbbls</td>
<td>12.2</td>
<td>—</td>
</tr>
<tr>
<td>Produced water disposal volume</td>
<td>mmbbls</td>
<td>276.9</td>
<td>—</td>
</tr>
</tbody>
</table>

### Spills

<table>
<thead>
<tr>
<th>Description</th>
<th>Unit</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total spill volume</td>
<td>bbls</td>
<td>34,348</td>
<td>40,337</td>
</tr>
<tr>
<td>Total spill count</td>
<td>#</td>
<td>336</td>
<td>416</td>
</tr>
<tr>
<td>Total spill rate</td>
<td>rate</td>
<td>0.09</td>
<td>0.13</td>
</tr>
</tbody>
</table>

### Workforce

<table>
<thead>
<tr>
<th>Description</th>
<th>Unit</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee headcount</td>
<td>#</td>
<td>1,453</td>
<td>1,503</td>
</tr>
<tr>
<td>Texas</td>
<td>#</td>
<td>1,157</td>
<td>1,139</td>
</tr>
<tr>
<td>New Mexico</td>
<td>#</td>
<td>296</td>
<td>364</td>
</tr>
<tr>
<td>Employee diversity</td>
<td>%</td>
<td>32</td>
<td>31</td>
</tr>
<tr>
<td>Women in the workforce</td>
<td>%</td>
<td>29</td>
<td>27</td>
</tr>
<tr>
<td>Minorities in the workforce</td>
<td>%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee tenure</td>
<td>%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt; 2 years</td>
<td>%</td>
<td>38</td>
<td>42</td>
</tr>
<tr>
<td>2–5 years</td>
<td>%</td>
<td>33</td>
<td>32</td>
</tr>
<tr>
<td>6–10 years</td>
<td>%</td>
<td>24</td>
<td>23</td>
</tr>
<tr>
<td>11–15 years</td>
<td>%</td>
<td>5</td>
<td>3</td>
</tr>
<tr>
<td>Employee training</td>
<td>hours</td>
<td>13,534</td>
<td>14,710</td>
</tr>
</tbody>
</table>

### Social & Economic Impact

<table>
<thead>
<tr>
<th>Description</th>
<th>Unit</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual community investment</td>
<td>$ million</td>
<td>5.3</td>
<td>4.7</td>
</tr>
<tr>
<td>Annual contributions to species protection</td>
<td>$ million</td>
<td>0.71</td>
<td>0.71</td>
</tr>
<tr>
<td>Ad valorem taxes</td>
<td>$ million</td>
<td>67.1</td>
<td>33.2</td>
</tr>
<tr>
<td>Texas</td>
<td>$ million</td>
<td>61.7</td>
<td>29.8</td>
</tr>
<tr>
<td>New Mexico</td>
<td>$ million</td>
<td>5.4</td>
<td>3.4</td>
</tr>
<tr>
<td>Production taxes</td>
<td>$ million</td>
<td>282.1</td>
<td>272.2</td>
</tr>
<tr>
<td>Texas</td>
<td>$ million</td>
<td>135.4</td>
<td>114.7</td>
</tr>
<tr>
<td>New Mexico</td>
<td>$ million</td>
<td>146.7</td>
<td>157.5</td>
</tr>
<tr>
<td>Royalties</td>
<td>$ million</td>
<td>297.5</td>
<td>324.5</td>
</tr>
<tr>
<td>Texas</td>
<td>$ million</td>
<td>28.9</td>
<td>37.6</td>
</tr>
<tr>
<td>New Mexico</td>
<td>$ million</td>
<td>115.5</td>
<td>134.7</td>
</tr>
<tr>
<td>Federal</td>
<td>$ million</td>
<td>153.1</td>
<td>152.2</td>
</tr>
</tbody>
</table>
The scope of sustainability metrics in this report includes Concho’s gross-operated assets and facilities for the calendar year 2019. Our baseline reporting year for most metrics is 2018, with the exception of our Air Quality section (2017) and Water Stewardship section (2019) whose baseline reporting years represent the first complete year of available data. With the exception of our air quality data, data associated with the New Mexico Shelf is reported up to its divestiture in November 2019. In accordance with EPA emissions reporting protocols, which are defined by assets under ownership as of December 31 of the reporting year, air quality metrics exclude the divested New Mexico Shelf in 2019 and include a full year of data for RSP Permian, Inc., which was acquired in 2018.

1 Per proxy statement filed for the applicable year.
2 Per 200,000 hours worked.
3 Rate includes only preventable incidents per million miles driven.
4 Emissions volumes and resulting intensities contingent upon final GHG reporting review and approval by EPA.
5 Scope 1, excluding company-owned vehicle and plane emissions.
6 Total facility emissions include CO₂, methane and N₂O.
7 Water use intensity is equal to barrels of total water use/demand per barrel of oil equivalent gross production.
8 Purchased, treated, reclaimed, fresh, non-fresh sources for drilling and completions usage.
9 Water resources with low salinity; <2000 total dissolved solids (TDS).
10 Water resources with higher salinity; >2000 TDS. Does not include recycled produced water and reclaimed water, which are reported separately.
11 Water produced as a byproduct of oil and gas production that is treated for reuse.
12 Municipal effluent water sourced from municipalities and other third parties that is treated for reuse.
13 Reportable volumes are those greater than five barrels. Includes both produced water and hydrocarbon spills.
14 Per 1,000 bbls of produced oil and water.
15 As of December 31 for the applicable year.
16 Internal training hours only. Does not include HSE training hours.
17 Via Candidate Conservation Agreements.
18 Reflects royalty payments made to government entities.
We are committed to good corporate governance and strong risk management of health, safety and environmental risks.
1. Overview

Concho believes good corporate governance practices support transparency and accountability and further encourage good decision making for our long-term business success. The Board maintains oversight of our business strategy, risk management, governance and compensation practices. The Board continually seeks to ensure that our governance practices and board composition support effective oversight of our strategy, performance, and key risks and opportunities as they emerge and evolve. Our director nomination and board and committee evaluation processes are designed to support this continued alignment.

Leadership Structure
The Board is elected by the Company’s stockholders and is responsible for aligning the interests of management and long-term stockholders. The Board consists of:

- Deeply qualified directors with a diverse skillset
- A highly experienced, independent Lead Director who facilitates the Board’s oversight responsibilities
- A strong committee structure which provides a framework for effective operations and promotes ethics and transparency across our business endeavors

As of June 30, 2020, the Board is made up of nine directors, seven of whom are independent under the current listing standards of the New York Stock Exchange (NYSE). The Board considers the diversity and optimal enhancement of the current mix of talent and experience with respect to its members. The Board is composed of directors with a diversity of experience, skills, qualifications and viewpoints, and through periodic refreshment we seek to ensure that the Board includes directors with knowledge of areas of increasing importance to the Company, such as technology and HSE matters. This diversity strengthens the Board’s ability to carry out its oversight role on behalf of Concho’s stockholders by fostering critical, multi-faceted analysis and decision-making.

Governance Highlights

- **Board Size and Independence**: 7 out of 9 Concho board members are independent. 3 new directors have been appointed in the last 3 years.
- **Lead Independent Director**: Concho’s lead independent director maintains significant leadership authority and responsibility.

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1 As of June 30, 2020.
Our Lead Director works closely with our Chairman to provide leadership and guidance to the Board. In addition, the Lead Director’s responsibilities include: serving as chairman of executive sessions of the non-management directors, leading the Board’s annual self-assessment process, routinely liaising with non-management directors between regularly scheduled Board meetings, aggregating inputs for communication to executive management, organizing and leading the Board’s evaluation of the Chief Executive Officer and consulting with the Chairman on the establishment of the agenda for each meeting of the Board, taking into account the suggestions of other directors.

The Board’s Current Committee Structure

<table>
<thead>
<tr>
<th>Committee</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Audit Committee</strong></td>
<td>Provides oversight of financial reporting, audit, internal control risk and legal and regulatory compliance risk matters.</td>
</tr>
<tr>
<td><strong>Compensation Committee</strong></td>
<td>Provides oversight of incentive compensation plans and policies and risks related to compensation.</td>
</tr>
<tr>
<td><strong>Nominating &amp; Governance Committee</strong></td>
<td>Provides oversight of corporate governance practices and assists the Board in implementing those practices, as well as identifying individuals qualified to become members of the Board and advising the Board on Board and committee composition.</td>
</tr>
<tr>
<td><strong>Health, Safety, Environment &amp; Reserves Committee</strong></td>
<td>Provides oversight of (i) the risks related to the Company’s estimates of proved reserves of oil and natural gas and (ii) the Company’s approach to corporate responsibility, including review of HSE policies and programs, key HSE risks and corporate responsibility disclosures.</td>
</tr>
</tbody>
</table>

Each of the Audit, Compensation and Nominating & Governance committees is composed entirely of independent directors. Concho’s Board has adopted, and regularly reviews, written charters for each of the four committees and various corporate governance policies. All of our committee charters and certain key corporate governance policies are published on the Company’s website under the Investors tab.

Management Oversight & Implementation

To assist the Board with its HSE-related oversight of strategy and risk management, Concho’s SWG consists of subject matter experts from across the organization. The SWG meets regularly throughout the year and briefs the Chief Operating Officer on sustainability and specific HSE-related topics, including HSE organization, planning, safety and emissions performance. Each quarter the SWG provides an update to the HSE&R Committee regarding a variety of topics such as the Company’s sustainability reporting, emerging sustainability topics and stockholder feedback on Company environmental performance.

While compliance is the responsibility of all of our employees, our Senior Vice President of Operations and Production, Director of HSE and a team of employees are responsible for complying with safety and environmental reporting requirements; the development, implementation and monitoring of our programs for greenhouse gas (GHG) and other chemical emissions and environmental stewardship initiatives; and our health and safety programs.
Stockholder Engagement Program

We are committed to active engagement with our stockholders. We view feedback as important input for evaluating our policies, practices and disclosures, and we share the feedback from these meetings with the Board. The Company employs a proactive, year-round approach to stockholder engagement, including responsiveness to review of our plans, risk oversight, operations and strategy, and our practices on executive compensation, governance and environmental and social matters.

Concho’s Commitment to Stockholder Engagement Includes:

1. A year-round, proactive engagement program
2. Dedicated resources responsible for active engagement with stockholders throughout the year
3. Engagement designed to address stockholder questions, provide perspectives on Company policies and collect stockholder feedback to be used as an important data point in evaluating the Company’s practices and disclosures

Stockholder feedback was a key input in the development of our inaugural Climate Risk Report that was published in 2019 and to the updates we made to that disclosure for this year, which have been integrated throughout this report, including within the Climate Risk & Air Quality section. Both preceding and following the publication of the Climate Risk Report, members of senior management met with a cross-section of the Company’s stockholders representing approximately 75% of the Company’s outstanding shares. Many of these meetings included discussion around Concho’s executive compensation, climate-related disclosures and sustainability practices, which directly informed the development of the Climate Risk Report and its 2020 update, our inaugural Sustainability Report, and our continuing HSE efforts. We are committed to an ongoing dialogue regarding our reporting and disclosures and their evolution to meet the needs of our stockholders and other key stakeholders.

In addition to gathering feedback from stockholders, Concho also participates in several industry groups that regularly publish updates on HSE and climate change matters and provide various stakeholder perspectives on these matters. For more information about our participation in industry groups, refer to the Government Affairs section of this report.

Available Governance Materials

The following materials are available on the Company’s website under the Investors tab:

- Charter of the Audit Committee of the Board
- Charter of the Compensation Committee of the Board
- Charter of the Nominating & Governance Committee of the Board
- Charter of the HSE&R Committee of the Board
- Code of Business Conduct and Ethics
- Financial Code of Ethics
- Corporate Governance Guidelines
- Policies and Procedures Relating to Disclosures Required by Item 407 of Regulation S-K
2. Ethics & Compliance

Our governance policies and structure provide a strong framework for effective operations and promote ethics and transparency across all of our business endeavors. Given that ultimate oversight authority of Concho’s business ethics sits with the Board, the Board sets and approves all Company policies, with advice from members of management and in particular the Company’s Senior Vice President, General Counsel and Corporate Secretary.

Code of Business Conduct & Ethics

Our Code of Business Conduct and Ethics (the Code) endeavors to promote honest and ethical conduct, deter wrongdoing and support compliance with laws and regulations. The Code provides guidelines for Concho’s directors, officers and employees with respect to a variety of topics, including corruption and bribery, how to handle gifts from vendors and payments to vendors and the prohibition of violence and threatening behavior. The Code is reviewed regularly, updated as needed and published on the Company’s website.

All employees are required to acknowledge receipt of, and agree to comply with, the Code. To reinforce compliance with the Code and promote high ethical standards across our organization, all employees are also provided training on topics such as workplace harassment, insider trading and conflicts of interest. Directors are also provided options for third-party training on a variety of topics, including cybersecurity, governance, anti-corruption and financial reporting and oversight topics.

Concho actively monitors internal corruption by conducting an ongoing review of conflicts of interest disclosures shared by employees. Each year, directors and officers are required to complete a comprehensive questionnaire that includes questions regarding potential conflicts.

When contracting with Concho, each vendor is required to sign an agreement which details our Vendor Gift Acceptance Policy. All vendors are required to provide annual acknowledgment of this policy. Additionally, all vendors are subject to a rigorous review conducted by our contract management and security departments before being onboarded as an approved vendor. More information about our supplier due diligence efforts can be found in the Risk Oversight & Management section of this report.

Our employees are responsible for reporting any suspected misconduct or unethical or illegal activity. Ethics violations are reported through open conversations with supervisors, as well as anonymously through our employee hotline. The Concho employee hotline is managed by a third party and allows employees to anonymously report any alleged violations of law or Concho policies. The Company does not permit retaliation for reports of misconduct made in good faith by employees. All reports are investigated thoroughly, and all material or significant violations are reported to the Board. If a violation of the law or any Concho policy has occurred, the Board will take necessary action. All hotline reports are disclosed internally to the Audit Committee. In the event of an incident of corruption or environmental non-compliance, the Company will follow all laws and regulations for disclosing such incidents.

Financial & Accounting Ethics

Our Financial Code of Ethics (the Financial Code) contains the principles by which our Chief Executive Officer (CEO), Chief Financial Officer (CFO), Chief Accounting Officer (CAO) and other financial employees are expected to conduct themselves when carrying out their duties and responsibilities. The Financial Code is reviewed regularly, updated as needed and published on the Company’s website.

Concho’s directors, CEO, CFO, CAO and other appropriate employees are all required to acknowledge receipt of, and agree to comply with, the Financial Code.

Our officers and financial employees are responsible for reporting any suspected violation of the Financial Code. Violations can also be reported anonymously through our employee hotline.

Additionally, complaints regarding accounting, internal accounting controls or auditing matters may be submitted in accordance with the Company’s Policy for Compliant Procedures for Accounting and Auditing Matters, which is provided to each employee and available on the Company’s employee intranet. Reports of questionable accounting or audit practices are kept confidential to the extent possible, consistent with the Audit Committee’s obligation to investigate and correct unlawful or unethical accounting or audit practices. In order to ensure confidentiality, any individual may elect to make a complaint anonymously.
1. Overview

At Concho, we continuously evaluate our approach to opportunities and risks. Risk management plays an essential role in our strategic planning process, and broad risk oversight by the Board and its committees is integral to our approach to risk management. The Board routinely discusses specific risk topics and management approaches with the executive team, and Concho’s executive officers attend regularly scheduled Board meetings where they conduct presentations on various matters involving our strategy and operations. During these meetings, our executive officers are available to address any questions or concerns raised by the Board regarding risk assessment, risk management or any other risk-related matters. Each Board committee has specific risk oversight responsibilities.

Concho also maintains a comprehensive enterprise risk management (ERM) initiative that is led by members of our executive team. Throughout the year, our ERM process identifies, assesses and addresses mitigation of the significant and potential risks we face. Each quarter, our organization undertakes a risk assessment exercise to identify and discuss significant ongoing and emerging risks. The risk assessment process includes the identification of Concho’s key risks and how those risks are currently being managed, as well as a prioritization of those risks with respect to their impact on Concho’s overall business and in achieving our strategic objectives. The risks are categorized using our Energy Risk Model, which includes the following categories, among others: Environment Risk (e.g., weather, legal and political matters, stockholder and social expectations); Process Risk (e.g., commodity price, governance, integrity, operations); and Information and Decision-Making Risk (e.g., information technology (IT), strategic). Members of our management team also regularly convene to discuss such enterprise risks, including determining the highest risk areas, trends pertaining to specific risks, and the likelihood of occurrence of specific risks and their potential impact on Concho. The results are then shared with the Board quarterly.

Many of Concho’s most significant risks are also disclosed in the Company’s public filings with the Securities and Exchange Commission. Climate-related risks identified through the Company’s ERM process and climate-specific factors are also detailed in the Climate Risk & Air Quality section of this report.

### Our Energy Risk Model

1. **Environmental Risk**
   - (e.g., weather, shareholder and social expectations)
2. **Process Risk**
   - (e.g., commodity price, governance, integrity, operations)
3. **Information & Decision-Making Risk**
   - (e.g., IT, strategic)
2. Maintaining Safe & Secure Operations

Business Continuity

To help ensure business continuity during times of a crisis, Concho developed an Emergency Response Plan to minimize and mitigate the impact of critical incidents on our business, employees and other stakeholders. The Emergency Response Plan seeks to ensure necessary steps are taken to identify the impacts of potential crises and maintain viable recovery strategies, recovery plans and the continuity of business activities. The plan is reviewed and tested annually to make sure everyone understands what to do should an emergency occur.

Security

Concho’s security team plays an important role in ensuring our continued physical and financial security and mitigating related risks. Our financial security team is responsible for monitoring and auditing our vendors to detect billing errors and fraudulent activity. Our physical security team is responsible for oversight of Concho’s corporate offices as well as field offices and operations. Our physical security team also monitors potential threats and risks to our operations through human intelligence by monitoring security bulletins and social media and gathering insights from field security specialists and monthly round table discussions. Our security program also entails site vulnerability assessments, video surveillance with AI technology, off-duty police officer patrols, employee training on topics such as workplace violence, criminal investigation processes and random drug testing of all employees and contractors.

Cybersecurity

Concho’s IT team identifies, prevents and responds to potential cybersecurity threats to our business and operations. Cyberattacks pose a threat to the Company’s data, revenue and reputation. Our IT team has implemented information technology controls and systems that are designed to protect information and mitigate the risk of data loss and other cybersecurity risks. Strong cybersecurity programs are critical, and our initiatives include regular security assessments, education and training, network security controls and endpoint security controls. We operate approximately 4,500 gross wells in the Permian Basin, and we prioritize the protection of the tremendous amount of data that results from the operation of these wells. We safeguard our intellectual property through several programs, including our Data Loss Prevention Program (DLP). Our DLP is both a security application and a structural procedure program that allows us to proactively monitor and prevent data leakages.

In addition to strong initiatives which aim to prevent cybersecurity threats and data loss, we also prepare for cyber threats and attacks through our Security Incident Response Plan. The plan was developed using the National Institute of Standards and Technology (NIST) Cyber Security Framework as well as several industry standards and best practices, and it is updated annually. To minimize downtime, the plan involves all appropriate departments and includes unique response protocols for various types of cyberattacks. To test the strength of our systems and our Security Incident Response Plan, we regularly engage in tabletop exercises to identify weaknesses in our systems as well as weaknesses in how we respond to a threat or cyberattack.
3. Avoiding Risk Through Supply Chain Due Diligence

We prescreen our contractors for multiple HSE risk areas and conduct a review of each vendor requesting a contractual agreement with Concho. Our efforts also include:

- Developing uniform contractor standards for various types of services
- Conducting background assessments on prospective vendors
- Ensuring compliance with master service agreement requirements
- Coordinating contractor on-boarding processes across various internal departments
- Creating and fostering relationships with contractors to build trust and facilitate positive problem-solving techniques
- Conducting vendor audits and working with vendors to remedy any issues that occur

We use a third-party supplier information management tool to manage our relationships with contractors and suppliers. The tool independently collects contractor information, verifies it against regulatory and hiring requirements and connects Concho to a network of approved contractors to source services. Contractors must also adhere to Concho-specific requirements related to the Company’s policies, safety programs and incident reporting protocols, insurance coverage, drug and alcohol screening and subcontractor management.
1. Overview

We are committed to health and safety and to providing a responsible work setting for our employees and contractors. At Concho, we actively participate in continuously improving the health and safety performance of the Company.

Ultimate oversight of Concho’s health and safety programs resides with the Board. Oversight of Concho’s health and safety strategy and performance are included in the responsibilities of the HSE&R Committee. The HSE&R Committee reviews our approach on HSE matters, policies, management systems and performance on a regular basis. To ensure accountability and focus on continual improvement, health and safety measures are among the performance elements considered by the Compensation Committee of the Board of Directors in determining compensation for the Company’s management team.

Our Safety Management System is foundational to how we run our business. Composed of five interrelated components, it is in place to keep both our employees and contractors safe while on the job, to promote a culture of safety and to ensure adherence to applicable federal and state regulations.

### Safety Management System Components

- **Compliance, Injury & Illness Prevention Programs**
- **Leadership**
- **Improvement**
- **Training**
- **Contractor Accountability**

### Compliance, Injury & Illness Prevention Programs

We implement programs based on OSHA guidelines. This helps us to comply with applicable federal and state regulations focused on employee and contractor safety. Our programs include:

- **Stop Work Authority & Near Miss Analysis**
  
  Every Concho employee and contractor is empowered to call for a halt to work when unsafe conditions are observed in the field or in the office, in order to prevent incidents. Other proactive and preventative measures include near miss analysis. Although they do not result in loss, near miss events are reported and investigated based on potential severity to help prevent future incidents from occurring.

- **Incident Investigation Process**
  
  Specially trained personnel use a systematic approach to investigate all incidents, including implementing effective corrective measures. When necessary, we utilize a third party to assist with the investigation process.

- **Site Monitoring**
  
  We conduct atmospheric and noise sampling at appropriate intervals to comply with all applicable regulations to protect employees and contract workers at Concho locations.

### Strong Safety Culture

Concho’s safety culture is a core component of our operational success. We make safety a top priority, and we operate with a mindset of continuous improvement and accountability throughout our organization. Our team focuses on identifying opportunities to enhance and improve the safety, health and wellbeing of our employees. Our approach to safety promotes collaboration between our HSE organization and our team.
Leadership

Our safety program is supported by our governance and leadership structure. Our management team and Director of HSE are responsible for clear and ongoing communication of Concho’s safety expectations, including emergency preparedness and response, throughout the organization. In turn, our leadership reviews the Company’s safety performance with the Board.

This leadership effort is coupled with a highly visible field presence from health and safety personnel and field supervisors conducting safety compliance reviews for both employees and contractors. This also includes regular site visits to perform facility assessments following applicable inspection guidelines. All field safety coordinators submit monthly productivity reports to their safety supervisors, which in turn are reviewed quarterly by our Director of HSE.

Improvement

We employ a continuous quality improvement model to analyze and improve our operations. Our model is based on investigations of both leading and lagging indicators, with a heavy emphasis on leading indicators such as Stop Work, Near Misses, Contractor Feedback and Hazard Observations.

Our field assessments integrate core behavior-based safety functions:

- Observe, stop and document unsafe behavior while reinforcing safe behavior
- Analyze documented data and identify at-risk behaviors or trends
- Promote new behavior
- Continually evaluate program effectiveness

Training

Ongoing training is provided to employees about safe work practices, regulatory guidelines, process improvements and lessons learned during incident reviews. Training over the last few years has included a variety of safety courses for Concho field supervisors, including a Safety and Environmental Leadership course and an Incident Response, Investigation and Reporting course. Additional discussion of our safety training program is included in the following sections.

Contractor Accountability

We hold all of our contractors accountable for compliance with Concho’s master service agreement expectations for providing a safe work environment. Our health and safety team conducts field compliance reviews to promote and monitor safe and compliant work practices by contractors, and we perform random field site visits and audits daily within our operations. We track contractor incidents internally, and certain incidents require a review with the contractor, operations management and HSE team.

While Concho’s contractors retain control of the scope and methods of their work, they are contractually required to adopt and adhere to stringent safety and environmental policies and procedures in accordance with applicable laws, regulations and Concho’s standards.
2. Safety Performance

Our safety performance shows a consistent trend of low incident rates, with only two recordable employee incidents noted in 2019. The Company’s total recordable incident rate (TRIR) and lost time incident rate (LTIR) are among the lowest of both our peer group and industry. Concho has experienced zero recordable employee fatalities since 2008.

Technology-Enhanced Reporting

In 2019, Concho began utilizing HSE management software designed to minimize risks, increase worker safety, achieve regulatory compliance and perform safety inspections. Through a web-based software tool, Concho employees and supervisors can enter safety information on their mobile device. This means that spills, stop work events, hazard observations and reports of security and environmental risks can be reported in real time.

If a safety incident occurs, HSE team members and foremen can similarly submit the incident from the field using the software, allowing for more efficient reporting and recordkeeping.

3. Vehicle Safety

In addition to keeping our workforce safe on our operational sites and in the office, we also strive to minimize safety incidents while our employees are on the road. Several practices are in place to maintain vehicle safety through our driver safety initiatives:

- Use of seat belts is a vital part of the program and is a requirement when using a company vehicle
- Driver training is regularly discussed by our field management teams
- An annual safety meeting is devoted to driver safety
- All vehicle incidents with company drivers behind the wheel require a drug and alcohol screening
- A third-party driver safety training class is required for all drivers involved in a significant vehicle incident as determined by our safety manager
- Concho uses a GPS-based fleet management and tracking platform on all company vehicles that submits speeding alerts to each driver’s management team

Vehicle safety is especially important in the Permian Basin, where 11% of all Texas traffic fatalities occur, despite being home to only 2% of the state’s residents. As a member of the Permian Strategic Partnership, we are working to make roads safer by contributing to initiatives that support improved infrastructure across the Permian Basin. In both 2018 and 2019, none of Concho’s employees were involved in fatal vehicle incidents — even as the states of Texas and New Mexico averaged 1.29 and 1.44 fatalities per 100 million miles traveled, respectively.

Concho’s driver safety initiatives are an integral part of a strong safety culture throughout the organization.

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*TRIR, LTIR and Vehicle Incident Rate reflect Concho employees only.
*Vehicle Incident Rate includes only preventable incidents per million miles driven.

~20%

Concho’s vehicle incident rate improved by approximately 20% from 2018 to 2019.
4. Emergency Preparedness

Safety & Emergency Management Training

Company-wide training programs help ensure that safety and emergency management stay at the forefront of all employees’ minds. In 2019, we provided more than 750 hours of training in key safety topic areas such as hazard communication, emergency action plans, incident reporting, slips, trips and falls and more. Concho requires 100% employee attendance for monthly field training. Further, to enhance safety discussions throughout the organization, all managers and supervisors are offered similar training on an annual basis.

Emergency Preparedness & Response

We have prepared the Emergency Action Plan for all employees to follow when incidents do occur. This Plan is intended to provide comprehensive company-wide guidelines that cover response criteria for critical risk areas for a wide range of incidents, from low to high severity. Components of the Emergency Action Plan for environmental releases and employee incident response include:

- Contact information for the emergency response group and department supervisors
- Office safety procedures for house security, medical emergencies, fire, civil defense warnings, and loss of building system functions
- Response and reporting guidelines for significant incidents such as serious injury, equipment failure and well control issues
- First responder protocol for determining severity of incidents and notifying appropriate individuals in the reporting chain, including the HSE department, operations department supervisors and senior management
- Spill prevention and management measures (see Spill Management section for further details)

Our emergency response plans, including the Emergency Action Plan, are reviewed annually and periodically tested through training and drills.

In 2019, we provided more than 750 hours of training in key safety topic areas.

Separate from other workforce training hours.
Environmental Sustainability

We are committed to advancing responsible development, and we prioritize environmental stewardship to protect the air, water and land in the areas where we operate.
Environmental Sustainability
ADVANCING RESPONSIBLE DEVELOPMENT

1. Overview

Concho’s mission is to build long-term shareholder value through the exploration, development and acquisition of oil and natural gas resources. We do so by operating a large, long-life, low-cost resource base in the Permian Basin that spans approximately 800,000 gross acres. Given the depth and quality of our portfolio, we strategize and plan for multi-year time horizons. To create long-term value, we believe that we need to prioritize environmental stewardship of our operations to protect the air, water and land in the areas where we operate. We believe this is key to making us a better, more competitive company while operating with the support of our stakeholders and the communities where we work.

2. Guiding Principles for Environmental Management

Concho is committed to the health and safety of our employees and communities and to protecting the environment. Our health, safety and environmental objectives cover responsibilities, training, emergency preparedness, monitoring and measurement, and auditing our performance. Details of our objectives include:

- Complying with all applicable local, state and federal laws, rules and regulations pertaining to the environment, health and safety
- Verifying compliance through self-monitoring programs and facility inspections
- Correcting any conditions that violate applicable laws or that have significant adverse health, safety or environmental impact
- Training and empowering each employee to recognize their responsibility to perform all activities in a manner that is consistent with Concho protocols and safe for the employee, their co-workers, the environment and the surrounding community
- Responding quickly and effectively to emergencies, accidents or releases
- Creating a safety culture that prioritizes a safe work environment, teamwork, effective communication and a continuous improvement mindset

To manage our environmental performance, we plan and conduct operational activities following an established set of procedures. These procedures are designed to maintain environmental compliance and to demonstrate Concho’s environmental stewardship through the following measures:

- Reviewing performance to check proper implementation of monitoring and operational control policies and compliance with applicable laws and policies
- Evaluating environmental nonconformities and the corresponding preventative and corrections actions

Our Approach to Environmental Stewardship Is Detailed in the Following Sections of this Report:

1. Climate Risk & Air Quality
2. Water Stewardship
3. Land Stewardship & Biodiversity
4. Spill Management
5. Waste Management
1. Overview

Incorporating Recommendations from the Taskforce for Climate-Related Financial Disclosures

Concho recognizes that the risks presented by climate change are a growing area of interest for our stakeholders. Concho’s approach to managing climate risk is aligned with the TCFD recommendations for evaluating the potential impacts of climate-related risks and opportunities to our organization. The TCFD recommendations provide a framework for the types of disclosures our stakeholders are seeking and include five reporting elements: governance, risk management, strategy, scenario analysis and metrics.

<table>
<thead>
<tr>
<th>TCFD Framework Reporting Elements</th>
<th>Concho in Action</th>
<th>Sustainability Report – Climate Risk &amp; Air Quality Sections</th>
</tr>
</thead>
</table>
| Governance                       | • Concho’s Board of Directors, and specifically the HSE&R Committee, is responsible for oversight of the Company’s approach to HSE matters  
• Concho’s Sustainability Working Group and management team also assist the Board with oversight of strategy and risk management, and are responsible for the development, implementation and monitoring of our corporate responsibility and sustainability initiatives | Governance |
| Risk Management                  | • Comprehensive enterprise risk management system identifies climate-related risks and opportunities  
• Integration of climate-related risk into strategic planning | Risk Oversight & Management |
| Strategy                         | • We integrate climate-related risk into our operational approach, our focus on reducing cost of supply and our strategic planning process. Emissions reduction is also a key component of our strategy  
• Efforts to reduce emissions are underway throughout our operations lifecycle as we employ a variety of best practices in air quality management | Strategy |
| Scenario Analysis                | • To perform scenario analysis, we utilize the three scenarios published in the International Energy Agency’s 2019 World Energy Outlook  
• Scenario analysis guides our future, long-term decision-making | Scenario Analysis |
| Metrics                          | • Metrics follow EPA GHG Reporting Program requirements and cover Scope 1 emissions for operated assets for carbon dioxide, methane and total GHG emissions  
• GHG intensity metric normalizes our emissions performance per unit of production | Air Quality Performance & Climate Risk Metrics |
2. Focus and Progress

Concho has reached several milestones along its sustainability journey. In particular, the Company is focused on integrating sustainability into its strategy, advancing a culture of performance, enhancing our approach to climate risk and providing transparent disclosures for our performance. Our progress is documented below.

<table>
<thead>
<tr>
<th>Focus</th>
<th>Progress</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ensure effective oversight structures for our sustainability and HSE efforts.</td>
<td>We expanded the scope of the re-designated Health, Safety, Environment and Reserves Committee to include oversight of HSE matters in 2018.</td>
</tr>
<tr>
<td>Increase accountability for ensuring the continued progress of sustainability initiatives.</td>
<td>In 2018, we added an ESG component to the discretionary portion of our bonus plan to establish a clear link between sustainability performance with compensation.</td>
</tr>
<tr>
<td>To assess potential climate-related risk, the Board will review low commodity pricing scenarios annually, concurrent with the long-term plan.</td>
<td>In preparing Concho’s inaugural climate-risk report, the executive team reviewed the impact to our business of various commodity price scenarios based on assumptions tied to the transition to a lower carbon economy. Going forward, the Board has/will periodically review the same analysis.</td>
</tr>
<tr>
<td>Provide updates on climate-related risk management to our stakeholders and executive team.</td>
<td>Included in this report is a summary of our assessment of climate-related risks and the impact they have on our business for our stakeholders to consider as they evaluate the resiliency of our business model.</td>
</tr>
<tr>
<td>The Board and executive management team are committed to ongoing shareholder engagement related to sustainability and corporate citizenship efforts.</td>
<td>Throughout the year, Board members and members of our executive management team participate in shareholder engagement to discuss and review feedback on Concho’s sustainability initiatives.</td>
</tr>
<tr>
<td>Continue to advance understanding of emerging sustainability topics among senior leadership.</td>
<td>Concho’s Sustainability Working Group informs management of key ESG trends. These sessions advance leadership’s understanding of the possible risks and opportunities that may impact our business.</td>
</tr>
<tr>
<td>Apply consistent, reliable emissions tracking across all operations to support quality data capture and reporting.</td>
<td>We have improved our internal systems and processes to capture and externally report GHG data on both an absolute and a per-unit basis.</td>
</tr>
<tr>
<td>Establish public reporting process for key air quality metrics.</td>
<td>We have enhanced the transparency of our scope 1 emissions performance and published two years of GHG data within this report.</td>
</tr>
<tr>
<td>Advance our emissions mitigation activities and implement best practices across the organization.</td>
<td>We continue to be proactive in developing our emissions reduction and monitoring program, which includes leak detection and repair, engineering solutions and automation.</td>
</tr>
<tr>
<td>Continue trend of flaring reduction.</td>
<td>Reduced flared volumes by 26% between 2017 and 2019. And in 2019, Concho achieved a flaring rate of less than 2% of gross gas produced.</td>
</tr>
</tbody>
</table>
3. Governance

Concho believes that corporate responsibility and oversight of HSE matters, including risks and opportunities related to climate change, are fundamental to our business and good for our stakeholders. Good governance and oversight are integral to carrying out our corporate responsibility goals.

Board & Committee Oversight of Corporate Responsibility & Climate Risk

In 2018, the Board re-designated the Reserves Committee as the HSE&R Committee and expanded its scope to specifically assign to it responsibility for oversight of Concho’s approach to HSE matters. This change not only elevated the Company’s focus and oversight of our corporate responsibility efforts but also promotes the consideration of HSE matters in connection with strategic planning and reserves management. The enhanced scope of the HSE&R Committee includes reviewing HSE policies and programs and key HSE risks such as climate-related risk. The HSE&R Committee also periodically reviews Concho’s HSE efforts in the development of our oil and natural gas properties consistent with prudent exploration and production industry practices, as well as trends, issues and concerns regarding sustainable development. The HSE&R Committee convenes a minimum of four times a year.

Our HSE&R Committee is composed of directors who bring deep industry, strategic planning, risk management and leadership experience:

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Tenure</th>
<th>View Bio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gary A. Merriman</td>
<td>Director since 2012</td>
<td></td>
<td>View Bio</td>
</tr>
<tr>
<td>Tucker S. Bridwell</td>
<td>Director since 2006</td>
<td></td>
<td>View Bio</td>
</tr>
<tr>
<td>Steven D. Gray</td>
<td>Director since 2018</td>
<td></td>
<td>View Bio</td>
</tr>
<tr>
<td>Susan J. Helms</td>
<td>Director since 2017</td>
<td></td>
<td>View Bio</td>
</tr>
<tr>
<td>E. Joseph Wright</td>
<td>Director since 2017</td>
<td></td>
<td>View Bio</td>
</tr>
</tbody>
</table>

Chairman, Health, Safety, Environment & Reserves Committee
Compensation Committee
Audit Committee

Strategic Oversight

Concho believes that consistently executing on our strategy and integrating our focus on corporate responsibility will contribute to sustainable performance and generate value for Concho and our stockholders over the long term. Our portfolio management and capital allocation efforts seek to develop the best opportunities, while divesting, trading or reducing an emphasis on less attractive opportunities. The Board reviews our detailed long-term plans within this context on an annual basis, while also receiving quarterly updates on this analysis. As part of their review and decision-making process, the Board considers a wide range of business, industry and macro-economic factors that could impact our operations in the near and long term, including relevant environmental and social issues such as climate-related risks and opportunities.
Board Oversight of Climate-related Risk in Action

Since 2018, the Board has taken several steps that reinforce our commitment to HSE matters, including climate-related risk.

### Progress During 2018 & 2019

- Provided oversight of the development of the inaugural Climate Risk Report published in 2019
- Expanded the scope of the re-designated HSE&R Committee to include oversight of HSE matters in 2018
- Added an ESG component to the discretionary portion of the 2018 annual cash bonus plan for officers
- Introduced sustainability disclosure on our website and in our proxy statement with a commitment to continually enhance our corporate responsibility disclosures

### Progress During 2019 & 2020

Following the publication of our Climate Risk Report in September 2019, the Board has continued to deepen its oversight:

- Provided oversight of the update of our climate risk reporting and the development of our sustainability strategy and 2020 Sustainability Report
- HSE&R committee and full Board received periodic briefings from management on HSE and climate-related matters, as well as Concho’s sustainability performance and disclosures
- Members of the Board participated alongside management in engagement with investors and other key stakeholders to gather feedback on the Climate Risk Report and Concho’s sustainability practices

### 4. Risk Oversight & Management

The challenges and opportunities presented by climate change are a growing area of interest for our stakeholders and an important aspect of risk management for the oil and gas industry. Concho is focusing on these challenges and opportunities. In addition to the Board’s broad risk oversight, the HSE&R Committee also assesses risk within its scope of responsibility, which includes climate-related and other environmental risks. Concho’s SWG also assesses and provides input on climate-related risks to the Chief Operating Officer.

As part of our ERM process, Concho has identified certain climate-related and environmental risks as enterprise risks, as well as opportunities. These include:

**Legislative and Regulatory Risks and Opportunities**

**Risks:** Legislation and regulations restricting emissions of greenhouse gases (GHG) and other chemicals and the potential impact the legislation and regulation may have on commodity prices, our corresponding operating cost structure and capital allocation planning.

**Opportunity:** Proactively monitoring regulatory developments allows us to respond quickly and positions the organization to be resilient to changes in our operating environment.

**Legal and Reputational Risks and Opportunities**

**Risks:** Such as the increased possibility of lawsuits or investigations brought by public and private entities against corporations.

**Opportunity:** Operating responsibly enhances our reputation, which we believe helps provide low-cost, efficient and dependable energy sources for economies around the world.

**Resource Efficiency Opportunity**

**Opportunity:** Reducing operating costs through the increased use of recycling, reduced water usage and more efficient transportation.

**Energy Source Opportunity**

**Opportunity:** Increasing direct and indirect investments in lower emission alternatives, which could result in lower emission services for use in operations.
When assessing climate-related risk, Concho has also identified certain climate factors which may have a financial impact. Climate factors include:

<table>
<thead>
<tr>
<th>Physical Factors</th>
<th>Technological Factors</th>
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<tbody>
<tr>
<td>Such as increased frequency of climatic events that could impact our financial condition and results of operations.</td>
<td>Such as improvements or innovations in technologies that could lead to the possibility of substitution of existing products and services with lower-emission options.</td>
</tr>
</tbody>
</table>

Efforts to mitigate and adapt to climate change also produce opportunities for our business and operations. Examples of climate-related opportunities for our business include:

<table>
<thead>
<tr>
<th>Opportunity</th>
<th>Concho In Action</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Resource Efficiency</strong>&lt;br&gt;Resource efficiency includes reducing operating costs through advancing our water recycling efforts and transporting water and production by pipe.</td>
<td>Throughout this report we describe Concho’s efforts to minimize our environmental footprint. As detailed in the Water Stewardship section of this report, Concho is working to increase water recycling and reuse of produced water by partnering with third parties, which also enhances the scale of these operations. To increase efficiency and minimize loss, Concho prioritizes pipeline transportation across our supply chain. Our efforts to transport water and the crude oil and natural gas we produce by pipe are detailed in the Water Stewardship and Air Quality sections of this report.</td>
</tr>
<tr>
<td><strong>Energy Source</strong>&lt;br&gt;Energy source includes increasing direct and indirect investments in lower emission alternatives, such as using lower emission equipment.</td>
<td>Our service providers are beginning to provide lower emission equipment for use in completions operations. As detailed in the Air Quality section of this report, Concho was an early adopter of dual fuel hydraulic fracturing fleets, which helps us to minimize our environmental footprint and lower capital costs.</td>
</tr>
</tbody>
</table>

**Integrating Scenario Analysis & Risk Management**

Following the publication of our inaugural Climate Risk Report in 2019, we integrated climate-related risks into our strategic planning and performed scenario analysis to assess the impact on our portfolio. To quantify climate-related risks, we conducted scenario analysis using the various climate-related energy price and demand scenarios published by the International Energy Agency (IEA) to test the resilience of our portfolio against various future market conditions, which are detailed in this report.

Concho’s capital investment program is returns oriented. As part of our capital allocation process, we evaluate a wide range of opportunities and consider multiple variables, including commodity price outlooks and regulatory and environmental developments. Our asset portfolio includes only short-cycle opportunities. For substantially all of our development, the time between capital investment and first production is six months to one year. Due to the short-cycle nature of our projects, and minimal risk of carbon price legislation in the short-term, we do not currently apply a carbon price to our capital allocation process. We will continue to assess the use of a carbon price as part of our overall risk management process.
5. Strategy

Concho focuses on employing the best people, investing in high-quality assets, executing a disciplined returns-focused capital program and maintaining a strong financial position. Consistent execution of this strategy enables Concho to deliver long-term value to our stakeholders.

Concho operates exclusively in the Permian Basin with assets across Texas and New Mexico. This prolific oil resource play sits at the low end of the cost curve and is where Concho has strategically chosen to operate since the Company’s formation. We integrate climate risk into our operational approach, our focus on reducing cost of supply and our strategic planning process. Emissions reduction is also a key component of our strategy; for more information on Concho’s best practices and initiatives, refer to Our Approach to Air Quality within this report.

Assets

Multi-Well Project Development

The U.S. shale industry has moved through three stages: aggregation of acreage, resource delineation and now development optimization. This type of development aims to increase resource recovery and optimize program economics, while capturing development efficiencies and reducing the overall impact of our projects on local land and resources. Rather than drilling one well on a single surface site, we aim to concentrate development in an area by drilling two or more wells on a single surface site to minimize our environmental footprint while maximizing returns. We then group these sites to form a multi-well project that includes four or more wells. This style of development limits surface disturbance by reducing the construction of repetitive infrastructure and decreasing the distance between well sites, which reduces truck traffic and enhances our ability to recycle produced water onsite. By extending lateral lengths where possible and consolidating development through large-scale projects, we are capturing development efficiencies and reducing our impact to the land on which we operate.

Low Cost of Supply

In a highly competitive, cyclical industry, it is critically important that we are positioned at the low end of the cost curve. Throughout the organization, there is a concerted effort to drive our cost of supply lower, and our team has a relentless focus on identifying opportunities to reduce costs to further improve our cost structure and program returns. In 2019, well costs decreased 18% on a per-foot basis year over year. As we strive to supply the most efficient barrel, technology is increasingly important. In recent years, horizontal drilling and advanced completion techniques have significantly improved economic returns of development in the Permian Basin. The shift to multi-well project development, combined with our team’s use of technology, is accelerating innovation, improving productivity and lowering cost of supply, which enhances the competitiveness of our oil production relative to other domestic and international sources of oil. Concho’s high-quality, low-cost assets are resilient across a variety of price scenarios, including carbon-constrained scenarios, as discussed further below.

Reducing Controllable Costs

Concho is focused on expanding cash margins to deliver efficient, low-cost supply. To that end, Concho has reduced per-unit controllable costs, which includes production costs, cash general and administrative expense (G&A) and interest expense, by 36% since 2015.

Asset Quality

Within the Permian Basin, Concho operates in both the Delaware and Midland basins. Third-party research analysts have found these assets to have some of the lowest breakeven prices in North America. Our asset portfolio includes highly contiguous acreage blocks in the best parts of each basin. With multiple decades of inventory at our current drilling pace, Concho has a long runway of highly economic investment opportunities, minimizing the risk of stranded assets and making our portfolio more resilient in a low-carbon transition.

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*a Controllable costs include oil and natural gas production expenses (consisting of lease operating and workover expenses), general and administrative expenses (which excludes non-cash stock-based compensation) and interest expense.
Production

In 2019, Concho produced approximately 331 thousand barrels of oil equivalent per day, consisting of 63% oil and 37% natural gas. More than 90% of our oil production volumes are transferred via pipeline to key marketing hubs and regional refineries. Throughout the production value chain, Concho continually monitors and manages GHG and other emissions from our operations. We continue to take steps to reduce emissions from our current operations and future projects, and view this reduction as an important component of sustainably developing our assets. For more information on our air quality management practices, please refer to Our Approach to Air Quality section within this report.

Strategic Direction

Planning Process

Each year, management and the Board engage in detailed, long-term strategic planning exercises. The planning and associated discussion includes an overview of capital allocation to the assets across our portfolio, as well as short- and long-term operational and financial performance. The main factors we consider when formulating our long-term plans include commodity prices, project economics, service availability and costs, development pace and the regulatory environment. In addition to planning around conservative commodity price assumptions, our management team and Board also evaluate our long-term plans under a variety of commodity prices, such as commodity price forecasts published by the U.S. Energy Information Administration and the IEA World Energy Outlook. Ultimately our long-term plans are guided by forecasted program returns.

Concho has a track record of using conservative commodity price assumptions in strategic planning to ensure through-cycle performance, which means we generally develop our short-term operating plans based on commodity prices below futures prices. Our planning prices are also lower than the IEA’s scenarios. This is one way we manage climate-related risks and assess the resiliency of our portfolio.

As part of our planning process, we assess the potential physical, regulatory and policy risks posed by climate change matters associated with our business and industry. We attempt to mitigate those risks through capital allocation and active portfolio management. Both of these efforts enable the Company to allocate capital to our best opportunities and give us the optionality to continue high grading our portfolio.

Our asset portfolio is unlike that of many exploration and production companies operating offshore or in other basins — Concho’s portfolio includes only short-cycle opportunities. For the majority of our projects, the time between capital investment and first production is six months to one year. Importantly, the short-cycle nature of our portfolio provides us with the flexibility to quickly respond to market conditions and changes in policy through reallocation of capital. Additionally, Concho operates in one basin across two states, Texas and New Mexico, where the regulatory environments are dynamic. Our capital allocation process takes into account regulatory risks and provides Concho the flexibility to direct capital to ensure we maintain the most capital-efficient program possible. Further, our focus on a single basin provides economies of scale and operational expertise adapted to the specific nature of the asset.

Linking Our Strategy & Scenario Planning

Our corporate planning process and strategic direction reflect learnings from our annual scenario analysis exercises. We embed how we manage climate risk into our strategic planning in the following ways:

• Prepare for diverse policy environments through our capital allocation process. Our short-cycle asset portfolio provides the flexibility to respond to market conditions and changes in policy through reallocation of capital.
• Maintain a diversified portfolio with assets in Texas and New Mexico to be able to balance our production and capital expenditures, as the regulatory environments are dynamic.
• Invest in operational technology and training to reduce both costs and emissions.

Integrating Climate-Related Risk

We continuously weigh the risks, costs and benefits of each operational area and development project to guide our long-term strategy. Our scenario analysis, as discussed in more detail in this report, is used to guide our long-term decision-making and positions us to adapt our strategy to the evolving landscape of climate-related legislative and regulatory risks, as well as legal and reputational risks. These topics will continue to be managed and discussed by the Board and management team. We understand that there are risks of increased operating costs, increased emissions reporting obligations, heightened scrutiny and exposure to litigation. However, we believe that recognizing and managing these risks, while enhancing our environmental stewardship, will be a long-term competitive advantage.
To provide further insight into how climate-related risks may impact Concho’s business, this report evaluates our portfolio through 2040 using various scenarios published in the IEA’s 2019 World Energy Outlook. For this update to our 2019 Climate Risk Report, we again selected the IEA’s latest scenarios, as they continue to be the market standard within our industry and widely referenced outside of it, providing stakeholders a common benchmark to understand the results of our analysis in the context of our peers and their similar analyses. The IEA’s scenarios are supported by datasets with analyses at the global, regional and national levels to capture the entire energy value chain and promote reporting transparency. They are also recommended for use by the TCFD. Additionally, we chose to again use the IEA’s scenarios for consistency and comparability purposes with our 2019 Climate Risk Report. Concho has also developed its own scenario based on commodity prices for future planning purposes, which we have updated and applied again this year as described in more detail below. We recognize that additional climate scenarios are being developed, and the Company will continue to reassess the scenarios utilized in its analysis.

Concho applied the IEA’s three main scenarios — Current Policies, Stated Policies and Sustainable Development — to evaluate the resiliency of our asset portfolio. Each of these scenarios contains certain assumptions such as future population, economic growth and hydrocarbon resources, but varies with regard to other assumptions about hydrocarbon demand and prices, enacted climate policy such as carbon pricing modalities, and investments in technologies that contribute to a lower-carbon future. The 2019 World Energy Outlook contains three main scenarios, as follows:

**Current Policies Scenario**
Assumes no change in policies from those that are currently in place (as of mid-2019) and assumes energy demand rises 1.3% per year to 2040, with increasing demand for energy services unrestrained by further efforts to improve efficiency. This scenario serves as a base case, business-as-usual approach.

**Stated Policies Scenario**
Incorporates both existing policies and announced policy intentions; this scenario also assumes energy demand rises by 1% per year to 2040.

**Sustainable Development Scenario (SDS)**
This scenario is fully aligned with the Paris Agreement and assesses the combination of actions that would be required to hold the increase in the global average temperature to well below 2°C compared to pre-industrial levels and pursuing efforts to limit to 1.5°C. Actions and objectives required to realize the outcomes of this scenario include a decline in fossil fuel demand, an increase in renewables on the supply side, investment in more efficient electricity grids and battery storage and a shift to electric vehicles.

**CXO Scenario**
We generally develop our operating plans based on commodity prices below futures prices. In last year’s report, we referred to a fourth scenario, the 2019 Planning Price, which we used to evaluate the resiliency of our portfolio at $50 per barrel oil price (WTI) and $2.50 per MMBtu of natural gas. Within the context of evolving macroeconomic and oil and gas supply and demand dynamics, the Company has updated the commodity prices assumed in our fourth scenario, the “CXO Scenario,” for purposes of this update. The CXO Scenario assumes $40 per barrel oil price (WTI) through 2024 and then $45 per barrel beginning in 2025 through 2040. For natural gas, we still assume a price of $2.50 per MMBtu through 2040. The oil and natural gas prices in the CXO Scenario are thus lower than the prices assumed in each of the three IEA scenarios.
In all three IEA scenarios, oil and natural gas continue to account for a significant proportion of the projected energy mix as of 2040, as shown in Figure 1. In the Current Policies Scenario and Stated Policies Scenario, demand and prices for oil and natural gas continue to rise into 2040. In the SDS, demand for oil and natural gas, as well as oil prices, are projected to decrease slightly into 2040, while natural gas prices are expected to increase. Projections for oil demand are reflected in Figures 2-4.

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**Figure 1**
The IEA’s projected energy mix shows energy sources as a percent of the total global demand by scenario. Renewable sources include hydro, bioenergy, wind, solar, geothermal and marine sources. (Source: International Energy Agency, World Energy Outlook 2019)

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**Figure 2**
Global demand for oil in millions of barrels per day shows an increase over time for the Current Price Scenario and the Stated Policies Scenario, but a decline in the SDS. (Source: IEA, World Energy Outlook 2019)

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**Figure 3**
Historical and projected crude oil prices in dollars per barrel demonstrate variability in commodity prices over time. (Source: IEA, World Energy Outlook 2019)

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**Figure 4**
The IEA’s outlook for natural gas prices, based on Henry Hub pricing, suggests that after historical decreases, prices will increase in all three scenarios, albeit more slowly in the SDS. (Historical data source: IEA, World Energy Outlook 2018 and adjusted for inflation. Scenarios data source: IEA, World Energy Outlook 2019)
Concho Portfolio Analysis

To conduct our scenario analysis, Concho's portfolio was evaluated using the oil and natural gas prices provided in the three IEA scenarios. Our oil and natural gas operations are located solely in the Permian Basin within the United States and thus are not currently subject to a carbon tax policy. In our evaluation of the SDS, we included an assumed price on carbon. A carbon price was not included in our evaluation of either the Current Policies Scenario or the Stated Policies Scenario because no national carbon price currently exists or has been officially planned in the United States.

Our approach for updating the carbon pricing regime in the SDS included a review of our 2019 carbon pricing assumptions and a review of potential carbon price policies and proposals across various states to inform our view of the current legislative landscape. Complementary to this review, Concho consulted carbon price projections from the IEA 2019 World Energy Outlook. Though these per-unit costs have minimal impact on our asset value, the results provide a basis for future modeling if carbon price policies are adopted as part of a low carbon transition. As shown in Figure 3, the CXO Scenario assumes $40 per barrel oil price (WTI) through 2024 and $45 per barrel beginning in 2025, which is below the prices contemplated in all three IEA scenarios. The CXO Scenario also assumes a natural gas price of approximately $2.50 per MMBtu, which is likewise below the projected price for natural gas in all three scenarios beginning in 2024 and continuing into 2040, represented by.

Conclusions

Scenario analysis helps us to better understand how climate-related risks may impact our business, which includes the potential impact of carbon pricing policy. The analysis also allows us to assess climate-related risks in the medium and long term to appropriately inform future planning efforts. While the outcomes of each scenario are hypothetical, scenario analysis serves as a useful tool both to evaluate climate-related risks to Concho’s operations and long-term financial performance and to support comprehensive strategic planning across the organization. As outlined in the Climate Risk Oversight and Management section of this report, we have identified several opportunities related to the transition to a lower carbon economy that are not otherwise quantified in these scenarios.

In all three IEA scenarios, Concho’s portfolio proves resilient and the underlying value of Concho’s asset portfolio increases. We compared each scenario to the CXO Scenario and assessed the impact to our proved reserves. In all three IEA scenarios, as well as the CXO Scenario, there is no negative impact to our proved reserves or to our PV-10 valuation.

The results of our analysis confirm that the economic resilience of Concho’s portfolio is robust and capable of generating profitable investment returns, even in a lower-carbon future scenario. We believe our assets will remain economically viable as we contribute to meeting growing future energy demand. While we cannot predict how the exact trajectory of the transition to a lower carbon economy will progress, our high-quality, low-cost assets and prudently responsive planning process position us well to respond appropriately to a dynamic energy environment.
7. Our Approach to Air Quality

At Concho, we focus on producing and providing a reliable, domestic energy source, while at the same time minimizing our environmental impact. We view our approach to maintaining air quality, which includes cultivating a culture of performance, measuring our impact, investing in facility improvements, monitoring developing technologies and engaging with our stakeholders, as essential to being a successful operator. To advance our efforts, we collaborate and share best practices on leak detection and emission reduction with industry peers and external stakeholders. Reducing emissions and improving our air quality performance is also an important component of our strategy for managing climate-related risks and opportunities, which is closely tied to our air quality management approach. Performance data on key GHG metrics are included below to highlight climate-related risk as a top priority. Although we are proud of our progress to date, we will continue to pursue goals to further minimize GHG emissions and improve our air quality performance.

8. Emission Reduction Efforts

We believe growing our business and reducing our emissions are not mutually exclusive. Concho’s customary practices and air quality initiatives meet or exceed regulatory requirements, and we work within regulatory requirements to ensure compliance. For example, we:

- Report GHG emissions to the EPA annually
- Operate in compliance with air permits and authorizations from state agencies in Texas and New Mexico
- Reduce emissions, including methane, under the EPA’s New Source Performance Standards Quad O and Quad Oa

Additionally, efforts to reduce emissions are underway throughout our operations lifecycle as we employ a variety of best practices in air quality management as detailed below. We integrate GHG emissions management throughout our operations and focus on improving efficiencies and working to discover new technologies to prevent GHG emissions. We also prioritize proactive strategies to reduce emissions, including:

- Advanced operational planning
- Leak detection and repair
- Investment in emission control equipment
- Flaring minimization

We continue to take steps to reduce emissions from our operations and view emissions reduction as an important component of responsible asset development.

Operational Approach

Our development approach entails large-scale projects utilizing multi-well pad sites and long-lateral wells. Part of the process for bringing new wells online includes evaluating plans for constructing production facilities and securing gathering and takeaway for the oil and natural gas we produce. Before commencing a new development project, detailed planning across multiple functions is critical for ensuring that infrastructure and gathering lines are in place prior to the production phase. Coordinating with our midstream partners has a substantial impact on moving our product efficiently and reducing flaring.

ENERGY-EFFICIENCY IMPROVEMENTS

We seek to use cleaner-burning engines to power our operations. In 2019, Concho began running one of the only dual fuel hydraulic fracturing (frac) fleets in the Permian Basin, which utilizes dual fuel technology that allows for the displacement of diesel fuel with cleaner-burning compressed natural gas. In addition to lowering capital costs, dual-fuel engines reduce emissions and key pollutants. By the end of 2019, up to 75% of Concho’s frac fleets were powered with dual-fuel capability. Today we continue to prioritize the use of dual fuel and electric frac pumping equipment for use in our completion operations.
Leak Detection and Repair

We achieve additional emissions reductions through regular monitoring and technology-enhanced inspections. We monitor facility fugitive emissions using the latest technologies in leak detection, including infrared cameras, to minimize such fugitive emissions from operations. Our monitoring efforts include:

- Daily audio-visual-olfactory (AVO) inspections by lease operators
- Monthly AVO and combustor inspections by a third-party partner
- Regular optical gas imaging (OGI) inspections, which enhance monitoring using infrared detection technology, on new facilities during start-up
- Quarterly aerial OGI inspections, completed by a third-party partner, using an infrared camera mounted to a helicopter
- Semi-annual OGI inspections by a third-party partner
- Employee training on leak detection, with an awareness goal to report leaks immediately

Emission Control Equipment

We have invested heavily in emission control equipment for vapor recovery, closed vent systems, custody transfer units, combustors and flares, and we look for ways to optimize equipment later in the production lifecycle. As production declines, some equipment requires downsizing to continue functioning adequately. By replacing the equipment, we optimize efficiency, making the system less prone to leaks. These activities and investments are part of our continual effort to “plan ahead” across our operations — ensuring we are prepared to operate efficiently, safely and responsibly in a dynamic oilfield environment. Our approach specifically includes:

- Performing maintenance and repairs on emissions control equipment by dedicated operation teams
- Conducting monthly third-party verification of emissions control equipment performance
- Truck loading emission control through vapor recovery lines where appropriate
- Managing pneumatic devices, which are a component of our automation systems related to control valves. Measures include eliminating high-bleed pneumatic devices throughout our operations and installing low-bleed or air-actuated pneumatic devices at new facilities
- Tracking field notes to determine patterns in equipment maintenance to influence future facility design and equipment selection

Flaring Minimization

Flaring is the controlled burning of natural gas. Natural gas is an important component of our revenue stream, and we are motivated to capture this valuable product and avoid flaring. We seek to minimize flaring through proper planning with our midstream partners. By doing so, natural gas gathering lines are planned in advance and installed prior to delivery of new production. In addition, we are frequently alerted in advance when our midstream providers plan maintenance to gathering lines and systems, which generally provides us sufficient time to manage the affected production. This leaves unplanned maintenance or other temporary events as the greatest challenge to flaring. Such events provide minimal, if any, advance notice. Consequently, we have increased the authority of front-line employees to curtail or shut-in production to improve our flare mitigation response time. The success of this initiative is a reflection of our company culture — a culture that responds well to challenges and goal-setting and empowers our front-line employees through delegation of authority to make the right decision in real time. All of these actions have contributed to our efforts to continuously improve our performance.

Product Transportation

With more than 90% of our production volumes transferred through pipeline to key marketing hubs and regional refineries, we greatly reduce the need for truck transport. Benefits of reduced truck transport include:

- Decreasing gas venting from hatches during loading
- Eliminating tailpipe emissions during transport
- Reducing traffic accidents, which protects drivers and minimizes spill risk

The pipeline capacity required to transport our oil volumes is equivalent to about 200-300 trucks per day. Transporting oil by pipeline avoids the use of these trucks and enhances overall road safety in the Permian Basin.
9. Partnerships/Collaborative Initiatives

Concho is a member of The Environmental Partnership (the Partnership), a voluntary industry initiative committed to reducing emissions and improving environmental performance. With more than 80 participants, the Partnership focuses on three main sources of industry-related emissions: pneumatic controls, manual liquids unloading, and leak detection and repair. Through the Partnership, Concho is a part of an industry-wide commitment to emission reduction activities including installing low- or no-bleed pneumatic controls, monitoring the manual unloading process onsite, closing wellhead vents to the atmosphere, and repairing leaking equipment in a timely manner. Being a part of the Partnership brings us into an industry forum for information and knowledge sharing to address environmental impacts as a component of securing our collective long-term energy future.

Concho is also a member of the Texas Methane and Flaring Coalition (the Coalition), an alliance of industry trade associations and energy companies focused on minimizing flaring and methane emissions in Texas. Formed in response to an increased focus on venting and flaring from our stakeholders, the Coalition aims to develop recommendations to continue to minimize flaring and reduce methane emissions. Objectives include defining and communicating why and when flaring may be necessary, identifying best practices, evaluating existing emissions studies and improving reporting data quality. Concho co-chairs the Coalition’s communications committee and participates in the methane and flaring technical groups. In June 2020, the Coalition published recommendations to encourage operators to flare less and develop flaring alternatives. The recommendations include:

1. A flaring matrix to help operators identify situations when flaring is necessary, with guidelines on reducing the current time a company is allowed to flare
2. Improvements in data collection for flaring events via streamlined data entry
3. Changes in reporting requirements to separately report flared and vented gas volumes

10. Air Quality Performance & Climate Risk Metrics

The air quality and climate performance metrics disclosed in this report are an expansion of our disclosure in our inaugural Climate Risk Report in 2019 and represent our commitment to transparency and continuous improvement. Our metrics cover Scope 1 emissions for operated assets for carbon dioxide, methane and total GHG emissions and are in compliance with the EPA GHG Mandatory Reporting Rule requirements. We also use a GHG intensity metric to normalize our emissions performance per unit of production and compare volumes year-over-year company-wide.

While our carbon dioxide emissions have increased over time as a result of increased production, methane emissions have actually decreased by nearly 60% and we have also reduced our GHG intensity by nearly 25% since 2017.

Finally, we have also included a measurement of our flaring performance over time, showing annual reductions both in total volume and intensity per unit production. In 2019, Concho achieved a rate of less than 2% flared gas per gross unit of gas produced. Please see the Performance Summary at the end of this report for tabular data of emissions metrics.

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9 Emissions volumes and resulting intensities contingent upon final GHG reporting review and approval by EPA. Total facility emissions include CO₂, methane, and N₂O.

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CONCHO RESOURCES | 2020 SUSTAINABILITY REPORT
1. Overview

Water is a critical resource for oil and gas operations, primarily used for drilling and completing our wells. It is also an important resource for the community in which we operate, reinforcing the importance of effective stewardship. Our strategy for water resources prioritizes sourcing and using water as efficiently as possible, safeguarding groundwater through high-integrity well design and location construction, increasing our recycling efforts and disposing of produced water responsibly. As we operate in areas with medium to high water risk, water management is also an important facet of overall risk management.

Throughout the development lifecycle of a well, we seek ways to reduce waste and reuse produced water. Our water use objectives include prioritizing use of reclaimed wastewater and recycled volumes first, followed by non-fresh volumes. We use fresh water to supplement the remaining demand.


- Maintaining our wells with a goal of protecting groundwater quality during and after wellbore construction
- Optimizing our water transportation and distribution systems to minimize loss and prevent spills
- Utilizing appropriate water storage facility design to ensure our storage facilities meet or exceed applicable regulations
- Carefully planning our water storage to reduce water evaporation
- Partnering with third parties to recycle and reuse produced water and to monitor the quality of all water sources

2. Protecting Water Resources

We take great care to protect groundwater during the process of drilling and completing wells, which occurs thousands of feet beneath the surface, far below drinking water aquifers. When a well is drilled, multiple layers of steel casing and surrounding layers of cement are installed to provide a safe barrier between producing and non-producing formations. While drilling, the following measures are taken to maintain ongoing well integrity:

1. We adhere to casing setting depth requirements and wellbore design standards as set by regulatory authorities
2. Wellbore pressures are constantly monitored for well control and wellbore reliability
3. All rig crews are trained to conduct well control tests throughout the drilling process
4. Each section of the wellbore is protected with the appropriate amount of cement, and where needed, cement evaluation logs are run to evaluate cement integrity

After a well is drilled, the completions phase begins, which utilizes hydraulic fracturing to create pathways for oil and natural gas to flow more freely from otherwise inaccessible or difficult-to-produce formations. This technique uses a mixture of more than 99% sand and water and less than 1% chemical additives; the mixture is then pumped into a well under pressure.

We understand the importance of transparency when it comes to reporting hydraulic fracturing fluids. Per regulatory requirements, since 2012, we have been publicly reporting chemicals used during the process to the FracFocus Chemical Disclosure Registry.
**Induced Seismicity**

We are also aware of the increased attention on induced seismicity. Induced seismicity is believed to be primarily associated with injection of produced water into non-producing formations. Though we believe that induced seismicity poses a low operational risk for us, we closely evaluate subsurface conditions and continue to work to understand the issue. We participate in an industry seismicity working group where we collaborate on industry-wide approaches to investigating seismic activity. Concho meets or exceeds all regulatory requirements for produced water disposal. As production and disposal activity continues in the Permian Basin, Concho will endeavor to use best practices for produced water disposal even as those practices may evolve.

### 3. Concho’s Water Usage

During operations, water trapped in the underground formation is brought to the surface along with the oil and gas. As a byproduct of our operations, we work to responsibly manage produced water through treatment, reuse or disposal. Water storage pits for treated produced water are double-lined with leak detection systems, and storage pits and disposal facilities are also equipped with remote monitoring devices to ensure continued environmental protection.

In 2019, Concho used 137.6 million barrels of water for its drilling and completions operations, 26.6 million of which came from treated and reclaimed wastewater sources. Combined with other non-fresh sources, these volumes represent nearly 70% of total water used in 2019. Less than a third of water used in our operations came from freshwater sources. Concho actively works to minimize sourcing from surface water bodies as much as possible, and we do not discharge any treated water volumes to land or surface water.

Concho defines water sources using a measurement of Total Dissolved Solids (TDS). We also seek to reuse water whenever possible.

#### Water Sources Defined

<table>
<thead>
<tr>
<th>Non-Fresh Water</th>
<th>Reused Water</th>
<th>Fresh Water</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water resources with higher salinity (&gt;2,000 TDS)</td>
<td>• Reclaimed Wastewater: Municipal effluent water sources from municipalities and other third parties that is treated for reuse. • Treated Produced Water: Water produced as a byproduct of oil and gas production that is treated for reuse.</td>
<td>Water resources with lower salinity (&lt;2,000 TDS).</td>
</tr>
</tbody>
</table>

From 2018 to 2019, recycled produced water and reclaimed wastewater use increased by nearly 70%, with continued increases expected throughout 2020. Water volumes not treated for reuse are sent to disposal wells, and in 2019 Concho disposed of 276.9 million barrels of wastewater.

To demonstrate the operational efficiency with which we use water, Concho also measures its water use intensity in barrels of total water used per gross barrels of oil equivalent produced. In 2019, our water use intensity was 0.8.

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^10 Produced water volumes represent Concho-operated wells. Water sources may come from Concho-owned water wells, leased water wells or may be purchased from third-party suppliers.

^11 The majority of water volumes used for drilling are assumed to be fresh water, though non-fresh water is used in some cases.
4. Optimizing Water Reuse

Water Recycling
To minimize reliance on fresh water and because we operate in areas with medium to high water risk, we actively pursue opportunities to treat and reuse produced water in our operations. We prioritize recycling produced water to help avoid freshwater overconsumption.

To scale our water recycling program, Concho works with our partners and third-party providers in the Delaware Basin and Midland Basin. These partnerships provide necessary infrastructure, improve efficiency and help scale our recycling operations. Concho operates three recycling facilities to treat our own produced water, and we also work with third parties to source additional recycled sources.

NEW MEXICO CASE STUDY
Concho’s joint venture with Solaris Midstream Holdings, LLC (Solaris Water) creates an efficient produced water recycling platform for our operations. The joint venture integrates a portion of our water gathering, transportation and disposal infrastructure assets into Solaris Water’s growing Pecos Star System. This system includes more than 500 miles of gathering pipelines, more than a million barrels per day of produced water disposal capacity, storage and recycling facilities with 500,000 barrels per day of water treatment capacity, and water supply pipelines that serve more than 20 oil and gas operators. In turn, Solaris Water delivers source water to be reused in our operations, enabling a significant increase in recycled water use. This joint venture with Solaris Water provides effective and responsible water management and recycling solutions across our core position in New Mexico.

Expanding Concho’s Recycling Effort
Concho’s recycling strategy has evolved over time to include increasing availability of treated water volumes, new water partnerships and additional recycling opportunities.

<table>
<thead>
<tr>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic and operational feasibility of a recycling program pilot is assessed. Recycling begins in the Southern Midland Basin.</td>
<td>As recycling continues in the Southern Midland Basin, programs in Northern Delaware Basin and Northern Midland Basin are established.</td>
<td>Large-scale water gathering and recycling agreements are executed in Southern Delaware Basin and Northern Delaware Basin with lower water sourcing costs.</td>
<td>As part of our commitment to sustainable development, efforts to maximize company-wide water recycling are underway. Realizing economies of scale and pursuing cost reduction opportunities remain priorities.</td>
</tr>
</tbody>
</table>

Utilizing Reclaimed Wastewater
In 2015, we entered into a third-party agreement that provides us with a significant volume of reclaimed wastewater per day. This reclaimed wastewater volume is municipal effluent water sourced from municipalities and other third parties that is treated for reuse. This unique solution of sourcing municipal effluent water promotes economic development for the municipality and benefits community water conservation by creating a use for water that is not suitable for human consumption and would otherwise be disposed of.

Optimizing Infrastructure
Water infrastructure is an important aspect of our water resources strategy. More than 90% of water used in our operations is transported via pipeline. Focusing on pipeline transport minimizes loss, decreases the need for trucking and reduces our environmental footprint, as less truck traffic limits our surface impact and air disturbance.

Concho’s strategic agreements with our partners provide us with access to water gathering, transportation and disposal infrastructure across the Delaware and Midland Basins. Additionally, we operate a 125-mile pipeline system that transports water to our areas of operation in the Midland Basin. The pipeline can accommodate up to 125,000 barrels of water per day and also includes water storage facilities. We utilize best-practice designs for water storage facilities that meet or exceed regulatory requirements.

1. Overview

Concho recognizes the value and importance of our shared natural resources. We promote responsible land stewardship and sustainability in the Permian Basin through our operational approach and surface ownership programs. Our comprehensive environmental management strategy guides Concho in minimizing the impact of our operations on land and water resources while promoting conservation and biodiversity in the Permian Basin. We also prioritize collaboration with stakeholders to develop effective solutions to reduce our impact and support environmental resilience.

Planning with Purpose

Effective environmental management begins with our robust operations planning process, which enables Concho to minimize surface disturbance and land impacts. Prior to commencing drilling operations, we create detailed surface use drawings to plan the exact location of all facilities on a site. When preparing these drawings, we assess topography changes, existing roads and pipelines, and other man-made obstacles to avoid potential operational delays and surface disturbances. While required by the Bureau of Land Management for our operations in New Mexico, we perform pre-drilling, on-site inspections on all potential drilling locations in New Mexico and Texas as a best practice.

Well Planning Team Objectives

<table>
<thead>
<tr>
<th>Objective</th>
<th>Description</th>
</tr>
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<tbody>
<tr>
<td>1</td>
<td>Optimize surface utilization</td>
</tr>
<tr>
<td>2</td>
<td>Maximize lateral length</td>
</tr>
<tr>
<td>3</td>
<td>Achieve optimal lateral spacing</td>
</tr>
<tr>
<td>4</td>
<td>Minimize well collision risk</td>
</tr>
</tbody>
</table>

To achieve these objectives and ultimately minimize surface disturbance, Concho utilizes multi-well pad locations and long-lateral wells. This allows us to drill more than one well on a single surface site, reducing our surface acreage impact by an average of 58%. Depending on the number of wells drilled from one pad, surface use can even be reduced up to 75% compared to a single well.

Surface Ownership & Stewardship

Concho owns or controls substantial surface acreage in West Texas and Southeast New Mexico. Our surface management team, comprised of experienced biologists and rangeland managers, develops and implements a series of comprehensive natural resource management plans for our surface properties, each with objectives suited to the landscape. These actions help manage Concho’s impact on the local environment and enhance the ecology of our surface lands.

The team is responsible for managing a variety of surface programs and efforts, including:

- Protecting ecologically sensitive areas
- Using results from habitat assessments to enhance habitat connectivity and promote biodiversity
- Restoring degraded rangelands
- Reseeding rights-of-way with locally adapted native plant species
- Providing surface water for wildlife
- Controlling noxious and invasive species
- Reclaiming and restoring retired oilfield facilities including frac pits, well and battery pads, roads, surface lines and electrical infrastructure
We identify and assess ecologically sensitive areas in the development pre-planning phase using maps of Concho-owned surface. After carefully reviewing these areas and their ecosystems, plans for surface development may be adjusted.

By considering natural resources during the planning and development process, Concho is equipped to protect ecologically sensitive areas that harbor greater biodiversity or have hydrological significance. These sensitive areas include playa lakes, waterways (e.g., rivers, draws and arroyos), areas with significant plant diversity and known habitat components for sensitive species.

The surface management team reviews all proposed development on Concho-owned surface, provides feedback on locations, performs pre-construction site inspections when appropriate and continuously monitors surface development. By concentrating infrastructure in development corridors and utilizing horizontal drilling, Concho reduces the habitat fragmentation caused by oil and gas development. Our surface management team makes regular presentations to employees in the field to raise awareness of conservation and stewardship issues in connection with development and construction of locations and related infrastructure. Our approach is to minimize impact in areas where biodiversity is the greatest.

Working with Stakeholders

As a surface owner, Concho understands the importance of open community dialogue around land stewardship and conservation practices. Concho has a dedicated, in-house owner relations team to assist with all incoming inquiries from any of our more than 12,000 surface, mineral and royalty owners. We seek to build meaningful relationships with all of our stakeholders, including surface, mineral and royalty owners, and encourage them to communicate any concerns to us before issues arise. The owner relations team and asset managers work as liaisons between our owners and Concho’s surface management team, who can then educate surface owners about practices to be applied on their properties to improve rangeland health and ecosystem functioning.

Concho endeavors to proactively work with surface owners to minimize our land use footprint by creating designated surface corridors on their properties. We also seek to identify a surface owner’s preferred native seed mix for use during the remediation phase whenever possible.

2. Supporting Biodiversity through Innovation & Partnership

A cornerstone of Concho’s conservation program is our commitment to promoting the growth of native plants, which are a vital component of wildlife habitat and ecosystem health. Increased highway construction, land fragmentation and commercial development have caused native plant communities to become more susceptible to exotic grasses that reduce the quality of wildlife habitats.

To support native plant communities and ongoing restoration and conservation efforts, Concho partners with the West Texas and Permian Basin-Panhandle Native Seeds Projects. These projects were started by the Caesar Kleberg Wildlife Research Institute at Texas A&M University-Kingsville to promote land stewardship, provide economic sources of locally adapted native seeds for use in site restoration and enable the reduction of environmental footprints through effective rangeland restoration using native plant species. These projects collect, evaluate and release seed sources of West Texas native plants to make locally adapted native seeds readily available to customers. In addition, these projects promote the use of native plants in rangeland restoration for use during the reclamation process. Since 2010, the projects have amassed almost 1,000 seed collections, commercialized several new native seed varieties and provided restoration recommendations for thousands of acres in the region.

Concho also continues to provide for the development of locally adapted native seeds through its support of the Texas Native Seeds Program (TNS) of the Caesar Kleberg Wildlife Research Institute at Texas A&M University-Kingsville, which also provides administrative oversight of TNS, and Borderlands Research Institute at Sul Ross State University. Each year TNS plants new species for evaluation and recently installed a demonstration planting in downtown Midland, Texas on the Concho campus to showcase current and future commercially available native plants that are adapted for growth in the Permian Basin region. Throughout the year, TNS hosts conservation events to share best practices with surface owners and other conservation professionals. Through this outreach, TNS provides educational opportunities and promotes the benefits of utilizing native seeds for revegetation.

With support from partners like Concho and in recognition of the program’s success, TNS was selected by the Texas Commission on Environmental Quality to receive the 2019 Texas Environmental Excellence Award for Agriculture as well as The Wildlife Society’s Group Achievement Award.
3. Habitat Protection & Ecosystem Health

Concho not only provides funding support for many local projects, but we are also active participants in daily, hands-on conservation work. The positive impacts resulting from our restoration and conservation projects and partnerships benefit the broader ecosystem; such efforts not only restore native flora, but also enhance or create habitat for multiple species of grassland birds and wildlife.

Candidate Conservation Agreements

Concho has been an early and active participant in the Candidate Conservation Agreements created by the U.S. Fish and Wildlife Service and the Bureau of Land Management, which are formal agreements with property owners, industry and others to address species conservation. The Candidate Conservation Agreements require mitigation activities such as:

- Purchase of land or permanent conservation easements
- Planting of native vegetation
- Removal of abandoned power lines and poles
- Establishment of wildlife watering facilities
- Eradication of invasive species
- Reclamation of abandoned roads and well pads

As of June 2020, Concho has contributed $7.3 million to these mitigation efforts. Concho has also contributed 264,000 acres of conservation land to the program since 2010 and has formally enrolled 168,000 acres of conservation land for protection of Lesser Prairie Chicken and Dunes Sagebrush Lizard habitats and 96,000 acres for protection of Texas Hornshell Mussel habitat.

Species Protection

Though not endangered or threatened, the species we work to protect are ecologically significant to the areas in which we live and operate. Beyond our commitment to Candidate Conservation Agreements, we also participate in local partnerships to advance species protection.

In 2010, Concho established a $400,000 revolving fund with The Conservation Fund, a non-profit organization, to acquire acreage in the Area of Critical Environmental Concern in New Mexico. Our work with The Conservation Fund significantly contributed to the protection of 58,000 acres of prime grassland habitat in the Area of Critical Environmental Concern, which resulted in the first Lesser Prairie Chicken stronghold.

In 2013, Concho continued work with The Conservation Fund to leverage the revolving fund to obtain an additional $1.2 million in federal Wildlife and Sport Fish Restoration Program funds in order to create the 14,037-acre Yoakum Dunes Wildlife Management Area, which was established in 2014. Through coordinated work with the Texas Parks and Wildlife Department and The Nature Conservancy, our efforts resulted in the first new Texas Wildlife Management Area since 2006, providing refuge for native grassland birds and wildlife, including the Lesser Prairie Chicken, Baird’s Sparrow, Ferruginous Hawk, Western Burrowing Owl, Swift Fox, Black-tailed Prairie Dog, Texas Horned Lizard and White-tailed Deer.

In 2019, we partnered with the Western Association of Fish and Wildlife Agencies (WAFWA) and the Midland chapter of Stewards of the Wild, a young professionals program for conservation awareness, to build 40 artificial burrows for the Western Burrowing Owl, a key grassland species. Concho entered into another agreement with WAFWA in 2020 to build an additional 40 burrows, resulting in a total of 320 acres of native grassland restored. The burrows will be monitored over several years to assess successful utilization.

Stewards of the Wild partnered with Concho on an additional project and volunteer opportunity, in which existing ranch fences were modified to facilitate pronghorn movement and avoid habitat fragmentation.
4. Remediation & Reclamation

In 2019, Concho reclaimed 33 frac ponds and one caliche pit on its surface lands. We also mechanically cleared 408 acres of invasive brush, chemically treated 851 acres of invasive brush, and reseeded 443 acres with targeted native grassland mixes. These activities resulted in more than 1,700 acres reclaimed and restored. We are proactive in seeking opportunities to reclaim retired infrastructure locations above and beyond regulatory requirements. Through this process we initiate dialogue with other operators to discuss initiatives to improve overall ecosystem health.

In operational areas outside of Concho-owned surface lands, Concho actively collaborates with surface owners, including interacting with state and federal land agencies to ensure that valuable resources are utilized in the most efficient manner possible.

1,700 acres

Concho reclaimed and restored more than 1,700 acres of surface lands in 2019.

Emerging Opportunities

Carbon Storage Opportunities

One way to maximize the benefits of site restoration is through identification of targeted carbon sequestration opportunities on rangelands. We are evaluating project opportunities to identify baseline soil carbon stocks and to determine soil carbon sequestration potential and soil carbon storage. Projects emphasizing this type of restoration present a sustainable solution for offsetting emissions from our operations, while also increasing soil quality and biodiversity of soil flora and fauna.
Spill Management
TAKING A PROACTIVE APPROACH

1. Overview

Spill prevention and management begins with a proactive operational approach. Concho’s spill prevention and management program seeks to ensure critical controls are in place to reduce spill risk. Concho facilities are designed with appropriate containment systems and are routinely maintained in order to protect the surrounding environment. To reduce releases and minimize our environmental impact, we utilize best management practices, including:

- Monthly inter-disciplinary spill release reduction meetings
- Construction of lined facilities
- Tertiary containment utilized where necessary for added environmental protection
- Goal setting for release reduction
- Dedicated leak detection surveillance teams on the ground
- Air patrol of high-volume water disposal pipelines as necessary
- Comprehensive emergency action plan for immediate notification and management of environmental releases

Regular facility inspections are also part of our routine operating procedures. This includes visual inspections of facility grounds, storage tanks and containment, flowlines and drainage. Facilities are assessed for integrity, and we take corrective actions at the facility as necessary.

In the event a spill occurs, Concho’s HSE Department ensures all communications and notifications are provided as required to the applicable regulatory agencies and surface owners. We assess the source of the release, ensure the area or conditions allow for safe actions to be performed, attempt to stop or shut down the source of the spill if safe to do so, and inform all necessary parties. In addition, all spill cleanup activities are documented from the initial discovery to final cleanup.

Spill Prevention, Control and Countermeasure Plans

Our Spill Prevention, Control and Countermeasure Plans (SPCC Plans) are in place to prevent accidental releases into water and to provide protocols for how to respond to spills at subject facilities. Each of our designated facilities that is covered under an SPCC Plan has a site diagram showing equipment sizes, storage tank volumes, products stored, secondary containment details and a topographic map. The diagrams outline site access points and identify directional surface flow to appropriately initiate a spill response. Overall, our SPCC Plans are intended to ensure necessary resources are in place to quickly respond to incidents if they occur.

Though our SPCC Plans are only required for regulatory-defined facilities with proximity to water, we apply their principles to our general spill management approach.
2. Environmental Release Notification

In addition to following all applicable regulations, Concho has also developed strategic, long-term relationships with federal, state and local agencies regarding environmental release reporting and remediation. We also have internal reporting requirements that meet or exceed regulatory requirements. All produced water and hydrocarbon releases of one barrel or greater are tracked internally, and we benchmark our quarterly performance.

3. Performance

New Mexico regulations require an operator to report any hydrocarbon or produced water spill (or a combination thereof) greater than five barrels; Texas regulations require reporting of hydrocarbon spills greater than five barrels. Though not mandatory to report, Concho includes produced water volumes spilled in Texas in its total spill count and volume below to show its commitment to spill reporting transparency across the Permian Basin.

In 2019, Concho reduced its total reportable spill count by nearly 20%, and we reduced overall spill volume (produced water and hydrocarbons) by 15%.13 Our 2019 spill rate was 0.09, which is measured as the volume of oil and water spilled per 1,000 barrels of oil and water produced.

Concho experienced no accidental releases to any water bodies during 2018 or 2019.

<table>
<thead>
<tr>
<th>Reportable Spill Count</th>
<th>Reportable Spill Volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>Produced water and hydrocarbons</td>
<td>Produced water and hydrocarbons (in Barrels)</td>
</tr>
<tr>
<td>2018: 416</td>
<td>2018: 40,337</td>
</tr>
<tr>
<td>2019: 336</td>
<td>2019: 34,348</td>
</tr>
</tbody>
</table>

In 2019, Concho reduced its total reportable spill count by nearly 20%.

13 Spill count and volume represent spills greater than five barrels in both Texas and New Mexico.
Waste Management
IDENTIFYING OUR WASTE STREAMS

1. Overview

Concho utilizes a waste management matrix to categorize waste streams generated by our operations. For each waste category, we have identified the appropriate disposal method according to applicable regulations and standards. We utilize our supply chain due diligence process to evaluate waste facilities before transporting our waste volumes for ultimate disposal. Safety Data Sheets for chemicals used in our operations are available for review by employees and contractors. Safety Data Sheets summarize hazards and disposal methods and are reviewed at least annually by both the HSE department and field operations.

Our Operations Produce Four Main Waste Streams:

- **Drilling Residuals**
  Drilling residuals include mud, drill cuttings and fluid used to drill wells. We reuse drilling fluids for subsequent wells whenever possible in order to minimize waste during the drilling process. In some cases, Concho utilizes closed-loop drilling systems to minimize the need to store drilling residuals in reserve pits until they are ready for disposal. When used, reserve pits are properly lined to prevent the possibility of ground water contamination. When drilling activity is completed, the reserve pits are cleaned and the area is reclaimed to regulatory standards.

- **Naturally-Occurring Radioactive Material**
  Naturally-occurring radioactive material (NORM) exists in certain geologic formations and may be brought to the surface during operations. NORM may be present in produced water, in pipe mineral scale or on equipment. During safety training, we emphasize the use of personal protective equipment and appropriate procedures for safely working around NORM. NORM surveys are conducted prior to acquisitions, during sale or disposal of equipment, and during equipment relocation from field locations to storage. NORM-impacted waste is transported to a disposal facility specifically permitted and designed to accept NORM waste.

- **Remediation Waste**
  Our spill management programs are in place to minimize our environmental impact (see Spill Management section), but remediation measures are also in place if spills do occur. Contaminated soil is excavated and sent to an approved waste facility before the site is remediated per federal, state and/or local regulations.

- **Produced Water**
  Produced water, a byproduct of our operations that is brought to the surface with extracted oil and gas, is another identified waste stream. If not treated for reuse, produced water is disposed of at a permitted saltwater disposal facility. Please see the Water Stewardship section for more information on our water reuse practices and our commitment to increasing water recycling efforts.
Social Impact

The Permian Basin isn't just where we work, it's where we live. With our operations and headquarters located in the Permian Basin, we are proud to be a major contributor to our community and the economic growth of the Permian Basin.
1. Overview

Our people are our greatest resource, and they are responsible for the Company’s success. For this reason, employing the best people is a pillar of our business strategy. Because our employees dedicate their time and talents to Concho, we focus on creating opportunities and investing in their growth and development so they can unlock their full potential. At year-end 2019, we had approximately 1,400 employees across our various offices in Texas and New Mexico.

The Concho culture is unique and is a key contributor to our success. Our team has an entrepreneurial spirit that’s energized by providing safe, efficient energy to meet the world’s growing demand. Our passion for energy leads us to innovate, adopt new technology and ultimately continuously improve the capital efficiency of our business.

Effectively attracting, motivating and retaining the best and brightest employees are important priorities for us. We believe our compensation program helps us attract and retain key talent and motivates employees to think and act like long-term stockholders. To motivate and retain our team, we offer opportunities for professional and personal development and provide a full slate of benefits to our employees and their families.

AN EQUAL OPPORTUNITY EMPLOYER

We are committed to creating a safe and inclusive workplace. Concho is an equal opportunity employer and we are committed to attracting, developing and retaining the best talent, without regard to race, color, religion, sex, national origin, ancestry, citizenship, age, military and/or veteran status, disability, genetic information, sexual orientation, gender identity, marital status or spousal affiliation, or any other characteristic protected by applicable federal, state or local law. All Concho employees are required to review and adhere to our Code of Business Conduct and Ethics. When incidents of discrimination occur, procedures are in place to guide an immediate investigation and determine appropriate next steps. In order to avoid instances of unequal pay, our pay scales are reviewed annually, and any deviations are addressed immediately.
2. Diversity & Inclusion

Diverse Perspectives. Inclusive Environment.

Concho values a diverse and inclusive workforce. We believe a diverse team and an inclusive culture strengthen business performance, stimulate innovation, increase workforce engagement and drive long-term success. Concho offers an inclusive environment that welcomes diversity in all forms. Because of our inclusive culture, in 2019 Concho was recognized as a Great Place to Work for diversity.

3. Training & Development

Fostering the Potential of our People

Investing in the development of our workforce is an important priority. We offer our employees a variety of growth and development opportunities to provide them with the knowledge they need for professional advancement. These offerings include:

- A corporate leadership development program
- Tuition reimbursement for external training courses and/or secondary education
- Skills training
- Summer internship program
- Rotation programs
- Regular performance reviews for all employees

Internal, formal skills training is available to all employees and covers a variety of topics including Concho 101, Manager Resource Training and team building. Internally led training hours for the Company, which are tracked by our learning management system, totaled 13,534 hours in 2019.

To ensure we are adequately preparing for the future, we developed a leadership program to aid in strengthening the leadership skills of our employees. Leaders of all experience levels from across the organization are invited to attend our multi-course leadership development program designed for leaders at all stages in their career.

As part of our ERM process and through our Human Resource talent development efforts, we perform regular assessments to understand any workforce related risks. We focus on every stage of an employee’s development lifecycle — preparing them for leadership, motivating them and when the time comes, preparing for their replacement. Succession planning at Concho is very thoughtful and detailed. Annually, we map key individuals across the organization and identify their immediate and longer-term successors. Great effort is placed on developing, motivating and retaining these individuals.

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14 “Other” includes Legal, Security, Support Services and Lunch and Learn categories.
4. Employee Engagement

Employee engagement is an important indicator of how we are succeeding in motivating and developing employees, and we survey our employees on a regular basis. The Company’s leadership team is apprised of organizational strengths and weaknesses identified from the surveys, which help us allocate resources needed to address areas of improvement and pursue ideas that support retention. Additionally, all employees have access to an employee hotline and electronic comment box where they can anonymously share feedback.

We are proud to be recognized as a Great Place to Work for the last five years. In 2019, our employees noted a few themes where Concho excels related to safe working conditions, fair treatment regardless of race, gender, age, or sexual orientation and unique benefits. Survey results included the following responses:

- 96% People here are treated fairly regardless of their race.
- 96% People here are treated fairly regardless of their sexual orientation.
- 96% I am able to take time off from work when I think it’s necessary.
- 95% Our facilities contribute to a good working environment.
- 94% We have special and unique benefits here.
- 93% Taking everything into account, I would say this is a great place to work.
- 93% People here are treated fairly regardless of their gender.
- 90% People here are treated fairly regardless of their age.

Workplace Recognition & Awards

- Great Place to Work 2019 – Diversity
- Great Place to Work 2019 – Millennials
- Great Place to Work 2019
- Great Place to Work 2019 – Best Workplaces in Manufacturing & Production
- Great Place to Work 2018 – Best Workplaces in Manufacturing & Production
- Great Place to Work 2018

- Best Workplaces in Texas 2017 (ranked 22 out of 50)
- Best Workplaces for Baby Boomers 2016 (ranked 20 out of 20)
- Best Workplaces to Retire From 2016 (ranked 26 out of 50)
- Best Workplaces for Millennials 2016 (ranked 46 out of 100)
- Great Place to Work 2015
5. Enhancing the Workplace

Concho is proud to be headquartered in Midland, Texas, a key hub of the U.S. energy sector, where we have developed a campus that was designed to improve our employees’ work environment, to enhance the Company’s culture and to encourage collaboration across our workforce.

As the Company grows, the ways in which our teams engage with one another continue to evolve. We recognized an opportunity to invest in our workplace by creating the Concho Employees’ Center (the Center). The Center includes formal and informal meeting spaces, training rooms, a café, medical clinic and fitness center. The Center improves workplace morale, collaboration, communication and productivity, which leads to innovation and higher employee retention. By creating a variety of places for employees to work together, our culture has directly benefited.

Creating a work environment where our teams can easily work together is increasingly important to the efficiency of our business. The building where our technical and operational teams reside was designed to prioritize employee quality of life and strengthen collaborative relationships between teams and individual employees. The building features large, informal collaboration areas on the majority of building floors designed to encourage information exchange between employees and two large first-floor conference rooms customized to serve Concho’s geology and operations groups. The building optimizes employee connectivity and strengthens the Company’s culture.

6. Benefits & Wellness

Concho shows its commitment to investing in its employees in many ways. We offer a comprehensive benefits package to all full-time employees and their immediate family members. As a committed partner in our employees’ health, Concho fully funds both employee and dependent health insurance premiums.

The financial health of our employees is also of great importance to Concho. Our employees directly contribute to the success of the Company and we are proud to be one of a handful of exploration and production companies to offer equity to all eligible employees. Concho also helps build for our employees’ future by providing a competitive 401(k) matching program.

Our childcare facility, The Play, opened in 2016 and meets a unique need we face in Midland. It continues to be very difficult for working families in Midland to find suitable care for their children. We invested in a program and facility that made it possible for our employees to have on-site, high-quality, learning-based care for their children while they continue pursuing their careers. The Play provides our employees with an easy solution for childcare and the peace of mind of knowing their children are close by. Tuition for children at The Play is partially subsidized by Concho.

**Compensation Benefits**

- Competitive base salary
- Annual discretionary bonus plan based on performance
- Equity ownership — Concho grants equity awards to all eligible full-time employees
- Generous 401(k) match with immediate vesting
- Paid time off (sick, personal, vacation and parental leave)

**Wellness Programs**

- Mind and body focus programs
- Healthy lifestyle programs
- Financial wellness programs

**Health & Other Benefits**

- Subsidized, onsite childcare facility for employees’ children and grandchildren
- Onsite health clinics and fitness facilities at our Midland and Artesia locations
- Medical insurance premiums for employees and dependents are fully funded by Concho
- Prescription drug coverage for medical plan
- Company-paid dental and vision benefits premiums for employee and dependents
- Company-paid life and Accidental Death & Dismemberment (AD&D) insurance with option for additional employee-paid life and AD&D insurance for employee and family
- Company-paid long-term care insurance with an option for additional employee-paid long-term care insurance
- Company-paid disability coverage
- Company-paid Employee Assistance Program that offers support with education, dependent caregiving, legal and financial issues and lifestyle, as well as fitness management
1. Overview

Concho is one of the few Permian Basin operators publicly listed to be headquartered in Midland, Texas, the epicenter of the Permian Basin. At Concho, our approach to community investment is not just about making a financial contribution. We are focused on making strategic investments within the community that contribute to the long-term growth and development of the Permian Basin region and provide the region with the services and facilities needed for a good quality of life.

Concho gives to non-profit entities that are important to our employees, the Company and the greater Permian Basin community. In 2019, Concho invested more than $5 million, including investments made to the Permian Strategic Partnership (PSP). Over nearly a decade, Concho has invested a cumulative total of $28 million in Permian Basin communities. We believe that our investments also serve to enrich our community for all to benefit.

Concho supports projects and organizations that improve the quality of life in the Permian Basin. Our investments are weighted heavily towards brick and mortar projects that have lasting positive impacts for our communities. We categorize our support into three key focus areas: Education and Community Facilities; Health and Human Services Organizations; and Cultural Events and Institutions. We invest in Health and Human Services Organizations in order to improve individual and community health and social conditions and contribute to Education and Community Facilities in order to maintain and improve the quality of education in our community and enhance community cohesion. Our focus on Cultural Events and Institutions is to support local arts programs and promote cultural offerings in the Permian Basin.

Permian Strategic Partnership

Concho is proud to play a leading role in the PSP, a coalition of energy companies and regional leaders working together to invest in the communities in the Permian Basin. Our shared goal is to contribute to improving the quality of life in the region by working to make roads safer, improve education, address healthcare and housing needs and train workers. In 2019, the PSP committed more than $30 million to projects ranging from a career technology high school in Hobbs, New Mexico, to funding teacher subsidies throughout the Permian Basin community.

“Concho’s community investment philosophy is influenced by our collective passion for giving back and building resilient communities. We are committed to making a positive contribution to the Permian Basin region we call home.”

TIM LEACH
Chairman of the Board and Chief Executive Officer

2019 Community Investment by Focus Area (excludes PSP)

- Health & Human Services Organizations: 10%
- Education & Community Facilities: 33%
- Cultural Events & Institutions: 57%
2. Health & Human Services Organizations

Concho invests in organizations and programs aimed at improving individual and community health and social conditions. We contribute to organizations’ annual fundraising campaigns and make financial commitments toward larger projects, including new facility building campaigns. There are numerous health and human services organizations in the Permian Basin, and we have highlighted a few of our most impactful investments.

**Big Brothers Big Sisters**
Big Brothers Big Sisters is the oldest, largest and most effective youth mentoring organization in the United States. Concho is proud to support both the Midland and Santa Fe chapters. In Midland, we contributed to the development of a new facility to serve the Midland community’s youth.

**Centers for Children and Families**
We helped support the development of a new facility to address a wide array of counseling needs in the community.

**Habitat for Humanity**
Concho has been a long-time supporter of this organization by funding new homes and organizing employee volunteer events. We were proud to receive the Mark B. Merritt Golden Hammer Award, the highest honor for supporting this organization.

**West Texas Food Bank**
Concho committed to build a distribution and learning center that serves 34,000 square miles in the Permian Basin.

**MARC**
Concho is a leading funder of MARC, a Midland non-profit serving individuals with intellectual, developmental and cognitive disabilities. MARC recently broke ground on a new 16,000-square-foot services building, a new 2,500-square-foot day-use building and a new park using funding from Concho, among others.

**Salvation Army**
Concho provided funding for a new facility to help meet the growing need for emergency shelter and supplies.

**First Responders**
Concho also contributes to our region’s first responders through direct requests for equipment donations and through organizations like Shield 616 and Midland First Responders.

HELPING OUR COMMUNITY DURING THE COVID-19 PANDEMIC

Across the Permian Basin community, the number of people struggling with food insecurity was on the rise during the COVID-19 pandemic. With school closures, a rising unemployment rate and health risks, more people turned to our local area food banks for support. Concho stepped in to help fight hunger through a donation of $100,000 to the West Texas Food Bank during the pandemic. This helped feed children, families and seniors throughout our community during a time of uncertainty. Concho has long supported the West Texas Food Bank and its mission to distribute donated and purchased food to those who are hungry across 19 counties of West Texas.
3. Education & Community Facilities

We are a steadfast supporter of education and various local educational institutions. We are committed to maintaining and improving the quality of education in our community while expanding learning opportunities for the families who live here. We contribute to local parks and community facilities to improve our region’s quality of life.

**Bynum School**

Concho played a large part in the development of a local campus for children and adults with special needs to have a place to learn, play and grow.

**Centennial Park**

Centennial Park is located in the heart of downtown Midland, and Concho has been instrumental in the park’s development and construction through donations and leadership on the Midland Downtown Park Conservancy. We believe that the construction of Centennial Park will not only improve the quality of life in Midland, but also serve as a catalyst for social and economic transformation in downtown Midland.

**Fasken Park**

We funded the Fasken Park renovation in Midland to support neighborhood play and community gathering.

**Friendship Park**

Concho is a cornerstone sponsor of Friendship Park in Carlsbad, New Mexico. This accessible play area is designed for families with special physical needs to allow all children to play together in a meaningful environment.

**Midland Independent School District (MISD)**

We are very invested in Midland’s public-school system and have created a strong relationship with MISD. We believe recruiting and retaining quality educators is key to MISD’s success and therefore the success of the Permian Basin region. Each year with MISD we co-host Concho Career Day, an event open to MISD high school students where we inform them about the many job and career opportunities available to them in the oil and gas industry; given the nature and future growth potential of the Permian Basin. Midland High School is located across from Concho’s Midland campus. Our proximity to the high school allows us to engage with faculty and students to create unique programs such as one-on-one academic tutoring provided by Concho employees.

**Texas A&M-Concho Engineering Academy at Midland College**

The Texas A&M-Concho Engineering Academy at Midland College is an innovative co-enrollment partnership that was developed to address the state’s growing need for engineers. Midland College students participating in the program will be admitted to the Texas A&M College of Engineering. Students will complete their first two years of coursework at Midland College and finish their engineering degrees on the Texas A&M campus in College Station, Texas. The program creates new opportunities for students in West Texas and will enhance the pipeline of highly skilled local talent that Concho and the oil and gas industry and region need to be successful.

4. Cultural Events & Institutions

We are strong supporters of the arts and contribute to various cultural events and institutions in both Texas and New Mexico. Key relationships include the Midland Community Theatre, Midland-Odessa Symphony & Chorale, Museum of the Southwest, Permian Basin Petroleum Museum and the Wagner Noel Performing Arts Center. Each year, Concho hosts family night at Midland’s Cole Theater, where Concho employees and their families are invited to attend an evening show to enjoy and support our community theater. Supporting culture-building experiences where we live and work creates community cohesion, contributes to mental wellbeing and serves as a secondary avenue for an enriched education for our youth.
5. Volunteerism

Donating our time is equally as important as contributing financial support to local organizations. Our officers and employees serve on numerous community boards and volunteer at organizations throughout Texas and New Mexico. Concho is very supportive of employees that dedicate their time and expertise to help improve the quality of life in the Permian Basin. Organizations that are important to our employees are also important to Concho—we financially support organizations and programs that Concho employees hold leadership roles in or are actively engaged in.

We also provide opportunities for employees to get involved by hosting numerous fundraisers and company-sponsored volunteer experiences. Concho also funds employee participation in the Midland Non-Profit Management Center’s Generations Program, an intensive multi-week course designed to educate participants on the basics of non-profit board participation and leadership. Each participant is matched with a local non-profit board following completion of the program.

Volunteer Efforts

ApPrentice Project
Concho’s ApPrentice Project is an annual cleanup event dedicated to those that have dedicated their time to Concho. We partner with the organization Keep Midland Beautiful to host the event for our employees to help clean up local roads, vacant lots and areas around Midland. For nine years running, over 125 employees have participated annually. The event was created after the passing of Dick Prentice, a former Concho employee, who volunteered his time to Keep Midland Beautiful.

Helping the Homeless
During 2019, members of the Concho Houston office volunteered time each month to serve lunch to homeless men through the Star of Hope program. The Star of Hope ministry provides food and structured programs to encourage positive life changes for homeless families in Houston.

6. Stakeholder Engagement & Community Rights

Concho strives to work collaboratively with our stakeholders. We believe this approach is essential to building strong community relations and to delivering sustainable and effective community engagement. During our operational planning phase of well construction, we actively engage with key stakeholders, including surface, mineral and royalty owners and regulatory bodies. When stakeholders have concerns related to our operations, those concerns are directed to our owner relations team, which is detailed in the Land Stewardship & Biodiversity section of this report.

Concho recognizes that the industry’s concentrated oil and gas development can add stress to the Permian Basin region’s infrastructure. We manage the risks and opportunities related to community rights and interests through unique infrastructure projects as well as through our participation in the PSP. The PSP’s focus is on addressing and promoting our community’s interests through the funding of infrastructure projects related to roads, education, healthcare, workforce and housing. On behalf of our community, Concho also advocates for government funding to support needed infrastructure, specifically related to the safety of our roads.

Concho is also helping to address the area’s workforce needs through our support of the Texas A&M-Concho Engineering Academy at Midland College, which is detailed in the Education & Community Facilities section of this report. The program enhances the pool of highly skilled local talent that the oil and gas industry and our region need to be successful.

Because we operate exclusively in the Permian Basin, we do not face several of the environmental and social issues of concern that apply to some exploration and production companies. For example:

- We do not face any of the challenges that arise in countries with less strict environmental, financial, ethical or disclosure regimes
- We are not at risk for foreign nationalization of our assets
- None of our operations are in mountainous areas, arctic conditions, fragile shorelines, offshore or in major hurricane zones or flood plains that put our assets at physical risk
- None of our operations are on reservations for indigenous peoples and as a result, Concho does not have a stated policy on engagement with indigenous peoples
1. Overview

Concho is proud to be a major contributor to the economic growth in the Permian Basin. With our headquarters in Midland, Texas, a key hub within the Permian Basin, we believe our activity and investment directly benefit the local communities where we live and work by creating jobs and purchasing local goods and services, and through royalty and lease payments and taxes paid to the government. We have seven offices across New Mexico and Texas located in Artesia, Carlsbad and Santa Fe, New Mexico as well as Austin, Dallas, Houston and Midland, Texas. The vast majority of our employees reside in the Permian Basin.

We prioritize the use of in-basin partners and resources throughout our operations. Using local providers and suppliers not only helps to stimulate our local economy but also provides a business and efficiency advantage. Simplification and security of the supply chain, ease of checking and monitoring quality of service or products, building stronger and lengthier business relationships and higher assurance of labor availability are just a few of those advantages. Water hauling and sand for fracking are a few of the categories in which we procure goods and services from local suppliers.

As one of the largest Permian Basin operators with operations across Texas and New Mexico, on federal and private land, we are a large contributor to tax revenues and royalties of the state and federal government. In 2019, the oil and gas industry contributed $3.1 billion in revenue for the state of New Mexico. The Texas oil and gas industry contributed $16.3 billion in state taxes and royalties during fiscal year 2019. These contributions provide Texas and New Mexico opportunities for investments in public education, state infrastructure and public safety. In 2019, Concho contributed nearly $650 million to our economies through taxes and royalty payments.

**2019 Economic Impact**

**NEW MEXICO**
- 296 Jobs
- $5.4 mm Ad Valorem Taxes
- $146.7 mm Production Taxes
- $115.5 mm State Royalties

**TEXAS**
- 1,157 Jobs
- $61.7 mm Ad Valorem Taxes
- $135.4 mm Production Taxes
- $28.9 mm State Royalties

$153.1 mm
Federal Royalties

Reflects royalty payments made to government entities.
2. Revenue Transparency

We operate solely in New Mexico and Texas on private, state and federal lands and comply with all applicable tax laws. Concho believes that transparency regarding our tax and royalty payments allows us to demonstrate how oil and gas development provides the states of Texas and New Mexico with an opportunity to generate revenue and in turn invest in public education, state infrastructure, and public safety.

Concho is subject to all applicable state and federal laws, including those related to payments transparency, for entities with operations in the states of Texas and New Mexico.

In 2019, Concho contributed nearly $650 million to federal and state governments through taxes and royalty payments.

$650 mm
Government Affairs
PUBLIC POLICY & ADVOCACY

1. Overview

The oil and gas industry is highly regulated, and Concho’s operations can be affected by actions and decisions at many levels of government. Due to the highly regulated nature of our business, Concho participates in the public policy process to encourage responsible oil and gas development and advocate for fair, responsible and reasonable regulations. Our Government Affairs team interacts with federal and state legislators and regulatory agencies to educate and discuss issues affecting our business and industry. Additionally, the Government Affairs team is responsible for managing regulatory risks that face our business and industry. Our public policy efforts include education and advocacy efforts at the local, state and federal government levels.

Political Action Committee

Concho does not make corporate contributions to individual candidates or political committees supporting candidates in federal or state elections. Concho executives, our Board members and their spouses can support candidates for office through the Concho Resources Inc. Political Action Committee (ConchoPAC), which is funded through voluntary contributions. ConchoPAC is managed by the ConchoPAC Chairperson and a steering committee.

The ConchoPAC contributes to candidates, regardless of party affiliation, who represent geographic areas important to Concho, hold leadership positions, and/or sit on pertinent committees. Contributions made by the ConchoPAC are based on the best interests of Concho and its stockholders. Further, beneficiaries of these contributions must share Concho’s values and goals. Information on federal and state political campaign contributions made by ConchoPac is filed with the Federal Election Commission as well as various state agencies.

Advocacy & Lobbying

Concho engages in political activities permitted by the federal and state election campaign laws and regulations to communicate our views on legislative and regulatory matters affecting our operations and industry. Concho’s Government Affairs team is tasked with providing advocacy and education to federal and state legislators and regulatory agencies regarding the oil and gas industry and Concho’s operations. Concho engaged in lobbying efforts during the last calendar year, and we report our federal lobbying to the U.S. Congress in public, lobby disclosure reports that can be viewed online via the U.S. Senate’s Lobbying Disclosure Electronic Filing System website.

Trade Associations

Concho is a member of and actively engages in various industry and trade groups. We participate in trade associations at the state and federal levels to share information and best practices and advance a common agenda on regulatory and legislative matters. Concho’s trade association participation is overseen by the Government Affairs team and management. We regularly assess our trade association participation to evaluate how our strategic goals and priorities align.

Concho is a member of the following trade associations: AXPC, The Energy Council, The Environmental Partnership, Independent Petroleum Association of America, National Petroleum Council, New Mexico Oil & Gas Association, Permian Basin Petroleum Association, Texas Taxpayers & Research Association, Texas Oil & Gas Association and Western Energy Alliance.

| American Exploration & Production Council | New Mexico Oil & Gas Association |
| The Energy Council | Permian Basin Petroleum Association |
| The Environmental Partnership | Texas Taxpayers & Research Association |
| Independent Petroleum Association of America | Texas Oil & Gas Association |
| National Petroleum Council | Western Energy Alliance |
Glossary of Terms

AD&D  Accidental Death & Dismemberment Insurance
AVO  Audio-visual-olfactory
AXPC  American Exploration and Production Council
BBL  Barrel
BOE  Barrel of oil equivalent
CCA  Candidate Conservation Agreement
CAO  Chief Accounting Officer
CEO  Chief Executive Officer
CFO  Chief Financial Officer
CO₂  Carbon dioxide
CO₂e  Carbon dioxide equivalent
ConchoPac  Concho Resources Inc. Political Action Committee
CXO  Concho Resources
DLP  Data Loss Prevention Program
EPA  Environmental Protection Agency
ERM  Enterprise Risk Management
ESG  Environmental, social and governance
GHG  Greenhouse gas
GRI  Global Reporting Initiative
HSE  Health, Safety and Environmental
HSE&R  Health, Safety, Environment and Reserves Committee
IEA  International Energy Agency
IT  Information Technology
LOE  Lease operating expense
LTIR  Lost time incident rate
MBOE  Thousands of barrels of oil equivalent
MBOEPD  Thousands of barrels of oil equivalent per day
MMBBL  Millions of barrels
MCF  Thousands of cubic feet
MISD  Midland Independent School District
N₂O  Nitrous oxide
NIST  National Institute of Standards and Technology
NORM  Naturally-occurring radioactive material
NYSE  New York Stock Exchange
OGI  Optical gas imaging
OSHA  Occupational Safety and Health Administration
PSP  Permian Strategic Partnership
PV-10  Present value
SASB  Sustainability Accounting Standards Board
SEC  Securities and Exchange Commission
SDS  Sustainable Development Scenario
SPCC  Spill Prevention, Control and Countermeasure Plans
SWG  Sustainability Working Group
TCFD  Task Force for Climate-Related Financial Disclosures
TDS  Total dissolved solids
TNS  Texas Native Seeds Program
TRIR  Total recordable incident rate
WEA  Western Association of Fish and Wildlife Agencies
WEO  World Energy Outlook
WTI  West Texas Intermediate
This report was informed by key frameworks and reporting guidance to ensure disclosures are objective and transparent. As described on page 8, Concho conducted a materiality assessment to determine the topics most significant to our business and stakeholders, which included a comprehensive review of key ESG reporting frameworks, standards and guidance that are relevant to our industry and to public companies more broadly. The information presented within this report and the table below reflect those topics and metrics that Concho has determined to be relevant to our business, as well as metrics for which we currently collect data and therefore are able to publicly disclose. As a result, the disclosures provided in the following indices may be reported in part or in full against each framework or standard, and do not indicate a level of adherence. As Concho continues to evolve our sustainability reporting and practices, we remain committed to continual improvement and transparency.

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Forward-Looking Statements and Other Disclaimers

The foregoing contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including information about sustainability goals and targets and planned social, safety and environmental policies, programs and initiatives. All statements, other than statements of historical fact, included in this report that address activities, events or developments that Concho Resources Inc. (the "Company" or "Concho") expects, believes or anticipates will or may occur in the future are forward-looking statements. The words “estimate,” “project,” “predict,” “believe,” “expect,” “anticipate,” “potential,” “could,” “may,” “enable,” “foresee,” “plan,” “will,” “guidance,” “outlook,” “goal” or other similar expressions that convey the uncertainty of future events or outcomes are intended to identify forward-looking statements, which generally are not historical in nature. However, the absence of these words does not mean that the statements are not forward-looking. These statements are based on certain assumptions and analyses made by the Company based on management’s experience, expectations and perception of historical trends, current conditions, current plans, anticipated future developments, expected financings and other factors believed to be appropriate. Forward-looking statements are not guarantees of performance. Although the Company believes the expectations reflected in its forward-looking statements are reasonable and are based on reasonable assumptions, no assurance can be given that these assumptions are accurate or that any of these expectations will be achieved (in full or at all) or will prove to have been correct. Moreover, such statements are subject to a number of assumptions, risks and uncertainties, many of which are beyond the control of the Company, which may cause actual results to differ materially from those implied or expressed by the forward-looking statements. These include the risk factors and other information discussed or referenced in the Company’s most recent Annual Report on Form 10-K and other filings with the U.S. Securities and Exchange Commission (the "SEC"). Any forward-looking statement speaks only as of the date on which such statement is made, and the Company undertakes no obligation to correct or update any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by applicable law. Information on Concho’s website is not part of this report.

The SEC requires oil and natural gas companies, in their filings with the SEC, to disclose proved reserves, which are those quantities of oil and natural gas which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible — from a given date forward, from known reservoirs and under existing economic conditions (using the trailing 12-month average first-day-of-the-month prices), operating methods and government regulations — prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. The SEC also permits the disclosure of separate estimates of probable or possible reserves that meet SEC definitions for such reserves; however, the Company currently does not disclose probable or possible reserves in its SEC filings.

In this report, proved reserves attributable to the Company at December 31, 2019 are estimated utilizing SEC reserve recognition standards and pricing assumptions based on the trailing 12-month average first-day-of-the-month prices of $52.19 per Bbl of oil and $2.58 per MMBtu of natural gas.

Cautionary Statement Regarding Other Matters

Concho’s outlook regarding future performance, including statements regarding drilling inventory and investment opportunities, are dependent upon many assumptions, including estimates of commodity prices, market conditions, production decline rates from existing wells and the undertaking and outcome of future drilling activity, which may be affected by a prolonged period of low commodity prices, further commodity price declines or drilling cost increases or other factors that are beyond Concho’s control.

About This Report

This report provides a summary of Concho’s approach to sustainability. In selecting content for inclusion in this report, we were inspired by frameworks and guidance such as SASB, GRI, IPIECA and TCFD standards. This report contains terms used by SASB, GRI, IPIECA and TCFD, as well as information about how the disclosures in this report align with the recommendations of SASB, GRI, IPIECA and TCFD as these organizations have described the categories. In doing so, Concho does not intend to and is not endorsing or adopting these phrases or recommendations. In using these terms and referencing the recommendations, Concho is not obligating itself to use the terms in the way defined by SASB, GRI, IPIECA and TCFD, nor is it obligating itself to comply with any specific recommendations or to provide any specific disclosure. Concho makes no representation or warranty as to the TCFD’s use or definition of specific terms or recommendations of SASB, GRI, IPIECA or TCFD. For example, with respect to the use of the term “material,” individual companies are best suited to determine what information is “material” under the longstanding U.S. Supreme Court definition of that term and whether to disclose this information in SEC financial filings.

This report was prepared in 2020, and the results are based on specific assumptions and estimates made in the context of the scenarios modeled in the report. Given the inherent uncertainty in predicting and modeling future conditions, caution should be exercised when interpreting the information provided. The results are not indicative of, and this assessment does not represent, a preferred or expected outcome or view of the future. This report covers our owned and operated businesses and does not address the performance or operations of our suppliers, contractors and partners unless otherwise noted.
The actual conduct of our activities, including the development, implementation or continuation of any program, policy or initiative discussed or forecasted in this report, may differ materially in the future. As with any projections or estimates, actual results or numbers may vary. Many of the standards and metrics used in preparing this report continue to evolve and are based on management assumptions believed to be reasonable at the time of preparation. Such assumptions, however, should not be considered guarantees.

This report contains information from third parties, such as the IEA. Concho makes no representation or warranty or endorsement as to the third-party information. This report also includes references to other entities and their trademarks. Where necessary, Concho received permission to cite third-party sources and incorporate third-party trademarks, but the information, data and trademarks remain under the control and direction of the third parties. Where Concho has used information, such as displaying data from third parties in graphical form, it has noted the source.

As used in this report, the term “Concho” and such terms as “the Company,” “the corporation,” “their,” “our,” “its,” “we” and “us” may refer to one or more of Concho’s consolidated subsidiaries or affiliates or to all of them taken as a whole. All of these terms are used for convenience only and are not intended as a precise description of any of the separate entities, each of which manages its own affairs.