

# 2019 Sustainability Report





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VALUES

# Our Values Are Our Foundation



## Respect

We value the ideas and contributions of all team members and show consideration and appreciation for one another. We recognize and embrace each other's differences and work towards our common goals.



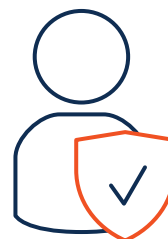
## Responsibility

The safety of our employees, contractors and communities is of utmost importance – this is not negotiable. We recognize that we earn the right to operate every day by developing our assets responsibly and with respect for the environment. We focus on safety and protection of the environment in every operation, and all Callon representatives are authorized to “stop work” if these are at risk.



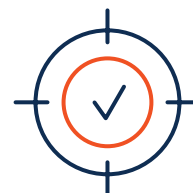
## Excellence

Our business requires focused innovation and evaluation of new opportunities for resource extraction. We balance the application of new technologies and testing of new concepts with prudent risk management and thorough data analysis.



## Integrity

We always strive to do the right thing and pride ourselves on being a preferred partner. We are consistently open, honest, ethical and genuine. We do what we say and are accountable for our actions.



## Drive

Keenly focused on leading, we relentlessly challenge the status quo to meet and exceed our expectations for top-tier performance in all aspects of our business.



CEO'S LETTER

# Dear Stakeholders

Callon Petroleum has been a part of America's independent oil and natural gas development story for 70 years. During that time, the one thing that has remained constant is our commitment to our values. They are what underpins our purpose and drives our actions. Over the past few years, we have seen emerging investor sentiment that is focused on companies holding up their end of the bargain as contributors to society. As a public company, we not only embrace that obligation, but see it as an opportunity to share how our core values translate into positive outcomes. Our employees and our leadership seek to exemplify these tenets in how we operate our business, care for our employees, enrich our communities, and foster practices that minimize our impact on the environment.

In 2019, we undertook a significant step forward by acquiring Carrizo Oil & Gas, Inc. as part of an effort to advance our business through enhanced scale, asset diversity, and efficiency. Throughout this evolution, we have continued to improve our processes to reduce our impact on the environment, uplift and provide opportunities for our employees, and enhance our governance structure. We have accomplished this while also outpacing our transaction synergy targets in 2020 while facing unprecedented challenges as the global pandemic of COVID-19 continues to impact daily life. It's a testament to the culture of Callon and our team's ability to continuously strive for goals that will shape our future. We believe

that the market's focus on environment, sustainability, and governance (ESG) related initiatives is growing and will continue to influence how we and our peers will be viewed as viable investments for years to come. This, our inaugural sustainability report, represents the next step forward for Callon as we provide greater transparency and substantiate our ability to meet the changing needs of our stakeholders.

PRESIDENT AND CHIEF EXECUTIVE OFFICER  
JOSEPH C. GATTO JR.



Featured Highlights:

[See page 17 for more on the integration of Carrizo employees into our team.](#)

[See page 25 for our response and adaptation to COVID-19.](#)



“The path forward for Callon and the industry as a whole will be defined by our ability to address the challenges of the current business environment.”

JOSEPH C. GATTO JR.



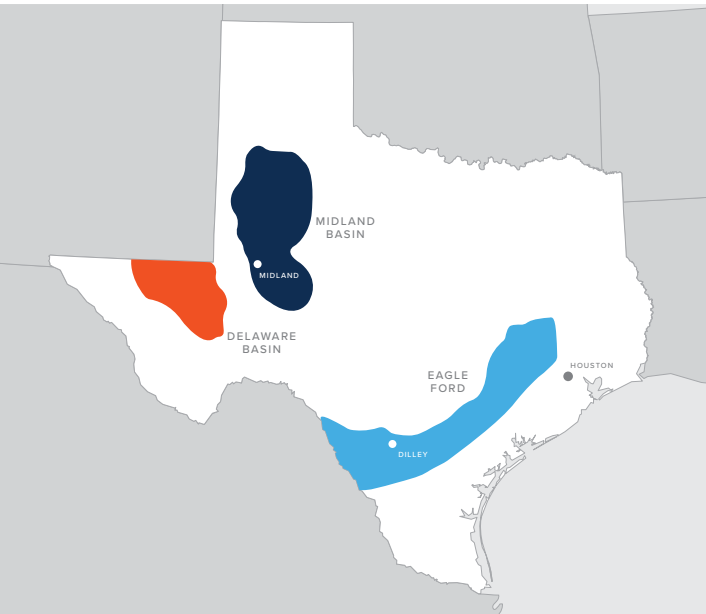


ABOUT CALLON

# A Strong Foundation

Since 2013, Callon Petroleum has focused on the exploration, development, acquisition and production of unconventional onshore oil and natural gas properties in the Permian Basin. In 2019, we expanded our portfolio to nearly 200,000 net acres in the core of the Permian Basin and Eagle Ford Shale through the acquisition of Carrizo Oil & Gas, Inc. Over the company's 70-year history, we have weathered the industry's many volatile cycles by focusing on our core strengths and evolving as needed.

Because of our long operating history in the Permian Basin, we have positioned ourselves as an industry leader



in horizontal drilling and completion techniques in unconventional resource plays.

Today, we're leveraging our meaningful infrastructure investments and focusing on our progression to full-field development. This has allowed us to shift towards a sustainable long-term development model which benefits not only our company, but the environment and communities around us. Our mission is to build trust, create value, and drive sustainable growth for our investors, our employees, and the communities in which we operate. We strive to protect the health and safety of everyone who is part of our operations and those who live in the surrounding communities. As such, we work with our communities to minimize the impact of oil and natural gas development and ensure that they also benefit from our operations. Our goal is to instill a sense of community responsibility and high ethical standards for all our employees.

At Callon, we strive to deliver sustainable cash flow generation for our shareholders. In order to do this, we believe we must not only focus on the bottom line but also act as a good corporate citizen. Our management team, with support from the Environmental, Health, and Safety department, seeks to protect and improve the well-being of our employees, contractors, and the general public. We are committed to an operating philosophy that provides our employees a safe workplace while at the same time conducting operations in a manner that is environmentally sensitive and community aware. We believe that operating responsibly benefits not only Callon, but the community at large.

# 105.5

Pro Forma YE19 Production (Mboe/d)

# 540

YE19 Proved Reserves (MMboe)

# 81%

3-Year Reserves CAGR

# 75%

3-Year Proved, Developed, Producing (PDP) CAGR

# 45%

Reduction in Total Recordable Incident Rate

# ~200k

Net Acres in Texas



ABOUT THIS REPORT

# True Transparency

In this report, Callon discloses information about our ESG policies and programs that we believe is of value to our stakeholders. Based on investor feedback, we are using the Sustainability Accounting Standards Board (SASB) standards for Oil and Gas – Exploration & Production to report our results, including quantitative metrics and qualitative examples.

Callon closed on our acquisition of Carrizo Oil & Gas, Inc., on December 20, 2019. Unless otherwise noted, the information and data in this report cover the combined operated assets of Callon and Carrizo for the calendar year that ended on Dec. 31, 2019. We are reporting only one year of combined data, as there is no comparable information for prior years. The reported financial highlights were drawn from the [Callon Petroleum Company Form 10-K for the fiscal year ended Dec. 31, 2019](#).

Callon determined the contents for this report in discussions with key internal and external stakeholders – including investors, senior management and our internal subject matter experts – as well as an internal review of industry and peer ESG reporting practices. In addition, the Callon Board of Directors reviewed this report, providing the Company's highest level of internal assurance.

As part of our efforts to continuously improve our ESG transparency, reporting and performance, Callon welcomes feedback on this report. Please send comments and questions about this report to [ir@callon.com](mailto:ir@callon.com) or

**Callon Petroleum Company**  
2000 W Sam Houston Parkway South, Suite 2000  
Houston, Texas 77042  
Attn: Investor Relations







OVERVIEW

# Committed to Safeguarding the Environment

At Callon, respecting the environment as we develop our natural resources is both a core value and a business imperative. We believe that when we protect the air, water and land, we preserve the future for our communities. Callon actively works to reduce air emissions, protect local water supplies, minimize fresh water use and prevent spills. Our ongoing environmental programs have not only reduced our operational impacts, but also improved efficiency, lowered costs and reduced risk. In this way, environmental stewardship does more than allow us to maintain our license to operate; it helps drive the sustainability of our business.

The expectation that Callon will operate an environmentally conscious business starts with oversight of our performance by our Board of Directors. To ensure that our management team focuses on continuous improvement, the Board has made environmental performance a qualitative factor in executive compensation. The Board also assesses the potential impact of environmental performance and regulatory developments as part of its risk management process.

Callon ensures our workforce is aware of our environmental programs, protocols and performance expectations. Employees and contractors are held accountable for adhering to the operating principles in our [Safety and Environmental Policy](#) and for meeting the requirements of our Environmental, Health and Safety (EHS) Manual. Our Operations Management System ([as described on page 19](#)) also establishes expectations for operating in an

environmentally sound manner. We track key environmental indicators, and management is accountable for achieving our goals and reporting our performance. Callon designs facilities and operates consistent with industry best practices. As we acquire assets from other operators, we seek to enhance the environmental controls on existing properties to align with Callon's operational philosophies.

## 2019 Environmental Performance Highlights

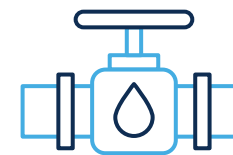


Reduced truck traffic by over 400,000 truck loads per year



30%+

Reduced the rate of gas flared by more than 30%<sup>1</sup>



Transported more than 90% of crude oil and water via pipelines



28%

Decreased fluid spill rate by 28%<sup>2</sup>



Doubled our water recycling capacity

\$10M+

Surpassed \$10 million in total invested capital in recent years for electrification projects that lower combustion emissions

<sup>1</sup>Rate of gas flared is gas flared divided by total gas produced. The reduction percentage compares Callon's 2019 pro forma rate of gas flared to Callon's 2018 standalone results. <sup>2</sup>Fluid spill rate is calculated as the volume of oil or water spilled divided by total volume of oil or water produced. The rate of decrease reflects Callon's 2019 pro forma results to Callon's 2018 standalone results.





AIR EMISSIONS

# Reducing Air Emissions Throughout the Development and Production Lifecycle

Callon is committed to sustainable and responsible development of oil and natural gas resources, while assessing and mitigating climate change risk. We seek to reduce emissions throughout the development and production lifecycle, primarily by implementing best practices and new technologies.

Callon strives to comply with all applicable state and federal laws, including the federal Clean Air Act, and we obtain all required authorizations and permits to operate. We recognize the heightened public focus around greenhouse gas (GHG) and other air emissions and their impacts on air quality and global climate change. As these concerns raise the potential for new laws and regulations, Callon continually evaluates and develops strategies to reduce our environmental impact and adapt to the ever-changing regulatory landscape.

We track and measure our progress toward reducing GHG and methane emissions based on our intensity metric (emissions per unit of production). This metric provides a more comparable year-to-year measure of performance normalized for changes in development activity levels, new facility installation, acquisitions and divestitures.

This report discloses our air emissions results using SASB standards. In the future, we plan to further enhance our reporting by assessing climate change risk using the Task Force on Climate-related Financial Disclosures (TCFD) reporting framework.

[See page 36 for quantitative disclosure of our 2019 Air Emissions](#)

To determine our overall GHG inventory, we aggregate relevant data sources for gross global Scope 1 emissions throughout our operations, including combustion equipment, storage tanks, flaring, dehydration, pneumatic devices, fugitive emissions, drilling and completions activity. Callon also reports gross operated GHG emissions in accordance with the EPA Mandatory Reporting of Greenhouse Gases Rule for our production and gathering segments, and our annual reports are publicly available. Results reflect our commitment and efforts to reduce emissions, both voluntarily and as required, through continuous improvement and capital investments in facilities and technology as described in the following section.

## Callon Emission Reduction Efforts

As part of our environmental program, Callon monitors and seeks to reduce GHG and other emissions from our operations.

Our efforts include:

- Proactively pursuing secondary pipeline options to mitigate flaring risk
- Investments in power stations to reduce diesel-powered generator engines
- Constructing facilities using industry best practices for emission control systems
- Investments in pipeline takeaway to reduce truck traffic

## Strategies and Best Practices to Reduce GHG Emissions and Intensity

Our efforts to reduce Scope 1 direct emissions (operational emissions) reduce our carbon footprint and limit air polluting emissions, while capturing and conserving valuable natural resources. Callon implements long-term and short-term strategies and best practices to address emissions from various sources.

### PROACTIVE EFFORTS TO REDUCE FLARING

Callon actively monitors and seeks to reduce unnecessary gas flaring by mitigating flaring risks within our operations and routing our production to pipelines for sale. Within our own operations, we track combustion engine runtimes and work with third-party engine providers to achieve higher efficiency, which reduces flaring and the risk of operational upsets. When flaring is necessary to control the safe operation of our facilities, we are diligent in mitigating flares and ensuring flaring is properly permitted and reported.

In 2018 and 2019, our flared gas volumes were significantly impacted by operational upsets at third-party natural gas processing and transportation facilities. To reduce the risk of future flaring due to these upsets, we are actively pursuing secondary gathering options to create offtake alternatives in the event of compressor or processing downtime on third-party systems. By the first quarter of 2021, we expect to have secondary natural gas gathering alternatives for our two highest-volume natural gas gathering systems.

### REDUCING COMBUSTION EMISSIONS THROUGHOUT THE DEVELOPMENT AND PRODUCTION LIFECYCLE

In recent years, Callon has invested more than \$10 million to connect our facilities to electric power substations, which reduces our use of internal combustion engines, the associated GHG emissions and operating costs. Since beginning our full-field electrification initiative in 2018, all of Callon's new facilities have been designed to be powered by electrical substations, eliminating over 100 combustion engines from our operating areas. In addition, our investments in 2019-2020 have allowed us to eliminate over one-third of the combustion engines in our Eagle Ford operations.

When possible, we employ renewable energy sources rather than traditional diesel generators to further reduce our carbon footprint. Across our operational areas, we have installed solar panels to power remote terminal units, measurement equipment, and supervisory control and data acquisition (SCADA) communication systems.

Callon also pursues production enhancement measures to minimize combustion emissions and improve performance. We continuously evaluate conversions from natural gas lift to rod pump and electric submersible pumps to ensure the most efficient method of artificial lift for each well. Other



↓ 30%+

In 2019, Callon reduced the rate of gas flared by more than 30%.<sup>3</sup>

\$10M+

Recently, Callon invested more than \$10 million in facility modifications to reduce GHG emissions and operating costs.

<sup>3</sup>Rate of gas flared is gas flared divided by total gas produced. The reduction percentage compares Callon's 2019 pro forma rate of gas flared to Callon's 2018 standalone results.

improvements include replacing direct pumps with variable frequency drive (VFD) pumps, which reduce Scope 2 indirect emissions and electrical energy costs and increase efficiency.

Callon works closely with our contractors to deploy low-emitting equipment on the well pad when available. In 2019, all drilling rigs operating on legacy Callon assets were dual-fuel rigs. These rigs use clean-burning compressed natural gas (CNG) to power rigs when possible, which cuts GHG emissions from diesel engines in our operations.

### PREVENTION AND DETECTION EFFORTS REDUCE EMISSIONS

Callon applies industry best practices to design and build our facilities to reduce vented emissions with emission control equipment that captures the largest amount of natural gas,



including vapor recovery towers (VRT), vapor recovery units (VRU), combustors and low-pressure flares. Consistent with industry best practice, we do not use high-bleed pneumatic controllers, which are a major source of vented emissions.

We also seek to minimize the release of natural gas by using “green completions” on 100% of our wells. Following a brief stabilization period, water, oil, and natural gas produced during initial flowback operations are routed via pipeline to pre-installed Callon permanent facilities, where they are processed before being sent to sales. By processing these hydrocarbons through our permanent facilities equipped with industry-leading emissions control equipment, we minimize natural gas venting that can occur with extended use of temporary flowback and testing equipment.

Callon uses optical gas imaging (OGI) cameras to scan production facilities for leaks as part of our leak detection and repair (LDAR) program, including conducting voluntary surveys beyond regulatory requirements. We inspect our facilities twice per year using OGI cameras to identify and repair fugitive emissions leaks from all equipment and associated piping and fittings. Deficiencies found during these leak inspections are repaired and re-inspected to verify that the repair was effective.

### REDUCING TRUCK TRAFFIC

Through Callon’s extensive pipeline and infrastructure investments and third-party offtake arrangements, we have eliminated over 400,000 truck loads per year of oil and produced water from Texas roadways. This not only meaningfully reduces our Scope 2 emissions, it also significantly decreases our safety incident exposure, mitigating the possibility of physical harm to our employees, vendors, and the citizens of the communities where we operate.



# 450+

In 2019, Callon conducted over 450 Leak Detection and Repair scans through the use of optical gas imaging.

# 400k+

In 2019, Callon eliminated over 400,000 truck loads per year of oil and produced water from Texas roadways.





WATER MANAGEMENT

# Using Water Responsibly

Water is vital to our communities and is also a necessary element of our drilling and completions activities. We seek to minimize our impact on local water supplies and are focused on proper sourcing, recycling, reuse and safe disposal of water throughout our operations.

[See page 37 for quantitative disclosure of our 2019 Water Management Activities](#)

Callon strives to preserve local fresh water supplies by using alternative sources such as recycled produced water and non-fresh water for our operational activities, particularly in areas where community water supplies are at greatest risk. In 2019, over half of the water we consumed was supplied from recycled or non-fresh water sources.

In recent years, we have prioritized investments in water recycling facilities in the Delaware Basin, where fresh water supplies are scarce. In 2019, we doubled our recycling capacity in the region, and over 60% of the water consumed in our legacy operations in that area was sourced from recycled produced water. This meaningful investment in high-volume recycling facilities will have long-term benefits for the environment and our cost structure, and in 2020 we will complete a six-well pad in the Delaware Basin using 100% recycled water.

In addition to responsibly sourcing our operational water needs when possible, Callon also seeks to minimize water usage through hydraulic fracture modeling and active engineering oversight during well completion

operations. These efforts reduced water usage in our legacy Delaware Basin operations by more than 20% in 2019 and are being adopted across our operations to further conserve water resources.

Callon makes a concerted effort to manage the water that is produced along with oil and natural gas in our operations. We recycle water whenever feasible through our own or third-party facilities, and plan for the safe transport and disposal of water to mitigate spills, protect underground resources, and ensure the safety of our local communities. When recycling is not feasible, we dispose of our water in safe, well-constructed saltwater disposal (SWD) wells that are permitted by the Texas Railroad Commission.

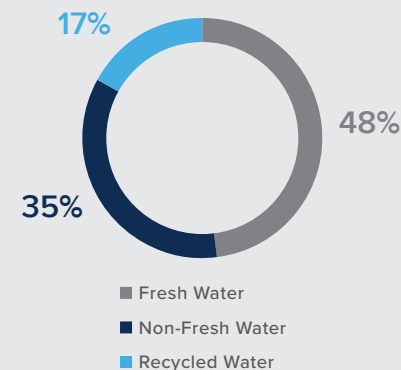
In our Midland Basin operation in 2019, Callon disposed 90% of produced water volumes in the Ellenberger formation, deeper than our deepest hydrocarbon producing zone. By disposing of produced water below our hydrocarbon producing intervals, we protect local water supplies and mitigate drilling hazards associated with offset injection wells. In the Delaware Basin, for produced water volumes that are not recycled, we have a strategic venture with a third-party vendor to move volumes through a pipeline to older depleted oil-producing areas where water can be safely reinjected away from current operations and future development zones. This preserves future value and reduces potential future issues for our stakeholders.



# 250,000,000

In 2019, Callon recycled over 250 million gallons of water.

### CONSUMED WATER SOURCES





## Groundwater Protection

At Callon, we utilize hydraulic fracturing on all of our wells in order to produce hydrocarbons from depths that can exceed two miles beneath the surface. During drilling operations to reach these depths, we encounter multiple shallow zones, some of which contain fresh water ground sources. Our well designs and operational procedures are crafted to ensure that we do not impact these resources.

Fresh water protection is regulated by the State of Texas, and Callon meets or exceeds all State of Texas and federal guidelines. Our wells are designed according to industry standards with layers of casing and cement to protect underground sources of fresh water. Casing and cementing are critical parts of the well construction process that not

only protect groundwater, but also help ensure efficient production of oil and natural gas from the well.

Before hydraulic fracturing, or fracking, begins, the cased and cemented well is pressure tested per industry standards to ensure well integrity and safety. We also utilize available 3-D seismic data to interpret and evaluate geologic hazards, such as faults, and we use those interpretations to drive our development strategy and philosophy for acreage position.

As a neighbor to our peers, we notify nearby operators of our drilling and completion schedules to reduce the risk of impacting offset operator activity. While this notice is required in some areas, we operate under a good neighbor policy, so we provide notice regardless of local requirements.

Hydraulic fracturing requires different types of sand, proppant, and chemicals. Our hydraulic fracturing practices do not use diesel or volatile organic compounds (VOCs) such as benzene, toluene, ethylbenzene, or xylenes (BTEX). We support public disclosure of the chemical composition of fracturing fluids by working with our vendors to submit information to FracFocus. We seek to provide this information in a transparent manner so that all of our stakeholders can take comfort in the practices, procedures, and technology necessary to find and develop oil and natural gas. For comprehensive information of our fluids usage on a per-well basis, please visit the website [www.fracfocus.org](http://www.fracfocus.org).



LAND STEWARDSHIP

# Preventing Impacts to the Land

Callon demonstrates our respect for the environment by striving to minimize the impact of our operations on the land and wildlife. To achieve this, we implement industry best practices throughout the lifecycle of our operations, including environmental site assessments prior to new construction, spill prevention measures during active operations and responsible disposal of waste when our activities are complete.

See page 38 for quantitative disclosure of our 2019 spills and other biodiversity impacts

## SPILL PREVENTION MEASURES

We implement numerous measures across our operations to prevent unnecessary releases to the environment. Spill prevention, along with management and response plans, are prepared and maintained for each operating area. These plans describe preventative measures as well as control and countermeasures in the event a spill occurs. Routine inspections and maintenance are performed by trained personnel to verify that engineering controls are in place and functioning properly. In addition, annual training is required for our operations personnel to review the requirements of the plan and personnel responsibilities.

Callon has a system to track, record and determine the cause of any oil, produced water or other spill or release over one barrel. This allows us to actively identify trends and improve our processes to prevent future releases. We are also working to implement additional spill mitigation measures, including



### Engineering Solutions for Increased Sustainability

- 1

Storage Tank  
Closed Vent  
Control System
- 2

Vapor  
Recovery  
Unit
- 3

Vapor  
Recovery  
Towers
- 4

Secondary  
Containment  
System



night-time monitoring and actuated wellhead valves to shut in wells based on overpressure and flow alarms for higher risk facilities and pipelines.

We proactively utilize new technology in our efforts to reduce unintentional releases of produced fluids. Callon utilizes aerial surveillance and drone units to identify active and potential produced fluids releases in our field operations facilities. We foresee the opportunity to further enhance our drone usage for broad-scale aerial imagery and observation operations, potentially replacing small aircraft flyovers and significantly lowering the carbon footprint of these operations.

#### DEVELOPING ACREAGE TO MINIMIZE SURFACE IMPACTS

Callon develops our acreage to minimize surface impact and uses best practices to protect land and wildlife in the areas where we operate. When possible, we develop our

assets through multi-well, multi-pad drilling and completion operations, which avoids disturbing the same parcel of land more than once. Drilling multiple wells on a single pad not only minimizes our surface footprint, it also reduces costs and enables us to complete drilling more quickly.

Callon does not have any acreage on federal lands. We also do not have acreage or reserves in areas containing critical habitats of threatened or endangered species as described in the U.S. Fish & Wildlife Service's IPaC (Information, Planning, and Consultation System) report. Before new construction, we identify the presence of any wetlands or neighboring streams and take appropriate measures to protect these resources throughout the life of our field operations. In addition to pre-construction reviews, measures are taken to ensure that all facilities are actively maintained to prevent migratory birds and other wildlife from accessing temporary pits, stacks, heaters and all other equipment that could pose a hazard.

## Working with Partners to Achieve Environmental Improvements

Callon is proud to support partnerships and initiatives that promote transparency and innovation in environmental best practices. Callon actively participates in environmental and regulatory peer groups, agency cooperative efforts and subject matter committees to exchange technical knowledge, innovation and emissions reduction strategies. These relationships also provide opportunities to engage key stakeholders, develop an understanding of sound science, and further progressive, responsible, and efficient oil and natural gas production.

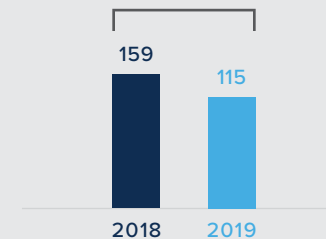


# 2X

Callon is doubling the average project size in 2020, which reduces surface impact.

#### SPILL RATE\*

28% Spill Rate Reduction



\*2018 spill rate is for Callon standalone. See page 38 for spill rate definition.



OVERVIEW

# Focused on Our Team and Our Communities

Callon employs a talented workforce, and we are committed to the safety, health, and development of each team member. We value each other's ideas and contributions and foster a respectful workplace where we show appreciation, embrace differences, and work toward common goals. We believe that a strong safety culture is a requirement to be a leading operator in the exploration and production (E&P) business. Our values of responsibility, integrity, drive, respect, and excellence are the foundation upon which our Company was built and upon which we will sustain our success.



Our guiding principles for social responsibility start with our values, which enable us to foster trust with our employees, our shareholders, and the communities in which we operate. Our Board of Directors holds us accountable for actions and results that are consistent with those values. Callon leadership provides the tone from the top with clear priorities and well-defined policies. Our front-line managers set the example daily through ethical and safety-oriented business practices. Finally, we embrace the variety of employee backgrounds represented in the Callon workforce that allow us to better live the unifying principle of the Callon statement >

[See pages 38 and 39 for quantitative social disclosure](#)

# WE ARE CALLON

## Recent Social Performance Highlights



Based on our annual employee survey results, we were named a Top Workplace by the *Houston Chronicle* for the third year in a row

**#1** 2019 was our best safety year on record

**73%** An increase of 73% in behavioral-based safety and environmental observations

**92%** A participation level of 92% in our employee engagement survey

**50+** Supported over 50 unique nonprofit organizations focused on education and community development where we live and work

**35%** Minorities represent 35% of our full-time, permanent employee base

## Integration Builds a Strong Team, Strong Culture

On July 15, 2019, Callon announced we had reached agreement to acquire Carrizo Oil & Gas, Inc., a combination that would accelerate key corporate goals of enhanced capital efficiency, free cash flow growth and a strengthened financial position. Importantly, the acquisition would also bring together two talented organizations grounded in strong values and similar cultures with a shared commitment to responsible operations, integrity, and a drive to deliver results.

The combination of Callon Petroleum and Carrizo Oil & Gas, Inc. creates a unique company of scale and operational flexibility with beneficial outcomes.

Reflective of a shared commitment to community, in December 2019, the Callon and Carrizo teams joined forces to volunteer at the Houston Food Bank to sort and pack supplies for families in need.





From the moment we announced the acquisition, welcoming and connecting with Carrizo employees were important to us. We made it a priority to communicate regularly with employees of both companies to keep them informed on timing and other aspects of the merger. Within a few weeks of announcing the merger, CEO Joe Gatto and other Callon senior leaders visited every Carrizo location to connect with employees, discuss the strategic merits of combining with Callon and answer questions.

We took swift action by standing up a joint integration team within ten days of announcing the deal. Over 30 leaders representing both companies and all functions met regularly throughout the pre-close period to plan and prepare for the combination. Our focus was on integrating our teams, assets, and systems seamlessly so we could begin working toward our operational and financial goals, while supporting employees through the transition to a combined company. The collaborative atmosphere carried over to communications throughout both organizations about the plans and status of the integration.

Our proactive approach to integration resulted in early successes after the merger closed on December 20, 2019. We realized key synergy goals, including achieving cost reductions ahead of schedule, optimized a combined 2020 development plan, and implemented best practices and technology across our combined organization. In addition, many of our team members benefitted from additional career development opportunities and responsibilities, as well as exposure to new functional areas in our larger organization.

To align ourselves to compete in the market, it was also necessary to reduce the post-closing workforce to reflect the staffing needs of the combined company. In doing so, it was important to us to offer support to impacted employees and their families. As part of that transition process, we provided outplacement services and severance benefits, including fully subsidized COBRA health insurance, to employees who did not continue with the combined company.

With a unified team in place, we progressed plans to execute an important milestone as a combined Company: The conversion of two separate enterprise content management systems into one. Just weeks before the conversion was scheduled to take place, the COVID-19 pandemic reached the U.S., and Callon closed our offices and transitioned employees to work from home. Working closely with our third-party provider, despite the challenges we completed the complex system conversion successfully and on schedule. This achievement illustrated our team’s ability to set goals, focus and deliver results, no matter the challenges, to deliver on our promises to stakeholders.

Following the acquisition of Carrizo Oil & Gas, Inc., Callon has significantly expanded its geographic footprint in the premier oil producing plays in Texas, while becoming a more efficient entity to execute scaled development:

100k+  
—  
Boe/d of Production

~200k  
—  
Net Acres in 3 Complementary Texas Asset Areas

\$125M+  
—  
Annual Run-Rate Synergies

SAFETY

# Continuously Improving Our Safety Performance

Protecting our employees, contractors and communities is a core value at Callon and our top priority. Our Operations Management System (OMS) establishes clear expectations for 11 elements of operating safely and responsibly throughout the lifecycle of our E&P business. We identify and mitigate safety risk and integrate a culture of safety by operating according to OMS standards, processes and procedures. In 2019, we formalized Life Saving Rules that clearly communicate the actions workers can take to protect themselves, others working on site and the community. In addition, we share our [Safety and Environmental Policy](#) with all employees and contractors. This policy includes our CEO's signed commitment affirming their authorization and responsibility to stop work on any activity or situation believed to be a danger or risk, without the threat or fear of job reprisal. To reinforce accountability for safety results, our Board includes safety performance as a factor in our annual bonus program.

## Focus Areas for Workplace Safety

To protect our people, continuously improve our safety performance and strengthen our safety culture, Callon focuses on risk assessment and management, contractor management and engaged leadership.

### RISK MANAGEMENT

The OMS Risk Assessment and Management element provides guidance to prevent workplace injuries, accidents and fatalities. This involves pre-job planning to identify hazards related to work activities before work is initiated and to communicate the controls to mitigate risks. Pre-job planning includes pre-job safety meetings, job safety analysis (JSA), safe work permits and pre-startup safety reviews. Throughout work, periodic risk assessments are performed and specific levels of management address risks according to their risk ranking.

### CONTRACTOR MANAGEMENT

Contractors make up a significant portion of Callon's field workforce, and we believe they are an extension of our Company. The OMS Third-party Services element requires that all contractors acknowledge and adhere to Callon's core values, Safety and Environmental Policy, and Environmental, Health and Safety (EHS) Manual. Safety performance and programs are a priority factor when we select and assess contractors. Before working on Callon locations, contractors receive an orientation to understand our expectations and requirements, such as Life Saving Rules, incident reporting and management, safe driving, the behavior-based observation program and Stop Work Authority. To ensure that contractors meet our expectations and requirements, we monitor and assess their performance, provide feedback and correct deficiencies.

## Operations Management System Essential Elements

Our OMS establishes clear expectations for operating safely, responsibly and in an environmentally sound manner throughout the E&P lifecycle. OMS covers 11 essential elements:

- 1 LEADERSHIP, COMMITMENT & ACCOUNTABILITY
- 2 RISK ASSESSMENT & MANAGEMENT
- 3 DESIGN & CONSTRUCTION
- 4 INFORMATION & DOCUMENTATION
- 5 TRAINING & COMPETENCY
- 6 OPERATIONS & MAINTENANCE
- 7 MANAGEMENT OF CHANGE
- 8 THIRD-PARTY SERVICES
- 9 INCIDENT MANAGEMENT
- 10 EMERGENCY PREPAREDNESS & COMMUNITY AWARENESS
- 11 ASSESSMENT & IMPROVEMENT



**ENGAGED LEADERSHIP**

Callon believes that active and engaged leaders play the essential role of establishing our safety culture. They do so by reinforcing our values, setting expectations, providing the necessary resources and being accountable, and we emphasize this by making leadership the first element of our OMS. In 2019, Callon delivered Safety Leadership Training for field leaders to enhance their leadership skills as they reinforce accountability for safety in our daily operations. We also ensure that our site supervisors have the necessary training and skills to manage their workplaces effectively.

**TRAINING**

Training is necessary to achieve our requirements and expectations for safe and efficient operations. Short-service field employees, including contract employees, who are new to the industry receive on average 37 hours of initial training to understand workplace hazards and personal safety. After the initial training, full-time field employees, including contract employees, receive an average of 18 hours each year of continuing education and hazard awareness trainings aimed at further enhancing their health, safety and environmental baseline knowledge.

**PERFORMANCE**

Adherence to our OMS, careful contractor management, compliance, training and other initiatives contribute to our safety record. We believe that all members of our workforce, including employees and contractors, are leaders on the job site and we hold them to the highest standards of personal conduct and safety performance. By investigating safety incidents and near misses, taking corrective actions

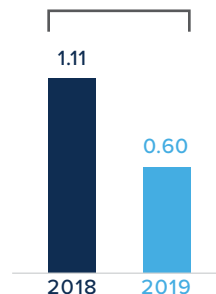
and sharing lessons learned, we reinforce that safety is a priority across our operations.

Enhancing our performance requires consistent communication of the desired behaviors and timely feedback. All field employees and contractors participate in our Behavior-Based Safety (BBS) observation program to identify and mitigate safety and environmental hazards. Reports of BBS observations are reviewed and appropriate actions are taken to address workplace hazards. In 2019, our workforce increased their submitted observations by 73% over 2018. We believe that the increased attention to safe behaviors contributed to our outstanding safety performance. As a result of this continuing focus on safety, Callon achieved our best safety year on record in 2019 with an OSHA Total Recordable Incident Rate (TRIR) of 0.60, which is well below the industry average of our peers.

As a responsible employer, Callon will continue to put the safety of our workforce and communities first.

**TRIR PERFORMANCE\***

45% Incident Rate Reduction



\*See page 38 for TRIR definition.



37

37 hours of initial training are given to short-service field employees new to the industry to understand workplace hazards and personal safety.

32%

Callon's TRIR Performance is 32% lower than the industry average of over 30 peers.

## WORKFORCE

# Talented People Pursuing Common Goals

At Callon, our team comes first. We value every team member and foster an entrepreneurial environment where employees are treated with respect and given autonomy to take ownership of their work. With strong leadership and a passionate team, together we set out to achieve our personal and collective goals.

## Engaged and Empowered Employees

There's an energy and excitement at Callon that sets us apart. We empower our employees, engage them in decision-making at every level and recognize their contributions to our success. We reinforce a culture of connection through quarterly town halls, access to senior leadership, team-building events and frequent communications about Company strategy, execution and workplace matters. This enriching environment is reflected in our annual employee survey results for 2019. Over 92% of our employees participated in the survey, and they commonly cited teamwork, integrity, and drive for excellence as valued Callon attributes. As a result, Callon was selected as a Top Workplace by the *Houston Chronicle* for the third consecutive year.

## Supporting Our Team

Our employees are the reason Callon is successful, and we support our team members with a competitive benefit package. Callon invests in the health and well-being of our employees and their families by paying 100% of the premiums for our health care plan, which includes telemedicine and an Employee Assistance Program (EAP). To help employees save for retirement, we sponsor a 401(k) plan that includes a 1:1 Company match of employee contributions up to 6% and the potential for profit-sharing contributions. Callon continues to support employees throughout their careers with a competitive vacation policy, family leave, an educational assistance program, and a variety of insurance plans and other benefits.



# 92%

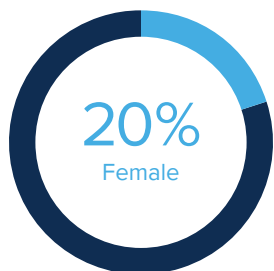
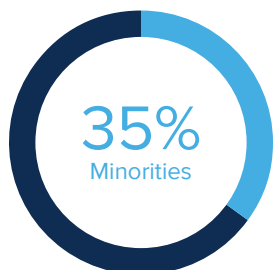
Callon had a participation level of 92% on the 2019 employee engagement survey.



Based on employee feedback, Callon was selected as one of the Top Places to Work by the *Houston Chronicle* in 2019 for the third consecutive year.

## Fostering Diversity and Inclusion

At Callon, we believe that diversity of backgrounds and experiences contributes to an innovative workforce and an enriching environment for our team. Our goal is to assemble and inspire a team of passionate professionals in an environment where they can achieve their career goals. We are firmly committed to fostering an inclusive, respectful environment and providing equal opportunity to all qualified persons in our hiring, development and compensation practices. As of January 2020, following the closing of the Carrizo acquisition, 35% of our permanent, full-time employees represented minorities and 20% were female.



## Developing Team and Individual Capabilities

At Callon, we foster an entrepreneurial workplace where employees have autonomy to take ownership of their work and to grow professionally. As part of an aligned team working in a fast-paced environment, our employees gain outstanding experience by connecting their work to the Company's strategic decisions. With the closing of the Carrizo transaction in December 2019, our combined team has enhanced opportunities for personal development and career growth, including expanded leadership opportunities and exposure to a diversified asset base.

In 2019, we enhanced our development programs with a company-wide initiative focused on goal-setting and

feedback to support all of our employees in reaching their personal goals. We regularly offer in-house training programs across the workforce and also invest in our emerging leaders by sponsoring them for external courses sponsored by universities and other prominent leadership development programs. Over the past year, our Permian Basin superintendents and engineering and facilities managers built on their university program experience by studying leadership skills and principles together while simultaneously receiving personalized executive coaching. This development approach boosted both team and individual capabilities to manage our assets safely, responsibly and effectively.



Callon continues to support employees throughout their careers with an educational assistance program.



OUR COMMUNITIES

# Making a Positive Impact

Part of Callon’s mission is to support strong, sustainable communities where we operate. The Company shares our employees’ commitment to being a good neighbor and a meaningful contributor in our communities.

## Going the Extra Mile for Community Stakeholders

We recognize that we earn the right to operate every day and consider the safety of our communities to be non-negotiable. To prevent and mitigate safety, health and environmental incidents, we voluntarily post our emergency call number in a visible place on each wellsite, facility and lease entry, and a Callon team member responds timely to each call received. We assess the situation and respond appropriately – even if we determine that Callon is not responsible for the issue.

When our work requires development projects near populated areas, we make every effort to mitigate the impact of our activities. Callon works closely with city officials and neighboring landowners to proactively address noise, traffic, greenhouse gas emissions, liquid spill prevention and other risks to our communities. As a good community partner, when our operations are within a proximate distance to developed areas, Callon has proactively installed sound barriers to minimize operational disturbances to our neighbors. By going the extra mile, we demonstrate our willingness to work with our community and sustain our reputation as the preferred energy company in the Permian Basin.



In 2019, Callon proactively constructed sound barriers to minimize noise disruption to surrounding areas.

## Addressing Local Needs

To help build strong communities, our philanthropy is focused on local organizations dedicated to community development and education. Our support ranges from encouraging employees to volunteer for nonprofit organizations and represent Callon at fundraisers to matching employee donations to qualified 501(c)(3) organizations on a 1:1 basis up to \$1,000.

In 2019, our Houston team united to support many local needs, including various fundraising events and volunteer outings such as the Houston Food Bank (see p. 17). We also supported children and families in need throughout the year, including a “back to school” backpack campaign and an “adopt an angel” program during the holidays.

Our Midland Callon Cares Committee brought employees and families together for bowling and a school supply drive for Communities in Schools. Midland also supported Habitat for Humanity and West Texas Food Bank with donations and volunteers and made financial contributions to the Midland Education Foundation and other organizations.

To show our appreciation for first responders, Callon and our employees support volunteer firefighters, law enforcement agencies and other front-line providers throughout the Permian Basin and Eagle Ford regions. Eagle Ford employees are active members of LEPCs (local emergency planning committees) in several counties, enabling them to build relationships with first responders

and maintain readiness for emergencies. Through their extensive community connections, Eagle Ford employees also address a variety of local needs, such as providing Christmas gifts for at-risk children.

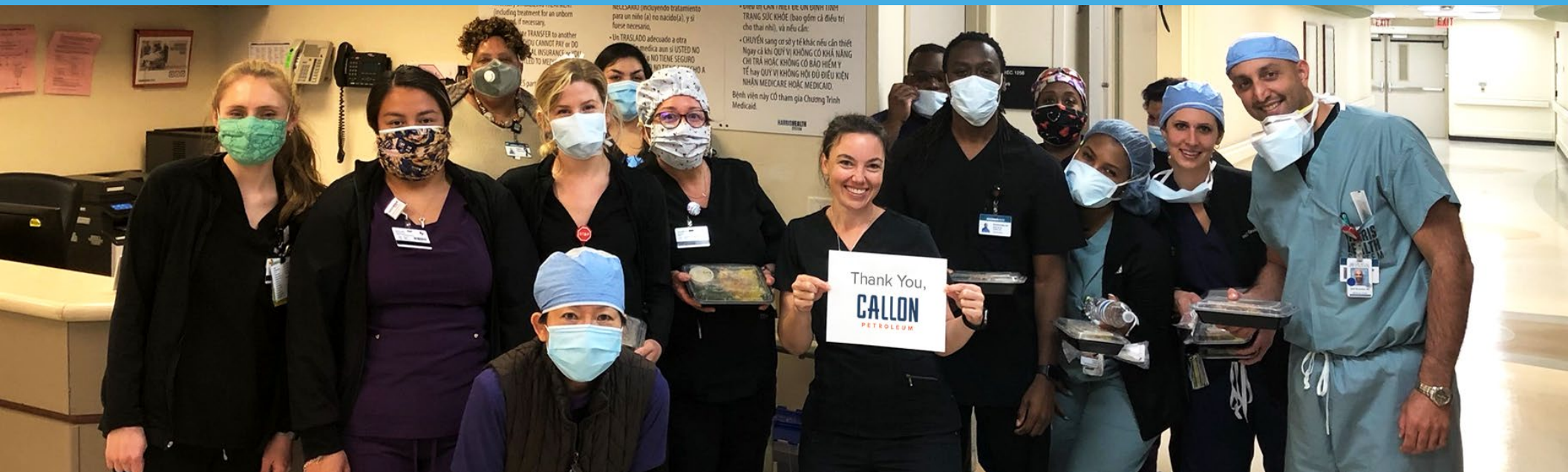
We believe corporate stewardship is both a financial obligation and a social duty. Callon will continue to value the perspectives of our community stakeholders and strive to be a good neighbor.





# Adapting Our Business in Turbulent Times

Beginning in March 2020, the COVID-19 pandemic caused significant disruption to our communities, the economy, and our industry. Throughout this period, Callon's decisions and actions have been guided by our commitment to meeting our social obligations and the interests of our many stakeholders. We have focused on the health and safety of our employees, their families, contractors, suppliers and communities, while working to build and preserve the value of our Company. Our team has adapted to fast-changing conditions, acting with a sense of urgency to deliver on our promises to our stakeholders by operating the Company safely, with thoughtfulness and efficiency.







## Prioritizing Health and Safety

When COVID-19 began to spread across the U.S., Callon took quick actions to manage our business effectively, prioritizing the health and safety of our team members and their families. In our field locations, Callon implemented COVID-19 screening, social distancing, and other health and safety protocols for workers whose presence was required for safe operations. We closed our office locations in mid-March to reduce the risk of virus spread and provided employees with the equipment they needed to work remotely. Callon also supported the health needs of employees and their families by continuing our long-standing practice of paying 100% of medical insurance premiums, as well as engaging a third-party medical advisor to consult with employees who had possible exposure to COVID-19 and recommend proper protocols. Throughout the pandemic, we have maintained a

frequent pace of formal and informal communications with our workforce to reinforce safety protocols, apprise the team of our plans, and continue to foster a sense of connection across Team Callon.

## Ensuring Business Continuity

Callon convened a cross-functional working group early to plan for the new business realities and to mitigate risks. We pivoted our financial and operational strategy to secure financial flexibility in 2020 and beyond. Our decisive actions included adding meaningful hedge protection to support our financial goals, scaling back our capital plan for 2020 by almost 50%, and reducing our operating cost structure. To help achieve our targeted cost savings and in the interest of good governance, all Callon directors and officers agreed to reduce their 2020 compensation.

Our team continues to show resiliency and creativity as we tackle the challenges of managing our business during a global pandemic. Every day, we strive to align our activity level against an ever-changing economic backdrop, safeguard our workforce, assist our communities, protect the environment and govern Callon to preserve the sustainability of our business.



*“Callon has always sought to support the communities where we live and work, and during the COVID-19 crisis that dedication has not wavered. Across our various offices, we’ve had numerous employees come forward and offer ideas as to how we can be of service to those in need. We’ve spent time feeding our first responders, providing encouragement and gratitude to our local hospital workers, and contributing to offset the new demands on our educational system. Our employees have given selflessly to assist their communities. They exemplify the spirit of Callon.”*

JOSEPH C. GATTO JR., PRESIDENT & CEO



OVERVIEW

# Building Trust and Creating Long-term Value

Callon seeks to operate our business responsibly, ethically and in a manner aligned with the interests of our shareholders. We are committed to effective and sustainable corporate governance, which we believe strengthens accountability, promotes the long-term interests of our shareholders and helps build public trust in our Company. Our **core values** – responsibility, integrity, drive, respect and excellence – support good governance and our efforts to integrate sustainable business practices and achieve long-term results.

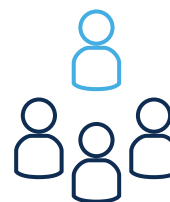
## Recent Governance Highlights

10/11

Ten of our 11 board directors are independent.



Joseph C. Gatto, Jr., our President and CEO, is the only non-independent member of the Board.



All Board committees comprised entirely of independent directors. An independent, non-executive director serves as Chairman of the Board.



Election of directors is by majority of votes cast in an uncontested election.



Every year, the board and its committees conduct annual self-evaluations and review governance documents to adopt changes as needed.



We have adopted stringent insider trading, anti-hedging and anti-pledging policies.

We expanded the scope of our independent Nominating and Corporate Governance Committee to enhance oversight of Callon's ESG policies, performance and disclosure.



We elected to report sustainability and ESG performance using the SASB standards, based on comprehensive shareholder feedback.

15

The Board met formally 15 times in 2019.





The Callon Board of Directors is responsible for providing oversight and direction to the management of our Company for the benefit of shareholders. To assist the Board in fulfilling its responsibilities, our [Corporate Governance Guidelines](#) describe foundational corporate governance policies and practices related to its composition, role, structure, and interaction with external constituencies. Our [Code of Business Conduct and Ethics](#) and charters for the four standing Board committees provide additional guidance.

Throughout Callon’s 70-year history, our Board has actively shaped our strategy to drive Callon forward. With oversight and guidance from the Board’s Strategic Planning and Reserves Committee, our governance structure has

positioned the Company to compete in our sector. Our directors’ commitment to continually enhance our portfolio and deliver value culminated in the transformational acquisition of Carrizo in 2019. By expanding our asset base and diversifying our portfolio, this strategic combination created a more durable, efficient and competitive Company to deliver returns to our shareholders.

With our mission to build trust, Callon recognizes the role our environmental, social and governance (ESG) performance plays in fostering business sustainability. As part of its corporate governance responsibilities, our Board regularly addresses our progress in safeguarding our team and communities, minimizing our environmental

impacts, and developing and diversifying our workforce. In early 2020, we strengthened the ESG oversight role of the Board’s Nominating and Governance Committee to ensure we focus our time, resources and engagements effectively to achieve our ESG goals.

We continuously assess our corporate governance principles and practices to ensure they are effective and help us perform to the high ethical standards we set for ourselves. Callon reviews our Corporate Governance Guidelines, Code and other governance documents annually, or more often if business needs warrant it.



BOARD OF DIRECTORS

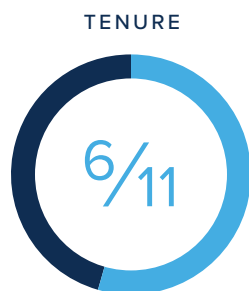
# Ensuring Effective Oversight from Our Board of Directors

At Callon, we believe that a Board with a variety of skills and perspectives enhances constructive discussion and decision-making among the directors, allowing the Board to perform its strategic and oversight roles satisfactorily for our shareholders. We are committed to building a diverse Board of individuals with different backgrounds, professional experiences, education, gender, race or ethnicity, age, and other individual qualifications and attributes, and we have adopted a Board diversity policy within our Corporate Governance Guidelines. When our Nominating and Corporate Governance Committee considers new candidates for the Board, they instruct search firms to seek to present women and minorities among the candidates. Two women serve as Callon directors and over half of our directors (55%) have Board tenure of less than five years.

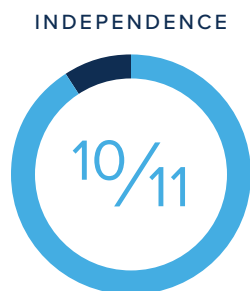
In 2019, we added three new directors to our Board as a result of the Carrizo acquisition. Messrs. Johnson and

Webster and Ms. Sevilla-Sacasa bring valuable range of thought and experience to our Board, as well as continuity with the acquired assets.

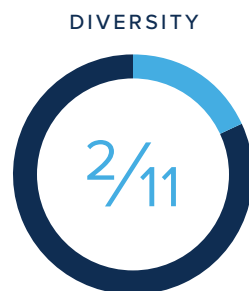
Independent directors offer different perspectives to our Board that contribute to developing a sustainable corporate strategy. Callon maintains an independent Board of Directors in accordance with New York Stock Exchange (NYSE) standards, U.S. Securities and Exchange Commission (SEC) rules and regulations, and our Corporate Governance Guidelines. We have a policy that requires the majority of the Board to be independent, and ten of 11 Board members met the qualifications for independence in 2019; only the chief executive officer (CEO) did not qualify as independent. In 2019, the roles of Chairman and CEO were separate, with the Chairman meeting the qualifications for independence.



6/11 directors have tenures of five or fewer years



10/11 directors are independent



2/11 directors are female

## Standing Committees of Callon Petroleum Board\*

- 1 AUDIT**

Oversees material risk exposures in the areas of financial reporting, internal controls, compliance, hedging and cybersecurity. It also oversees responses to any alleged violations of the Code.
- 2 NOMINATING & CORPORATE GOVERNANCE**

Focuses on issues related to corporate governance, Board and committee composition, and director and executive officer succession. This committee also oversees environmental, social and governance (ESG) policies, performance and disclosure to ensure Callon makes progress toward achieving our ESG goals.
- 3 COMPENSATION**

Establishes our compensation programs, oversees their alignment with our business strategies, and reviews our compensation policies to ensure they do not encourage unnecessary or excessive risk-taking by management.
- 4 STRATEGIC PLANNING & RESERVES**

Oversees development and implementation of our strategic plan and the integrity of our reserve estimation reporting process and related disclosures. The Committee guides decisions on key strategic moves, including the Carrizo acquisition in 2019.

\*Each charter requires committee members to be independent.

CURRENT COMPOSITION OF THE BOARD

Name	Matthew R. Bob	Barbara J. Faulkenberry	Michael L. Finch	L. Richard Flury (Chairman)	Joseph C. Gatto, Jr.	S.P. Johnson IV	Larry D. McVay	Anthony J. Nocchiero	Frances A. Sevilla-Sacasa	James M. Trimble	Steven A. Webster
Age (as of April 1, 2020)	63	60	64	72	49	64	72	69	64	71	68
Tenure (as of April 1, 2020)	6	2	5	16	2	1	13	9	1	6	1
Gender Diversity		●							●		
CEO/President Experience	●			●	●	●			●	●	●
Senior Executive Leadership	●	●	●	●	●	●	●	●	●	●	●
Outside Public Boards (Current)	●	●		●			●		●	●	●
Outside Public Boards (Prior)			●	●		●	●	●		●	●
E&P Industry Experience	●		●	●	●	●	●	●		●	●
Energy (Other than E&P) Industry Experience	●		●	●	●		●	●			●
Financial Expert			●					●	●		
Financial Literacy	●	●	●	●	●	●	●	●	●	●	●
Financial Oversight/Accounting			●	●	●	●	●	●	●	●	●
Petroleum and Other Engineering						●	●	●		●	
Geologist or Geophysicist	●			●							
Government/Public Policy/Regulatory		●					●				
HES Experience/Environmental						●	●			●	
Strategic Advising	●	●		●	●	●	●	●	●	●	●
Investment Banking					●				●		
Supply Chain		●					●				
Technology/IT/Cybersecurity		●					●	●		●	



ENHANCED RISK OVERSIGHT

# Enhanced Risk Oversight

As companies compete in a highly complex business and legal environment, prudent risk management is essential for sustainable operations and for creating durable shareholder returns. Callon has enhanced our risk oversight and risk management by integrating formal enterprise risk management processes involving our Board and management with our internal audit function. These ongoing, linked processes ensure we assess, identify, rank and mitigate the most material risks to Callon, and the Board and management regularly reassess the effectiveness of these processes.

The Callon management team has daily responsibility for assessing and managing material operational and financial risks to the Company, and our Board provides oversight of risk management as well as the Company's long-term strategic direction. We believe this provides assurance that risks we undertake are consistent with the Board's risk tolerance. This Board leadership structure, coupled with a high degree of interaction among our directors and senior leaders, facilitates the Board's oversight function and ensures information flow and communication throughout the year. While the full Board is ultimately responsible for risk oversight, each Board committee has primary risk oversight within its specific areas of responsibility.

For a comprehensive discussion of material risks Callon has identified, please refer to our [Form 10-K](#) for the fiscal year ended December 31, 2019.



**Enterprise Risk Management**

A practice governed by the Board and led by executive management, which focuses on both current and emerging risks which allows Callon to protect stakeholder interests by integrating targeted mitigation efforts into its corporate planning process.

PAY FOR PERFORMANCE

# Executive Compensation that Pays for Performance

Callon’s executive compensation program is designed to reward the management team for delivering results consistent with our long-term strategic objectives and to align with our shareholders’ interests. The Compensation Committee, which is made up entirely of independent directors, strives to evolve Callon’s compensation each year to reflect shifts in shareholder priority. Our compensation program is heavily weighted to “at-risk” compensation delivered through annual cash incentives and long-term equity-based incentive awards. The committee believes this approach provides incentives for our named executive officers (NEOs) to enhance shareholder value, successfully implement our business plan, and continuously improve corporate and individual performance.

We believe our compensation program incorporates many sound practices, such as substantial focus on performance-based pay, strong alignment with shareholder returns, peer group benchmarking of executive compensation and robust stock ownership guidelines for NEOs and directors. In addition, Callon has adopted a peer-leading clawback policy that establishes conditions under which the Committee may recoup previously paid compensation in the event of error, misconduct or certain other circumstances.

As a result of feedback received during ongoing shareholder engagements, the Compensation Committee has made important modifications to Callon’s incentive programs. For 2019, the committee instituted a formulaic approach for the Company’s annual incentive compensation program with

a 60/40 weighting of quantitative/qualitative factors that included shareholder priorities of corporate-level returns, capital efficiency, cash flow, balance sheet strength and ESG performance. For 2020, the committee added an absolute total shareholder return (TSR) modifier to the 2020 performance share unit grants that reduces outcomes if TSR is less than 5% over the performance period, creating a further tie to absolute shareholder returns.

In the second quarter of 2020, Callon took steps to recalibrate our compensation programs, including voluntary reductions by officers and directors, in response to the severe market disruption caused by the global outbreak of the COVID-19 virus and concurrent supply-related decisions by OPEC+ producers as described more fully in the [COVID Adaptation](#).

The Compensation Committee continues to review shareholder votes and feedback to ensure our executive compensation programs align with their interests. Additional details about Callon’s executive compensation program are available in our [2020 proxy statement](#).

>90%

Over 90% of votes cast were in favor of our executive compensation programs for the past 5 years

## Compensation Program Governance Practices

- ✓ Substantial focus on performance-based pay
- ✓ Strong alignment with shareholder returns through significant weighting on long-term incentives
- ✓ Review of peer group benchmarks when establishing compensation
- ✓ Robust stock ownership guidelines for our NEOs and directors
- ✓ Clawback policy applies in the event of error, fraud or misconduct
- ✓ Double-trigger change in control severance for both cash severance and equity vesting
- ✗ NO hedging or pledging of our stock
- ✗ NO employment agreements
- ✗ NO excessive benefits or perquisites
- ✗ NO single trigger change in control benefits

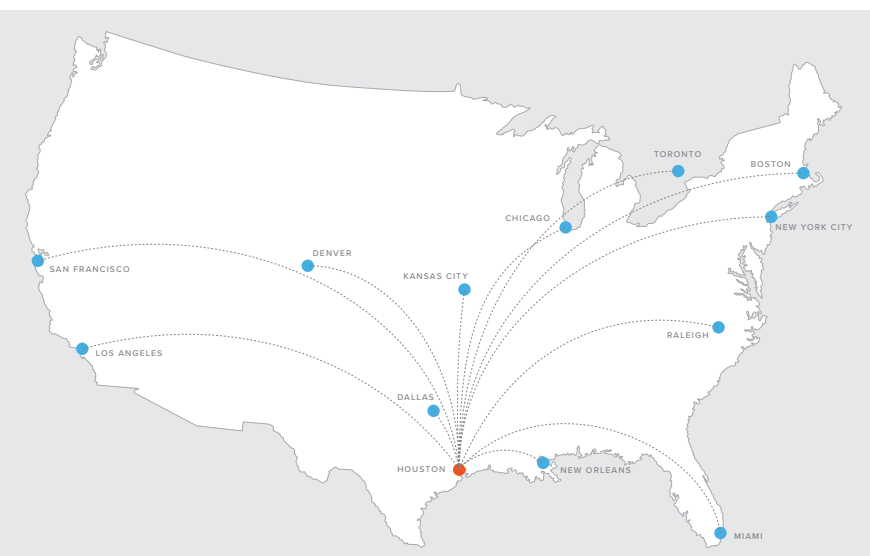
## SHAREHOLDER ENGAGEMENT

# Active Shareholder Engagement Practices

At Callon, we believe delivering value to our stakeholders requires alignment. Our governance structure and ongoing engagements with shareholders, employees and communities where we operate in 2019 helped position us to achieve our corporate goals.

In particular, shareholder engagement and feedback were critical to the successful close of our strategic combination with Carrizo in 2019. Callon's independent Board members met with holders representing 35% of shares outstanding to ensure we achieved a transaction that reflected shareholder interests. Management also showed diligence and willingness to engage with shareholders and met with over 80% of shareholders after the acquisition was announced.

We take shareholder feedback into consideration when planning our ESG activities. Based on consistent feedback from a majority of our investors, Callon has elected to use Sustainability Accounting Standards Board (SASB) standards to report our sustainability efforts and ESG performance. In addition, we have proactively hosted ESG-focused meetings with our largest shareholders and include outreach efforts to internal sustainability leaders at each of our prospective holders when contacting the relevant energy analysts and portfolio managers.



### 2019 SHAREHOLDER CONTACT

Frequent and ongoing shareholder communication and contact are important to Callon. In 2019, we targeted key investor markets across the United States and Canada, meeting with:

- Over 228 individual analysts and portfolio managers from 140 unique institutional investment firms
- Representing more than \$6 trillion in Equity Assets under Management

# 35%

Representatives of our Board met with holders representing 35% of our shares outstanding to ensure the Carrizo acquisition reflected shareholder interests.

# >80%

Management also showed diligence and willingness to engage with shareholders and met with over 80% of shareholders after the acquisition was announced.





ETHICS AND TRANSPARENCY

# Committed to Being a Responsible Corporate Citizen

Callon has built a strong foundation over our 70-year history as a trusted partner in business and in our communities. Our core value of integrity drives Callon to always strive to do the right thing by being open, honest, ethical, and genuine. We do what we say and are accountable for our actions.

Callon's integrity, reputation and success depend on the individual actions of our employees, directors and others acting on the Company's behalf. Our [Code of Business Conduct and Ethics](#) and related policies set out our expectation that team members maintain high ethical standards and comply with all applicable legal requirements when conducting Callon's business.

The Code covers topics ranging from conflicts of interest and equal employment opportunity to anti-harassment and compliance with applicable laws. The Code also explicitly prohibits directors, officers and employees from engaging in hedging transactions in Callon stock.

All employees are required to commit to the Code of Business Conduct annually, acknowledging their understanding of and compliance with its key policies, and we conduct annual Code training.

We encourage employees to bring any issues or concerns to their supervisor, human resources, the legal organization or a member of the leadership team. In addition, we have a toll-free ethics hotline available for anonymous, confidential reporting at 1-844-471-7637 and online at [callon.ethicspoint.com](http://callon.ethicspoint.com).

Callon does not permit any form of retribution or retaliation against any person who makes a good-faith report of known or suspected violations of the Code or suspected illegal or unethical conduct.

### POLITICAL ENGAGEMENT

Consistent with our Code of Business Conduct, Callon does not make corporate contributions to individual candidates or political committees supporting candidates in federal, state or local elections. We do not sponsor a political action committee, and we encourage employees to vote and support the candidates and parties of their choice. To communicate our views on legislative and regulatory matters affecting our operations and industry, we engage in the legislative and regulatory processes through various trade associations.



# 70+

For over 70 years, Callon has been a trusted partner in business and in the communities in which it operates.



Should any employee witness unethical practices or have concerns, an anonymous ethics forum can be reached online at [callon.ethicspoint.com](http://callon.ethicspoint.com) or by phone at 1-844-471-7637.

# Quantitative Results

In this section, we disclose quantitative information about our ESG performance that we believe is of value to our stakeholders. Based on investor feedback, we are using the Sustainability Accounting Standards Board (SASB) standards for Oil and Gas – Exploration & Production to report our results, including quantitative metrics and qualitative examples. This data represents the combined operated assets of Callon and Carrizo for the calendar year that ended on Dec. 31, 2019.

TOPIC	DEFINITION	UNIT OF MEASURE	2019	SASB METRIC
GREENHOUSE GAS EMISSIONS	Gross Scope 1 GHG Emissions	Metric tons CO <sub>2</sub> -e(t)	1,450,165	EM-EP-110a.1
	Gross Scope 1 GHG Intensity Rate	Metric tons CO <sub>2</sub> -e(t)/ production (MBOE)	27	EM-EP-110a.1
	Gross Scope 1 Methane Emissions as a percentage of GHG Emissions	Percentage (%)	28%	EM-EP-110a.1
	Percentage of Scope 1 GHG Emissions covered under emissions-limiting regulations	Percentage (%)	100%	EM-EP-110a.1
	Gross Scope 1 GHG emissions from flared hydrocarbons	Metric tons CO <sub>2</sub> -e	544,678	EM-EP-110a.2
	Gross Scope 1 GHG emissions from other combustion	Metric tons CO <sub>2</sub> -e	523,029	EM-EP-110a.2
	Gross Scope 1 GHG emissions from process emissions	Metric tons CO <sub>2</sub> -e	0	EM-EP-110a.2
	Gross Scope 1 GHG emissions from other vented emissions	Metric tons CO <sub>2</sub> -e	372,216	EM-EP-110a.2
	Gross Scope 1 GHG emissions from fugitive emissions	Metric tons CO <sub>2</sub> -e	10,242	EM-EP-110a.2
AIR QUALITY	Nitrogen Oxide (NO) Emissions	Metric tons (t)	7,567	EM-EP-120a.1
	Sulfur Dioxide (SO <sub>2</sub> ) Emissions	Metric tons (t)	103	EM-EP-120a.1
	Volatile Organic Compounds (VOCs) Emissions	Metric tons (t)	185,865	EM-EP-120a.1
	Particulate Matter (PM <sub>10</sub> ) Emissions	Metric tons (t)	26	EM-EP-120a.1



## SASB DISCLOSURE

TOPIC	DEFINITION	UNIT OF MEASURE	2019	SASB METRIC
WATER MANAGEMENT	Total fresh water withdrawn	Thousand Cubic Meters (m <sup>3</sup> )	5,010	EM-EP-140a.1
	Percentage of total fresh water withdrawn in regions with High or Extremely High Baseline Water Stress	Percentage (%)	34%	EM-EP-140a.1
	Total fresh water consumed	Thousand Cubic Meters (m <sup>3</sup> )	4,183	EM-EP-140a.1
	Percentage of fresh water consumed in regions with High or Extremely High Baseline Water Stress	Percentage (%)	36%	EM-EP-140a.1
	Total Volume of Non Fresh Water Withdrawn	Thousand Cubic Meters (m <sup>3</sup> )	2,741	Voluntary Disclosure
	Total Volume of Recycled Produced Water	Thousand Cubic Meters (m <sup>3</sup> )	1,484	Voluntary Disclosure
	Volume of produced water and flowback generated	Thousand Cubic Meters (m <sup>3</sup> )	15,854	EM-EP-140a.2
	Percentage of produced water and flowback discharged	Percentage (%)	0%	EM-EP-140a.2
	Percentage of produced water and flowback injected	Percentage (%)	83%	EM-EP-140a.2
	Percentage of produced water and flowback recycled	Percentage (%)	17%	EM-EP-140a.2
	Hydrocarbon content in discharged water	Metric tons (t)	0	EM-EP-140a.2
	Percentage of hydraulically fractured wells for which there is public disclosure of all fracturing fluid chemicals used	Percentage (%)	100%	EM-EP-140a.3
	% Produced Water on Pipe	Percentage (%)	>90%	Voluntary Disclosure





SASB DISCLOSURE

TOPIC	DEFINITION	UNIT OF MEASURE	2019	SASB METRIC
BIODIVERSITY IMPACTS	Aggregate volume of hydrocarbon spills to the environment	Barrels (bbls)	773	EM-EP-160a.2
	Number of produced water spills to the environment	Barrels (bbls)	49	EM-EP-160a.2
	Aggregate volume of produced water spills to the environment	Barrels (bbls)	12,494	EM-EP-160a.2
	Aggregate volume of hydrocarbon spills in the Arctic	Barrels (bbls)	0	EM-EP-160a.2
	Aggregate volume of hydrocarbon spills impacting shorelines with ESI rankings 8-10	Barrels (bbls)	0	EM-EP-160a.2
	Aggregate volume of hydrocarbon recovered from the environment	Barrels (bbls)	614	EM-EP-160a.2
	Aggregate volume of produced water recovered from the environment	Barrels (bbls)	6,707	EM-EP-160a.2
	Total Fluids Spill Rate	Barrels of total fluids spilled/million barrels produced	115	Voluntary Disclosure
	Percentage of proved reserves in or near sites with protected conservation status or endangered species habitat	Percentage (%)	0%	EM-EP-160a.3
	Percentage of probable reserves in or near sites with protected conservation status or endangered species habitat	Percentage (%)	0%	EM-EP-160a.3
WORKFORCE HEALTH & SAFETY	Total recordable incident rate (TRIR)	Number of work-related injuries and illnesses per 200,000 workhours	0.60	EM-EP-320a.1
	Fatality Rate	Rate	0	EM-EP-320a.1
	Near miss frequency rate (NMFR)	Rate	0.65	EM-EP-320a.1
	Average hours of health, safety, and emergency response training for full-time field and contract employees	Hours (h)	18	EM-EP-320a.1
	Average hours of health, safety, and emergency response training for short-service employees	Hours (h)	37	EM-EP-320a.1



## SASB DISCLOSURE

TOPIC	DEFINITION	UNIT OF MEASURE	2019	SASB METRIC
RESERVES VALUATION & CAPITAL EXPENDITURES	Estimated carbon dioxide emissions embedded in proved hydrocarbon reserves	Metric tons (t) CO <sub>2</sub> -e	61,238,606	EM-EP-420a.2
	Amount invested in renewable energy, revenue generated by renewable energy sales	Reporting Currency	273,750	EM-EP-420a3
BUSINESS ETHICS & TRANSPARENCY	Percentage of (1) proved and (2) probable reserves in countries that have the 20 lowest rankings in Transparency International's Corruption Perception Index	Percentage (%)	0%	EM-EP-510a.1
SECURITY, HUMAN RIGHTS & RIGHTS OF INDIGENOUS PEOPLES	Percentage of (1) proved and (2) probable reserves in or near areas of conflict	Percentage (%)	0%	EM-EP-210a.1
	Percentage of (1) proved and (2) probable reserves in or near indigenous land	Percentage (%)	0%	EM-EP-210a.2
COMMUNITY RELATIONS	Number and duration of non-technical delays	Number, Days	0	EM-EP-210b.2
WORKFORCE*	Total Permanent, Full-Time Employees	Number	337	Voluntary Disclosure
	Women, as a % of Workforce	Percentage (%)	20%	Voluntary Disclosure
	Minorities, as a % of Workforce	Percentage (%)	35%	Voluntary Disclosure
	Percent of Workforce represented by Union	Percentage (%)	0%	Voluntary Disclosure

\*Workforce statistics reflect Callon's post-merger full-time, permanent workforce as of January 10, 2020.



## Forward-Looking Statements

This report, as well as related statements on our website, contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements include all statements regarding projections, future estimates, plans, expectations and other forward-looking statements, including information about sustainability, environmental, health and safety goals, plans policies, programs and initiatives, anticipated returns and financial position, and the implementation of the Company's business plans and strategy, as well as statements including the words "believe," "expect," "may," "will," "forecast," "outlook," "plans" and words of similar meaning. These statements reflect the Company's current views with respect to future events and financial performance based on management's experience and perception of historical trends, current conditions, anticipated future developments and other factors

believed to be appropriate. No assurances can be given, however, as of this date, that these events will occur or that these projections will be achieved, and actual results could differ materially from those projected as a result of certain factors. Any forward-looking statement speaks only as of the date of 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. Some of the factors which could affect our future results and could cause results to differ materially from those expressed in our forward-looking statements include the volatility of oil, natural gas and natural gas liquids ("NGLs") prices or a prolonged period of low oil, natural gas or NGLs prices and the effects of actions by, or disputes among or between significant oil and natural gas producing countries, general economic conditions, including the

availability of credit and access to existing lines of credit; the effects of excess supply of oil and natural gas resulting from reduced demand caused by the COVID-19 pandemic and the actions of certain oil and natural gas producing countries; our ability to drill and complete wells; operational, regulatory and environment risks; cost and availability of equipment and labor; our ability to finance our activities; the ultimate timing, outcome and results of integrating the operations of Carrizo Oil & Gas, Inc. and Callon; and the ability of the combined company to realize anticipated synergies and other benefits in the timeframe expected or at all; and other risks more fully discussed in our filings with the Securities and Exchange Commission (the "SEC"), including our most recent Annual Report on Form 10-K and Quarterly Report on Form 10-Q and subsequent Quarterly Reports on Form 10-Q, available on our website or the SEC's website at [www.sec.gov](http://www.sec.gov).